

UMPQUA HOLDINGS CORPORATION

1st Quarter 2018 Earnings Conference Call Presentation

April 19, 2018



Forward-looking Statements

This presentation includes forward-looking statements within the meaning of the “Safe-Harbor” provisions of the Private Securities Litigation Reform Act of 1995, which management believes are a benefit to shareholders. These statements are necessarily subject to risk and uncertainty and actual results could differ materially due to various risk factors, including those set forth from time to time in our filings with the SEC. You should not place undue reliance on forward-looking statements and we undertake no obligation to update any such statements. In this presentation we make forward-looking statements about corporate initiatives, the credit discount accretion related to loans acquired from Sterling, store consolidations and facilities optimization and related costs and savings, and indirect auto wind down. Risks that could cause results to differ from forward-looking statements we make are set forth in our filings with the SEC and include, without limitation, prolonged low interest rate environment; the effect of interest rate increases on the cost of deposits; unanticipated weakness in loan demand or loan pricing; deterioration in the economy; lack of strategic growth opportunities or our failure to execute on those opportunities; our inability to effectively manage problem credits; our inability to successfully implement efficiency initiatives; our ability to successfully develop and market new products and technology; and changes in laws or regulations.

Q1 2018 Highlights (compared to Q4 2017)

- Net earnings available to common shareholders of \$77.7 million, or \$0.35 per diluted common share
- Net interest income increased by \$2.6 million, or 1%, driven primarily by growth in loans and leases and an 8 basis point increase in net interest margin
- Provision for loan and lease losses increased by \$0.7 million, driven primarily by continued loan growth and higher net charge-offs, which increased by one basis point to 0.26% of average loans and leases (annualized)
- Non-interest income increased by \$8.1 million, driven primarily by the change in accounting for subordinated debentures carried at fair value, partially offset by lower mortgage banking revenue and lower gains on portfolio loan sales
- Non-interest expense decreased by \$6.7 million, driven primarily by lower salaries and benefits expense, partially offset by a linked quarter increase in FDIC assessment expense related to one-time credits recorded in the prior quarter
- Provision for income taxes increased by \$20.9 million, reflecting the net benefit received in the fourth quarter of 2017 related to the revaluation of the net deferred tax liability, partially offset by a lower corporate tax rate, both attributable to the Tax Cuts and Jobs Act ("Tax Act")
- Gross loan and lease growth of \$234.4 million, or 5% annualized, and deposit growth of \$158.6 million, or 3% annualized
- Non-performing assets to total assets decreased by four basis points to 0.33%
- Estimated total risk-based capital ratio of 14.0% and estimated Tier 1 common to risk weighted assets ratio of 11.0%
- Increased the quarterly cash dividend by 11.1% to \$0.20 per common share

Umpqua Next Gen: Operational Excellence Update

Operational and Back Office Efficiency Review

- ❑ Engaged The Boston Consulting Group to help identify and implement
- ❑ Focused on non-customer facing areas
- ❑ Initial diagnostic review completed during Q1 2018
- ❑ Individual workstreams identified, several underway
- ❑ Stronger financial performance and improved profitability
- ❑ Better customer experience

Financial Targets

Workstreams

• Phase I

- Identified \$18 - \$24 million in annual run-rate savings, or 6% - 8% ⁽¹⁾
- \$12 - \$16 million annual run-rate savings achieved by Q4 2018
- 100% run-rate savings achieved by mid-2019
- \$5 - \$6 million in charges (severance, professional fees) during both Q2 2018 and Q3 2018
- Phase I **additive** to 2020 ROATCE goals⁽²⁾ by 50 basis points

• Phase I

- Organizational simplification and design
- Procurement

• Phase II

- Additional \$6 - \$12 million in annual run-rate savings, or 2% - 4%⁽¹⁾
- Run-rate savings achieved by end of 2019
- Additional costs to be achieved to be determined

• Phase II

- Real-estate optimization
- Technology simplification
- End-to-end customer journey redesign

4 (1) Percentage savings calculated off of \$300 million in back-office and operations expense base.
(2) ROATCE goals of 14.5% in "flat rate" scenario and 17.0% in "moderately increasing" rate scenario, as presented in the 4Q 2017 earnings call slide presentation on January 24, 2018.

Selected Ratios

		For the quarter ended				
		Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Performance	Return on average assets	1.23%	1.27%	0.96%	0.92%	0.75%
	Return on average tangible assets	1.32%	1.36%	1.04%	0.99%	0.81%
	Return on average common equity	7.84%	8.12%	6.10%	5.76%	4.74%
	Return on average tangible common equity	14.30%	14.90%	11.23%	10.67%	8.83%
	Efficiency ratio - consolidated	61.56%	65.99%	63.43%	64.71%	68.15%
	Net interest margin - consolidated	3.96%	3.88%	3.94%	3.91%	3.85%
Credit Quality	Non-performing loans and leases to loans and leases	0.37%	0.43%	0.39%	0.29%	0.29%
	Non-performing assets to total assets	0.33%	0.37%	0.30%	0.23%	0.24%
	Net charge-offs to average loans and leases (annualized)	0.26%	0.25%	0.20%	0.22%	0.22%
Capital	Tangible common equity to tangible assets ⁽¹⁾	9.13%	9.18%	9.07%	9.12%	9.15%
	Tier 1 common to risk-weighted asset ratio ⁽²⁾	11.0%	11.1%	11.1%	11.2%	11.3%
	Total risk-based capital ratio ⁽²⁾	14.0%	14.1%	14.2%	14.3%	14.5%

> ⁽¹⁾ Non-GAAP financial measure. A reconciliation to the comparable GAAP measurement is provided at the end of this slide presentation.

> ⁽²⁾ Capital ratio estimated for current quarter, pending completion and filing of regulatory reports.

