

UMPQUA HOLDINGS CORP
Form 8-K
January 27, 2005

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

Date of Report: January 27, 2005
(Date of earliest event reported)

Umpqua Holdings Corporation
(Exact Name of Registrant as Specified in Its Charter)

OREGON
(State or Other Jurisdiction of
Incorporation or Organization)

000-25597
(Commission File
Number)

93-1261319
(I.R.S. Employer
Identification Number)

**200 SW Market Street, Suite 1900
Portland, Oregon 97201**
(address of Principal Executive Offices)(Zip Code)

(503) 546-2491
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On January 27, 2005, Umpqua Holdings Corporation issued a press release announcing financial results for the fourth quarter and year end 2004. A copy of the press release is attached as Exhibit 99.1. Attached as Exhibit 99.2 is a Statistical Supplement that the Company provides to shareholders and others who request

additional financial and statistical information not included in the press release. This information is being furnished to satisfy Regulation FD, but is not deemed filed under the Securities Exchange Act of 1934.

Item 9.01 Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Exhibits.
 - (99.1) Press Release with Quarterly Earnings
 - (99.2) Statistical Supplement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this reported to be signed on its behalf of the undersigned hereunto duly authorized.

UMPQUA HOLDINGS CORPORATION
(Registrant)

Dated: January 27, 2005 By: /s/ Kenneth E. Roberts
Kenneth E. Roberts
Assistant Secretary

Exhibit 99.1

FOR IMMEDIATE RELEASE

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**UMPQUA HOLDINGS REPORTS STRONG FOURTH QUARTER AND FULL YEAR
2004 RESULTS**

Humboldt Conversion Complete, Organic Loan Growth of 20%

PORTLAND, Ore. - January 27, 2005 - Umpqua Holdings Corporation (NASDAQ: UMPQ), parent company of Umpqua Bank and Strand, Atkinson, Williams & York, Inc., today announced fourth quarter 2004 net income of \$16.3 million, or \$0.36 per diluted share, compared to \$8.6 million, or \$0.30 per diluted share, for the fourth quarter of 2003. For the year ended December 31, 2004, net income was \$47.2 million, or \$1.30 per diluted share compared to \$34.1 million, or \$1.19 per diluted share for the year ended 2003. These results reflect earnings per share growth of 20% for the fourth quarter of 2004 compared to the same period a year ago and 9% on an annual basis.

The Company recognized merger-related expenses, net of tax, of \$1.7 million, or \$0.04 per diluted share, for the fourth quarter of 2004. For the year, merger-related expenses, net of tax, were \$3.6 million, or \$0.10 per diluted share, compared to \$1.3 million, or \$0.05 per diluted share, for 2003.

Excluding merger-related expenses, the Company reported income of \$18.0 million, or \$0.40 per diluted share for the fourth quarter of 2004, compared to \$8.6 million, or \$0.30 per diluted share for the fourth quarter of 2003, an increase of 33% on a per share basis. For the year 2004, excluding merger-related expenses, the Company reported income of \$50.7 million, or \$1.40 per diluted share, compared to \$35.5 million, or \$1.24 per diluted share for 2003, an increase of 13% on a per share basis.

As previously announced, the Company completed the sale of its merchant card processing portfolio during December 2004. In accordance with generally accepted accounting principles, the financial results related to the merchant card processing operations, including the gain on sale, have been classified as a discontinued operation, net of tax. For the fourth quarter of 2004, the Company reported income from discontinued operations of \$3.5 million, or \$0.08 per diluted share, inclusive of the after-tax gain on sale of \$3.4 million. For the year ended December 31,

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2004, the Company reported income from discontinued operations of \$3.9 million, or \$0.11 per diluted share and income from continuing operations of \$43.3 million, or \$1.19 per diluted share.