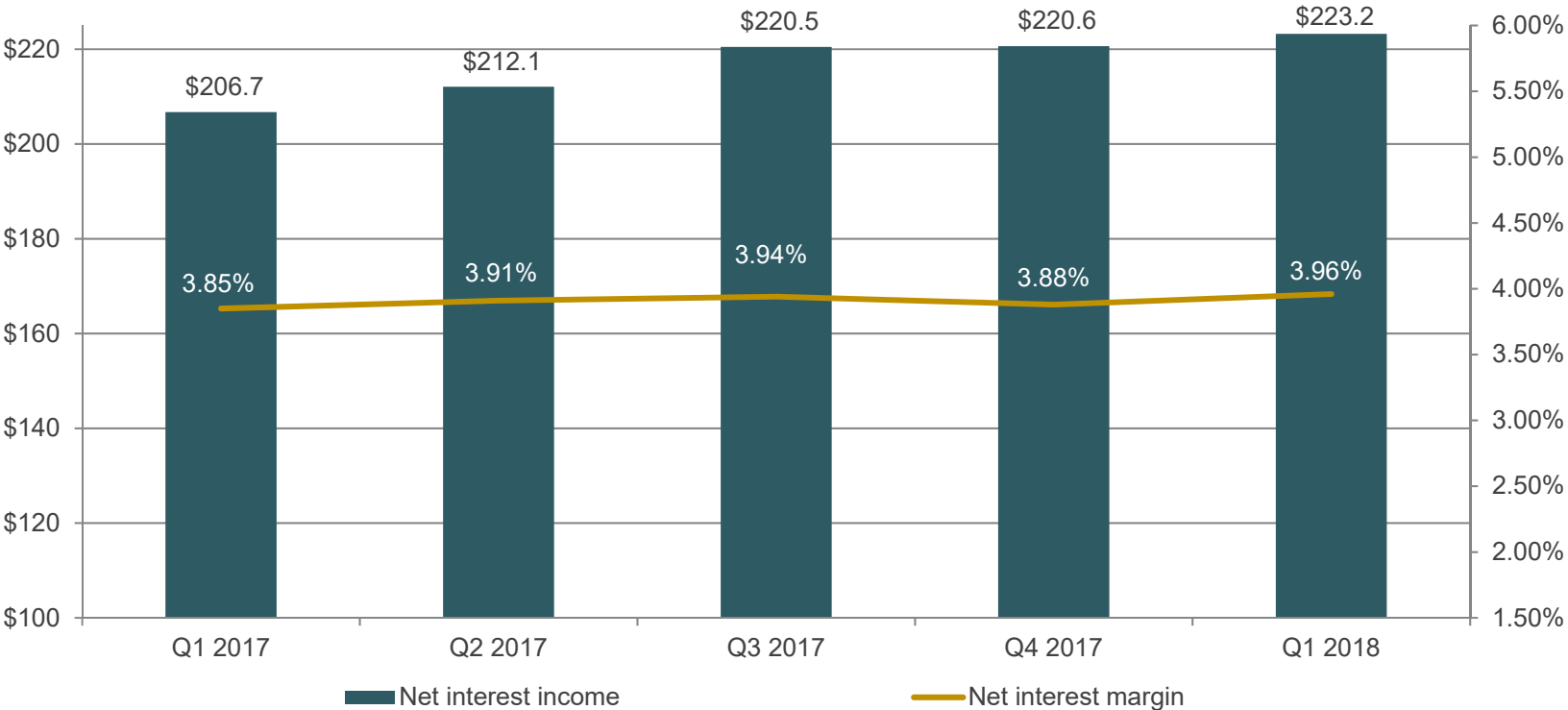
Summary Income Statement

(\$ in millions except per share data)	Quarter ended		
	Q1 2018	Q4 2017	Q1 2017
Net interest income before provision	\$ 223.2	\$ 220.6	\$ 206.7
Provision for loan and lease losses	13.7	12.9	11.7
Net interest income after provision	209.6	207.7	195.1
Non-interest income	78.6	70.5	60.2
Non-interest expense	186.1	192.8	182.7
Income before provision for income taxes	102.0	85.4	72.6
Provision for income taxes	24.4	3.5	26.6
Net income	77.7	81.9	46.0
Dividends and undistributed earnings allocated to participating securities	0.0	0.0	0.0
Net earnings available to common shareholders	\$ 77.7	\$ 81.9	\$ 46.0
Earnings per share - diluted	\$0.35	\$0.37	\$0.21

> Note: tables may not foot due to rounding.

Net Interest Income and Margin

(in millions)



Adjusted NIM ⁽¹⁾	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
	3.71%	3.78%	3.78%	3.79%	3.87%

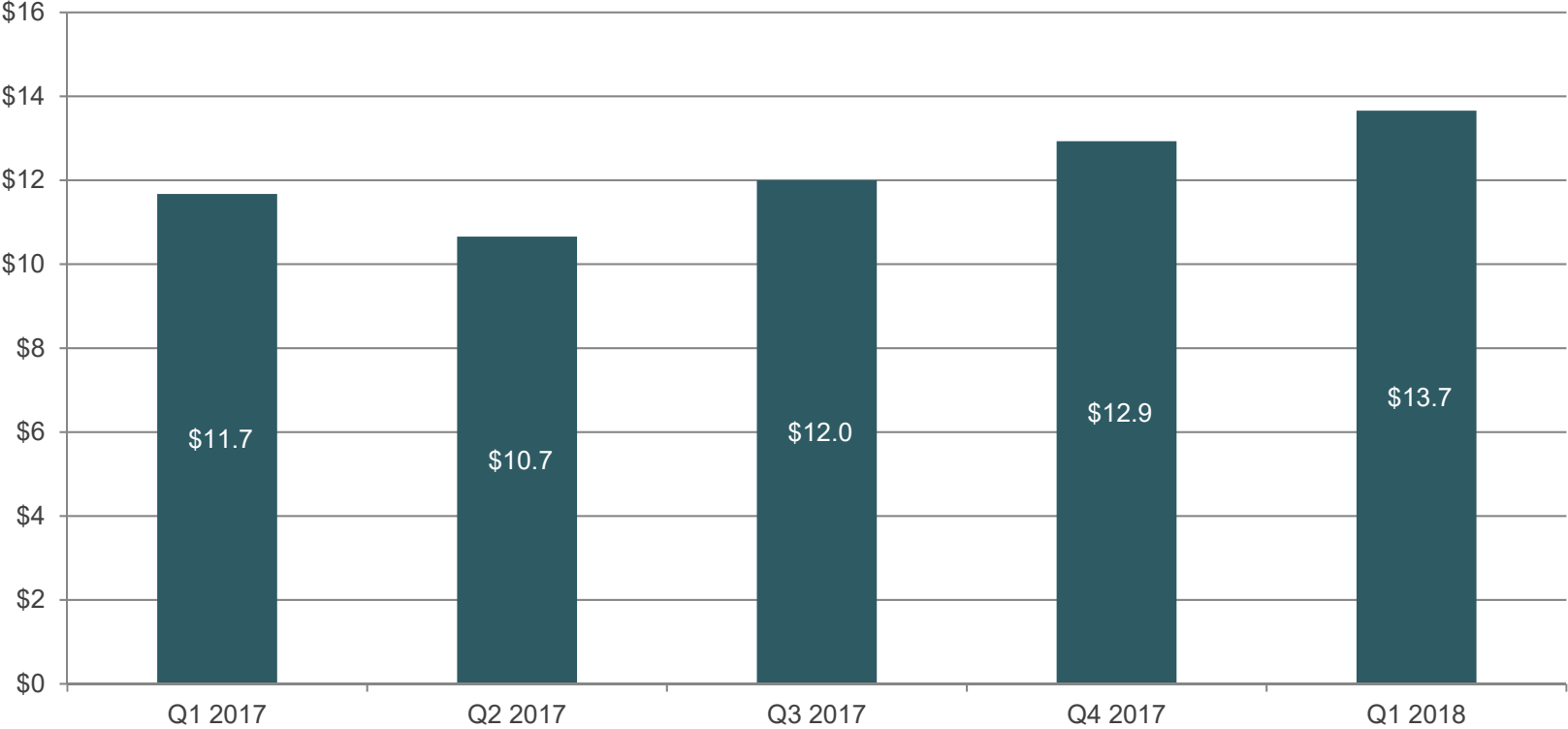
> ⁽¹⁾ Net interest margin, excluding interest income related to credit discount from Sterling deal and related to 310-30 covered loan PIFs



Provision for Loan and Lease Losses

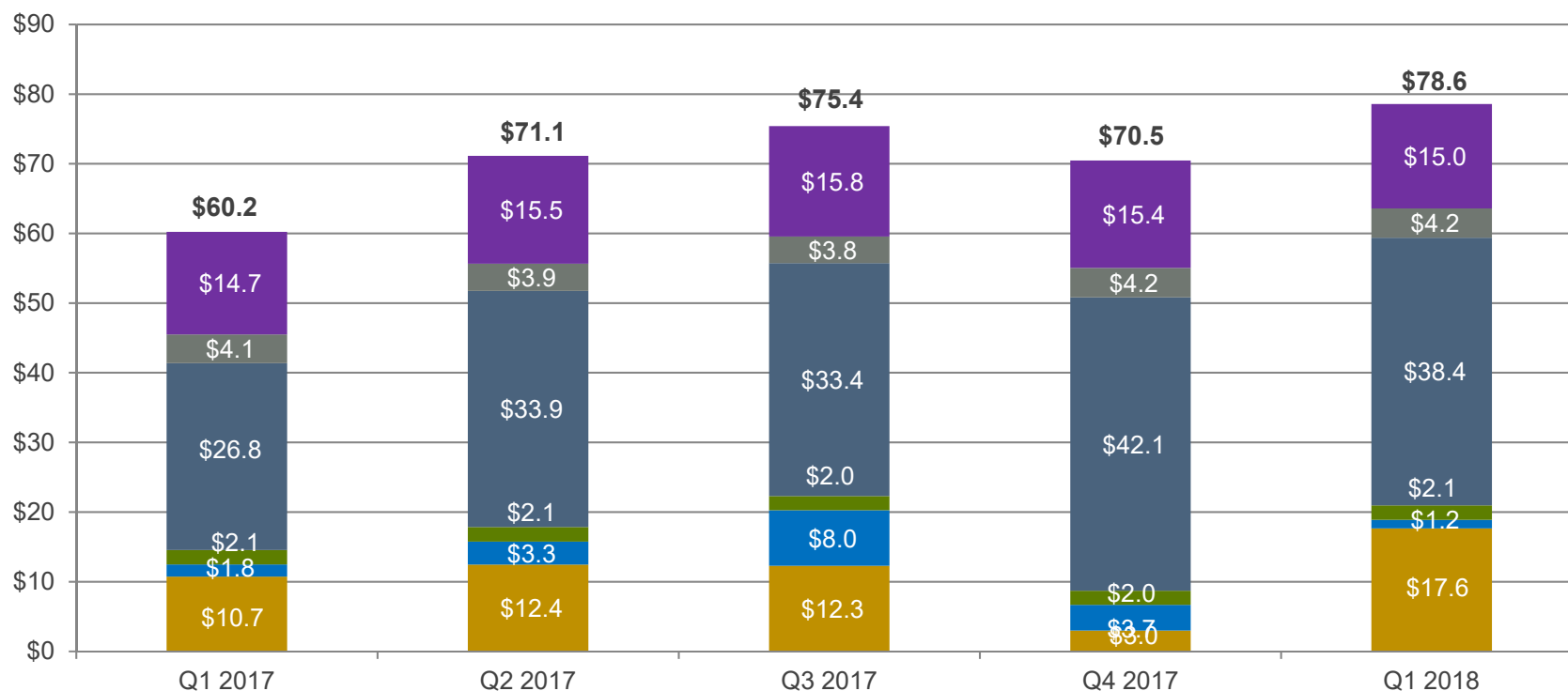
(in millions)