Umpqua Bank's net interest margin increased to 5.05% for the month of December 2004, principally resulting from the recent increases in short-term market interest rates. Umpqua Bank's net interest margin was 4.96% for the fourth quarter of 2004, compared to 4.93% for the third quarter of 2004. For the full year 2004, Umpqua Bank's net interest margin was 4.88%, compared to 5.01% for 2003.

The provision for loan loss was \$3.7 million, or 0.43% of average loans on an annualized basis, for the fourth quarter of 2004, as compared to \$1.1 million, or 0.22% of average loans on an annualized basis, for the same period in 2003. For the full year 2004, the provision for loan loss was \$7.3 million, or 0.27% of average loans, compared to \$4.6 million, or 0.24% of average loans, for 2003. Net charge-offs were \$2.8 million, or 0.33% of average loans on an annualized basis, for the fourth quarter of 2004, compared to \$1.0 million, or 0.21% of average loans on an annualized basis, for the same period in 2003. For the full year 2004, net charge-offs were \$4.5 million, or 0.17% of average loans, compared to \$3.9 million, or 0.21% of average loans, for 2003. Non-performing assets were 0.48% of total assets at December 31, 2004, down ten basis points from September 30, 2004 and one basis point higher than a year ago. The linked quarter improvement in asset quality is principally attributable to successful resolution of several problem loans and the increased level of gross charge-offs recognized during the quarter. The allowance for credit losses as a percentage of total loans at December 31, 2004 was 1.31%, an increase of four basis points from year-end 2003.

"The past year's accomplishments were significant and made 2004 a watershed year for Umpqua Holdings" said Ray Davis, President and Chief Executive Officer of Umpqua Holdings Corporation. "In addition to producing record operating results, maintaining exceptional credit quality and producing double-digit organic loan and deposit growth, we achieved our goal of expanding into the high-growth markets of Northern California. We are entering 2005 well positioned to continue building shareholder value through delivering the most unique customer experience in the banking industry," Davis added.

Umpqua Bank, Umpqua Holdings' largest subsidiary, reported an efficiency ratio before merger-related expenses of 48.4% for the fourth quarter of 2004, compared to 55.4% for the previous quarter and 56.9% for the same quarter one year ago. Excluding the gain on sale of the merchant card processing portfolio and merger related expense, Umpqua Bank's efficiency ratio for the fourth quarter of 2004 was 52.8% .

Total consolidated assets of Umpqua Holdings as of December 31, 2004 were \$4.9 billion, compared to \$3.0 billion at December 31, 2003. Total gross loans and deposits were \$3.5 billion and \$3.8 billion, respectively, as of December 31, 2004, compared to \$2.0 billion and \$2.4 billion, respectively, as of September 30, 2004.

Total organic growth for the year in loans and deposits was \$408 million, or 20%, and \$229 million, or 10%, respectively. Organic growth is defined as growth excluding the increase related to acquisitions on the Company's balance sheet, with all growth subsequent to the

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acquisition date included as organic. The following table presents the full year 2004 annualized organic growth rates, excluding the impact of acquisitions:

| | <u>Dec 31, 2004</u> | <u>July 2004</u> <u>Acquired</u> <u>Growth</u> | <u>Dec 31, 2003</u> | <u>Organic</u> <u>Growth</u> <u>Rate</u> |
|------------------------|---------------------|--|---------------------|--|
| (Dollars in thousands) | | | | |
| Loans | \$3,470,961 | \$1,059,295 | \$2,003,587 | 20% |
| Deposits | \$3,799,107 | \$1,192,058 | \$2,378,192 | 10% |
| Assets | \$4,879,968 | \$1,645,908 | \$2,963,815 | 9% |

The Company acquired approximately \$65 million of brokered time deposits as part of the Humboldt Bancorp acquisition. During the fourth quarter of 2004, approximately \$55 million of these deposits matured without a marketed renewal. Excluding this planned run-off, the organic growth rate in deposits for the year would have been 12%.