Provision for Loan and Lease Losses



Non-interest Income

(in millions)



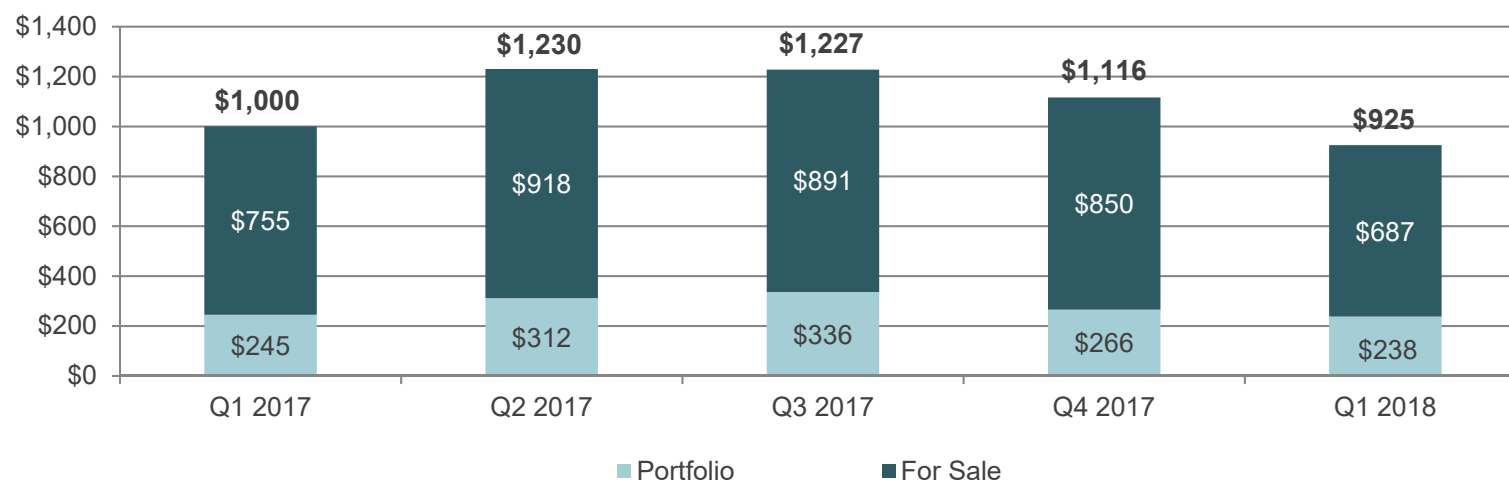
■ Other (1) ■ Gain on loan sales ■ BOLI income ■ Residential mortgage banking revenue, net ■ Brokerage revenue ■ Service charges

> (1) Includes other income, gains or losses on investment securities and losses on junior subordinated debentures carried at fair value.
 > Note: tables may not foot due to rounding.

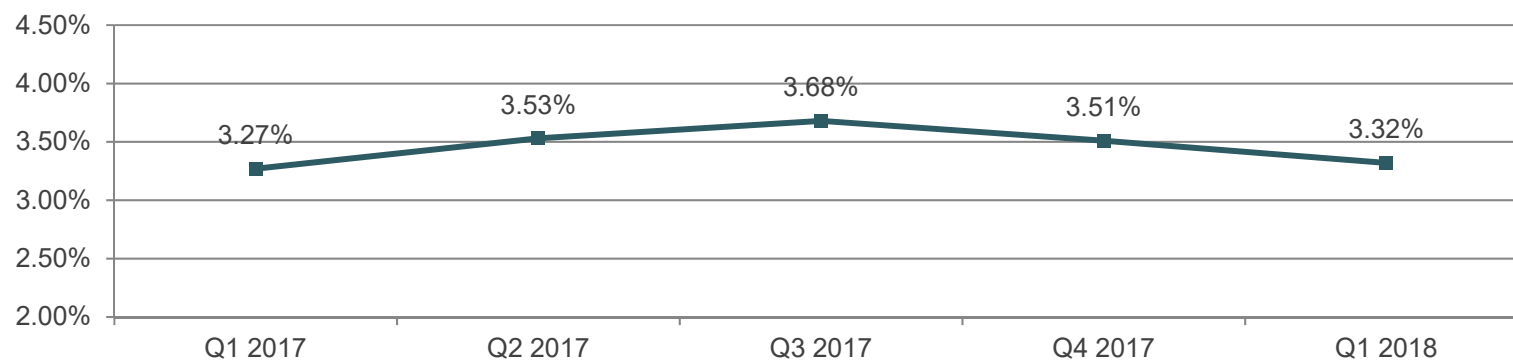
Mortgage Banking

(in millions)

Closed mortgage volume



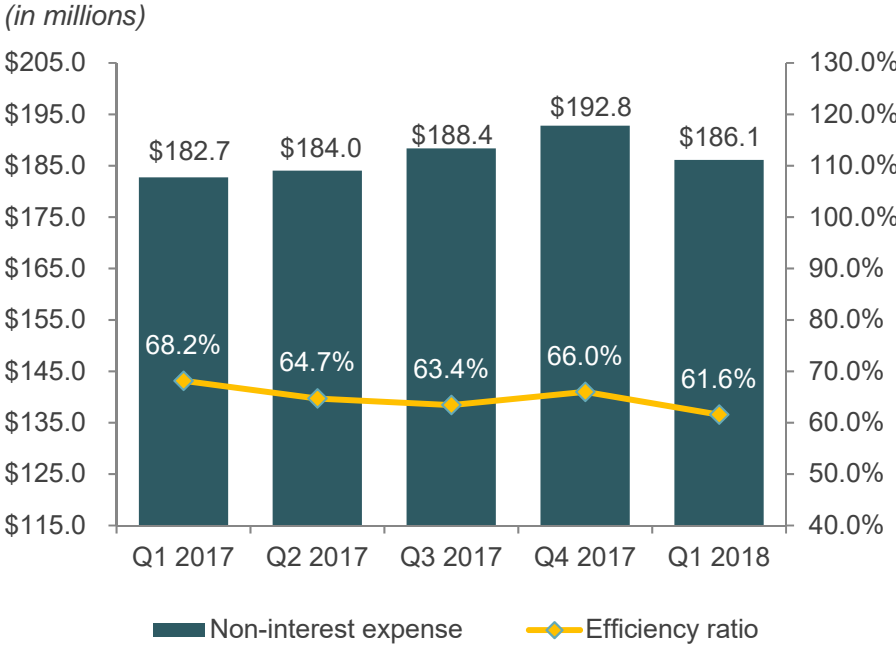
Gain on sale margin



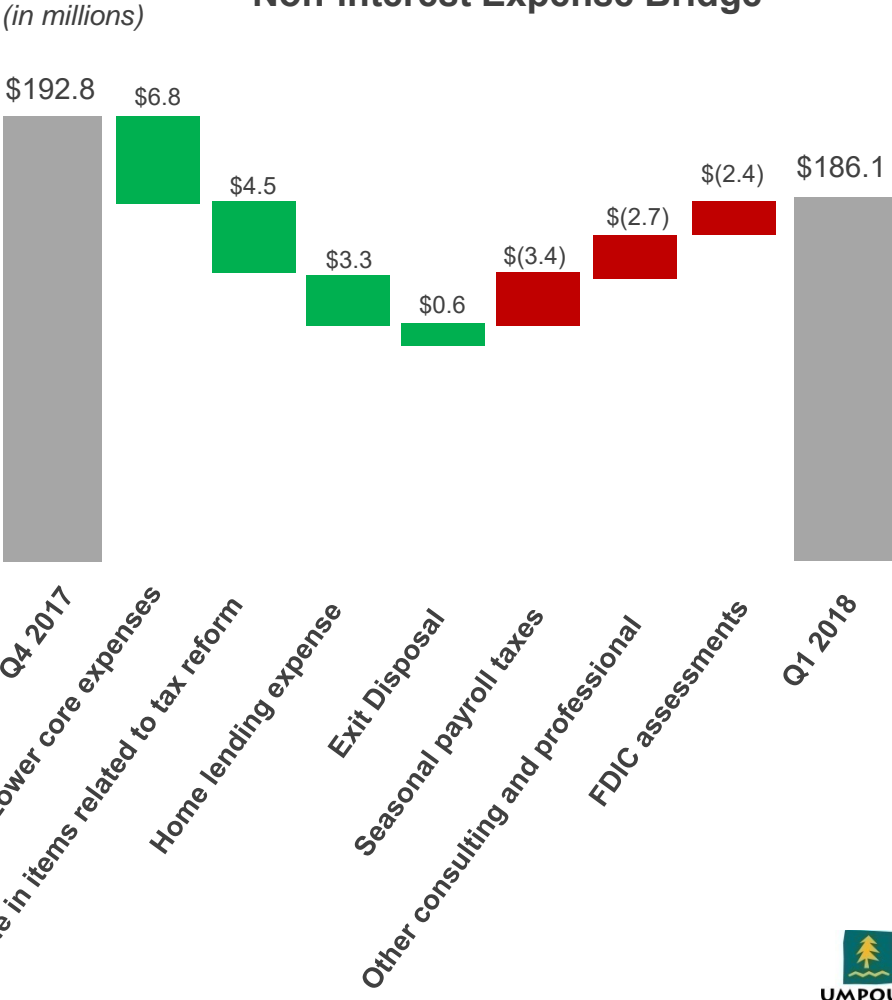
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Non-interest Expense