At December 31, 2004 total shareholders equity was \$688 million, and tangible book value per share was \$6.31.

The Company completed the system integration of the Humboldt Bancorp acquisition in the fourth quarter of 2004.

About Umpqua Holdings Corporation

Umpqua Holdings Corporation (NASDAQ: UMPQ) is the parent company of Umpqua Bank, an Oregon based community bank recognized for its entrepreneurial approach, innovative use of technology, and distinctive banking solutions. Umpqua Bank has 92 stores throughout Oregon, Northern California and Southwest Washington. The bank was named #1 on "The 100 Best Companies to Work For in Oregon" large companies list for 2004 by *Oregon Business Magazine*. Umpqua Holdings also owns a retail brokerage subsidiary, Strand, Atkinson, Williams & York, Inc. which has 14 locations throughout Oregon and Southwest Washington and offers brokerage services within Umpqua Bank stores. Additionally, Umpqua Bank's Private Client Services Division provides tailored financial services and products to individual customers. Umpqua Holdings Corporation is headquartered in Portland, Oregon. For more information, visit www.umpquaholdingscorp.com.

Umpqua Holdings Corporation will conduct a quarterly earnings conference call Thursday, January 27, 2005, at 10:00 a.m. PDT where management will discuss operating results for the fourth quarter and full year 2004. There will be a question-and-answer session following the presentation. Shareholders, analysts and other interested parties are invited to join the call by dialing 888-791-5525 a few minutes before 10:00 a.m. The password is "UMPQUA." Information to be discussed in the teleconference will be available on the Company's website prior to the call at www.umpquaholdingscorp.com. A rebroadcast can be found approximately one hour after the conference call by dialing 888-416-1171, or by visiting that website.

- more -

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Umpqua Holdings Corporation Consolidated Statements of Income

(Unaudited)

| <i>Dollars in thousands, except per share data</i> | Quarter ended: | | |
|--|----------------------|--------------------|----------------------|
| | December 31, 2004 | September 30, 2004 | December 31, 2003 |
| Interest income | | | |
| Loans and leases | \$55,261 | \$50,875 | \$31,940 |
| Investments taxable | 6,892 | 7,433 | 4,166 |
| Investments tax exempt | 768 | 749 | 442 |
| Temporary investments | 296 | 194 | 45 |
| Other interest and dividends | 23 | 14 | 15 |

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| | | | |
|---|------------|------------|------------|
| Total interest income | 63,240 | 59,265 | 36,608 |
| Interest expense | | | |
| Deposits | 10,383 | 8,939 | 5,408 |
| Repurchase agreements and fed funds purchased | 266 | 207 | 154 |
| Trust preferred securities | 2,333 | 1,979 | 925 |
| Other borrowings | 584 | 731 | 318 |
| | | | |
| Total interest expense | 13,566 | 11,856 | 6,805 |
| Net interest income | 49,674 | 47,409 | 29,803 |
| Provision for loan losses | 3,667 | 1,479 | 1,075 |
| Non-interest income | | | |
| Service charges | 5,434 | 5,570 | 3,188 |
| Brokerage fees | 3,188 | 2,736 | 2,554 |
| Mortgage banking revenue | 1,665 | 1,942 | 1,200 |
| Gain on sale of securities | -- | 13 | 2 |
| Other income | 2,197 | 1,210 | 496 |
| | | | |
| Total non-interest income | 12,484 | 11,471 | 7,440 |
| Non-interest expense | | | |
| Salaries and benefits | 20,248 | 19,685 | 13,583 |
| Occupancy and equipment | 5,809 | 5,688 | 3,770 |
| Other | 9,820 | 10,150 | 6,077 |
| Merger related expenses | 2,656 | 2,176 | -- |
| | | | |
| Total non-interest expense | 38,533 | 37,699 | 23,430 |
| Income before income taxes and discontinued operations | 19,958 | 19,904 | 12,738 |
| Provision for income tax | 7,170 | 6,457 | 4,308 |
| | | | |
| Income from continuing operations | 12,788 | 13,245 | 8,430 |
| Gain on sale of discontinued operation, net of tax | 3,375 | -- | -- |
| Income from discontinued operation, net of tax | 106 | 123 | 160 |
| | | | |
| Net income | \$16,269 | \$13,368 | \$8,590 |
| | | | |
| Weighted average shares outstanding | 44,121,546 | 42,149,082 | 28,389,064 |
| Weighted average diluted shares outstanding | 44,870,939 | 42,889,713 | 28,802,165 |
| Earnings per share - Basic: | | | |
| Continuing operations | \$0.29 | \$0.31 | \$0.30 |
| Discontinued operations | \$0.08 | \$0.01 | \$0.00 |
| Net income | \$0.37 | \$0.32 | \$0.30 |
| Earnings per share - Diluted: | | | |
| Continuing operations | \$0.28 | \$0.31 | \$0.29 |
| Discontinued operations | \$0.08 | \$0.00 | \$0.01 |
| Net income | \$0.36 | \$0.31 | \$0.30 |