Non-interest Expense and Efficiency Ratio



Non-interest Expense Bridge



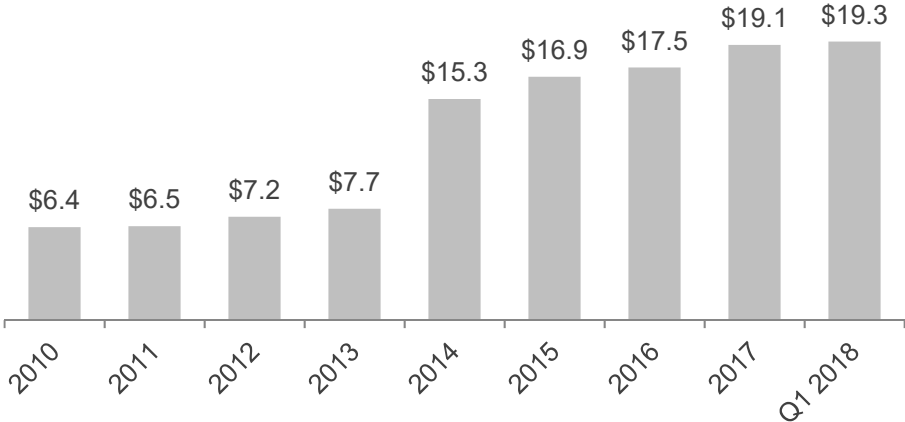
Selected Balance Sheet

<i>(\$ in millions)</i>	Q1 2018	Q4 2017	Q1 2017
Total assets	\$ 25,875.6	\$ 25,741.4	\$ 24,861.5
Interest bearing cash and temporary investments	264.5	303.4	422.0
Investment securities available for sale, fair value	2,998.3	3,065.8	3,243.4
Loans and leases, gross	19,314.6	19,080.2	17,829.6
Allowance for loan and lease losses	(141.9)	(140.6)	(136.3)
Goodwill and other intangibles, net	1,816.2	1,817.8	1,822.8
Deposits	20,106.9	19,948.3	19,167.3
Securities sold under agreements to repurchase	292.0	294.3	304.3
Term debt	801.9	802.4	852.3
Total shareholders' equity	4,013.9	4,014.8	3,931.2
<u>Ratios:</u>			
Loan to deposit ratio	96.1%	95.6%	93.0%
Book value per common share	\$18.21	\$18.24	\$17.84
Tangible book value per common share ⁽¹⁾	\$9.97	\$9.98	\$9.57
Tangible common equity to tangible assets ⁽¹⁾	9.13%	9.18%	9.15%

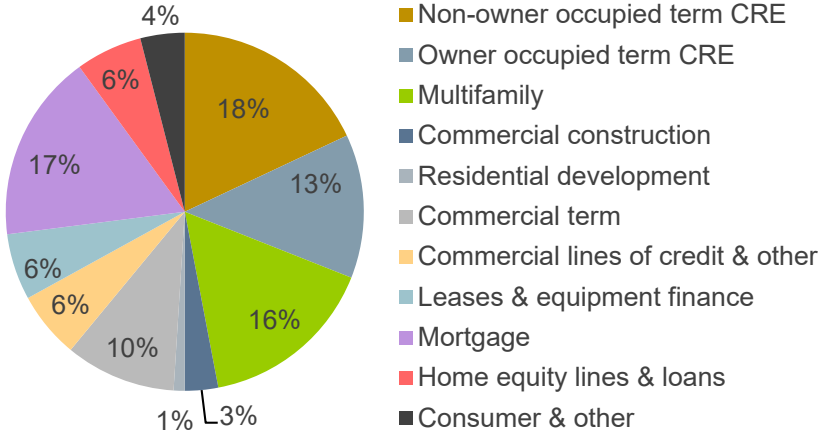
Loan and Deposit Growth

(in billions)

Loans and Leases (Gross)

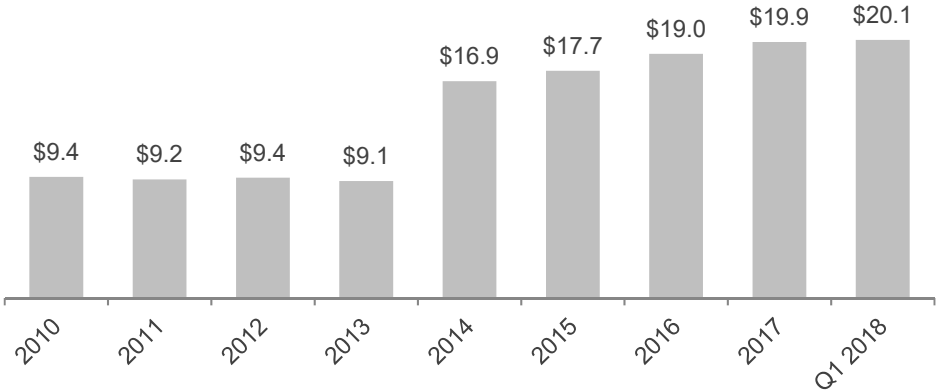


As of Mar 31, 2018

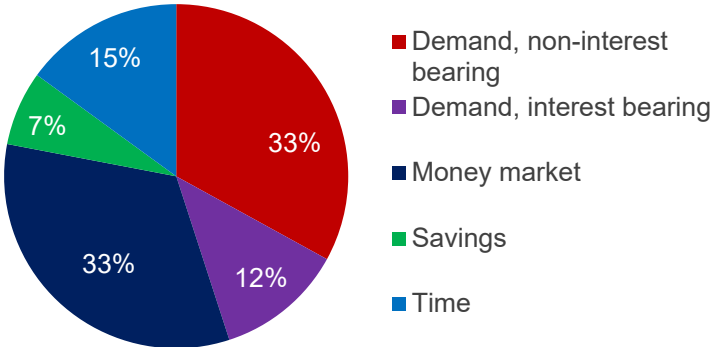


(in billions)

Total Deposits

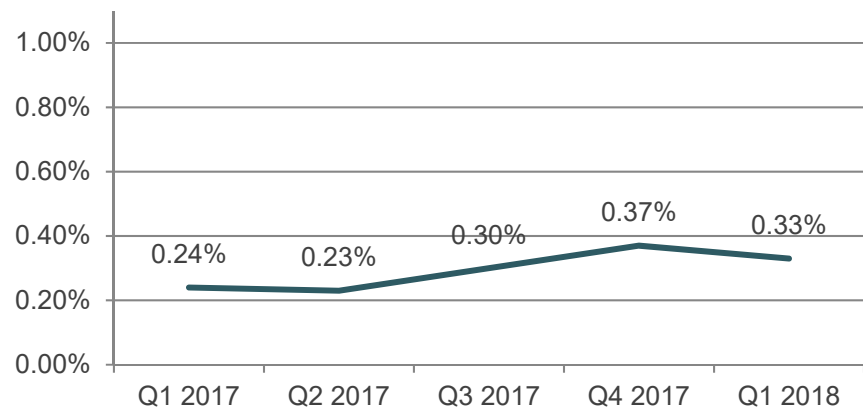


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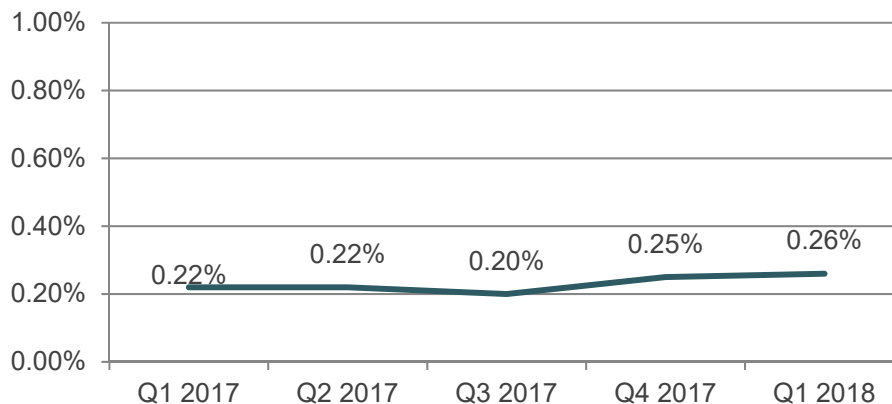


Credit Quality

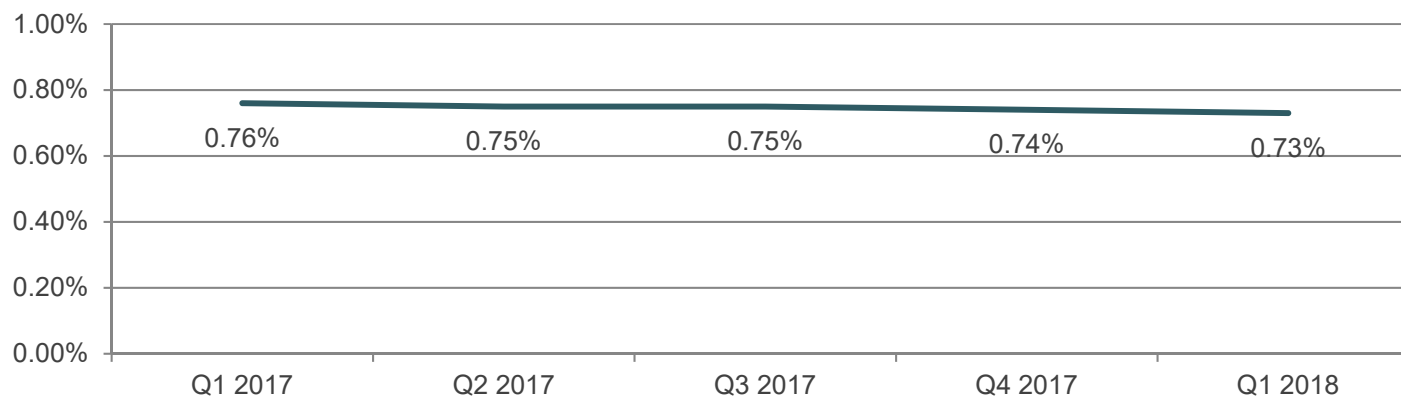
Non-performing assets to total assets



Net charge-offs to average loans and leases (annualized)

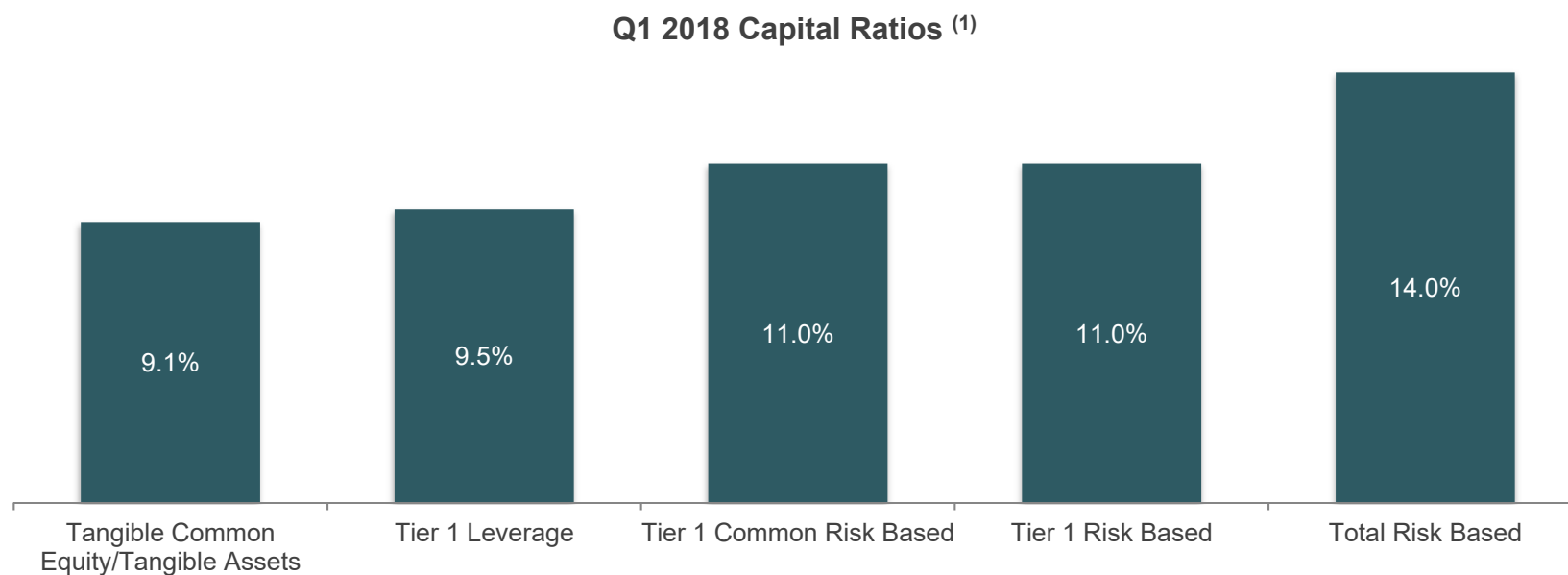


Allowance for loan and lease losses to loans and leases



Prudent Capital Management

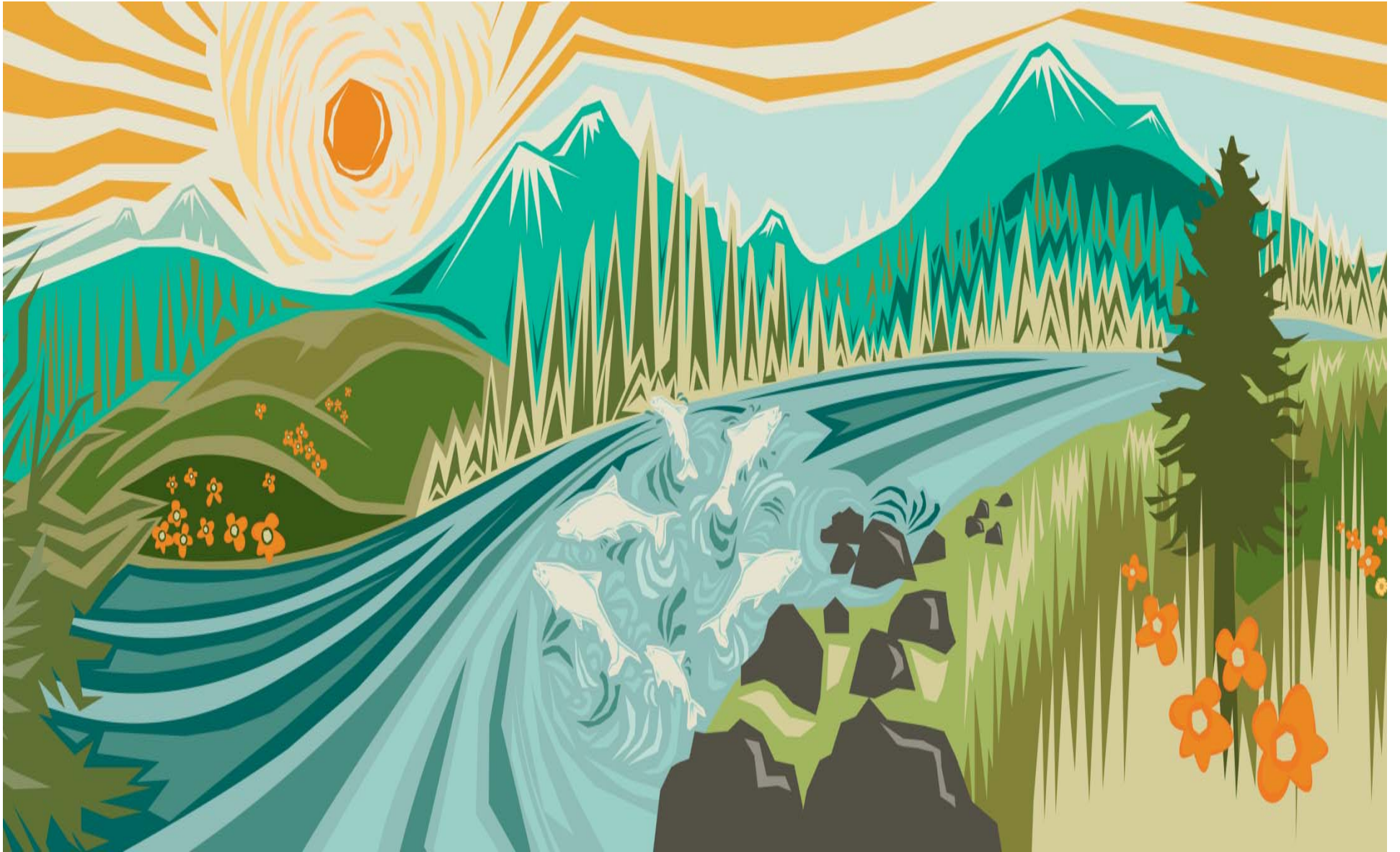
- > All regulatory capital ratios remained in excess of well-capitalized and internal policy limits
- > Focused on prudently managing capital
 - Quarterly dividend of \$0.20 per share, ~3.7% current dividend yield
 - Q1 total payout ratio of 57%



Appendix – Non-GAAP Reconciliation

Non-GAAP Reconciliation – Tangible Book Value

<i>(In thousands, except per share data)</i>	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Total shareholders' equity	\$ 4,013,882	\$ 4,014,786	\$ 3,985,260	\$ 3,958,845	\$ 3,931,150
Subtract:					
Goodwill	1,787,651	1,787,651	1,787,651	1,787,651	1,787,651
Other intangible assets, net	28,589	30,130	31,819	33,508	35,197
Tangible common shareholders' equity	\$ 2,197,642	\$ 2,197,005	\$ 2,165,790	\$ 2,137,686	\$ 2,108,302
Total assets	\$ 25,875,643	\$ 25,741,439	\$ 25,695,663	\$ 25,257,784	\$ 24,861,458
Subtract:					
Goodwill	1,787,651	1,787,651	1,787,651	1,787,651	1,787,651
Other intangible assets, net	28,589	30,130	31,819	33,508	35,197
Tangible assets	\$ 24,059,403	\$ 23,923,658	\$ 23,876,193	\$ 23,436,625	\$ 23,038,610
Common shares outstanding at period end	220,461	220,149	220,225	220,205	220,349
Total shareholders' equity to total assets ratio	15.51%	15.60%	15.51%	15.67%	15.81%
Tangible common equity ratio	9.13%	9.18%	9.07%	9.12%	9.15%
Book value per common share	\$ 18.21	\$ 18.24	\$ 18.10	\$ 17.98	\$ 17.84
Tangible book value per common share	\$ 9.97	\$ 9.98	\$ 9.83	\$ 9.71	\$ 9.57



Thank you