**Umpqua Holdings Corporation Announces Fourth Quarter and Full Year 2004 Results
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Umpqua Holdings Corporation Consolidated Statements of Income

(Unaudited)

| | Twelve months ended: | |
|--|----------------------|----------------------|
| <i>Dollars in thousands, except per share data</i> | December 31, 2004 | December 31, 2003 |
| Interest income | | |
| Loans and leases | \$170,791 | \$126,900 |
| Investments taxable | 24,330 | 12,255 |
| Investments tax exempt | 2,325 | 2,443 |
| Temporary investments | 544 | 465 |
| Other interest and dividends | 68 | 69 |
| | | |
| Total interest income | 198,058 | 142,132 |
| Interest expense | | |
| Deposits | 30,999 | 23,608 |
| Repurchase agreements and fed funds purchased | 794 | 502 |
| Trust preferred securities | 6,555 | 3,715 |
| Other borrowings | 2,023 | 1,035 |
| | | |
| Total interest expense | 40,371 | 28,860 |
| Net interest income | 157,687 | 113,272 |
| Provision for loan losses | 7,321 | 4,550 |
| Non-interest income | | |
| Service charges | 17,404 | 12,556 |
| Brokerage fees | 11,829 | 9,498 |
| Mortgage banking revenue | 7,655 | 11,473 |
| Gain on sale of securities | 19 | 2,155 |
| Other income | 4,466 | 2,319 |
| | | |
| Total non-interest income | 41,373 | 38,001 |
| Non-interest expense | | |
| Salaries and benefits | 67,351 | 53,090 |
| Occupancy and equipment | 19,765 | 14,834 |
| Other | 32,466 | 25,263 |
| Merger related expenses | 5,597 | 2,082 |
| | | |
| Total noninterest expense | 125,179 | 95,269 |
| Income before income taxes and discontinued operations | 66,560 | 51,454 |
| Provision for income tax | 23,270 | 17,970 |
| | | |
| Income from continuing operations | 43,290 | 33,484 |
| Gain on sale of discontinued operations, net of tax | 3,375 | -- |
| Income from discontinued operations, net of tax | 501 | 635 |
| | | |

| | | |
|---|------------|------------|
| Net income | \$47,166 | \$34,119 |
| <hr/> | | |
| Weighted average shares outstanding | 35,804,038 | 28,294,291 |
| Weighted average diluted shares outstanding | 36,345,443 | 28,666,070 |
| Earnings per share - Basic: | | |
| Continuing operations | \$1.21 | \$1.18 |
| Discontinued operations | \$0.11 | \$0.03 |
| Net income | \$1.32 | \$1.21 |
| Earnings per share - Diluted: | | |
| Continuing operations | \$1.19 | \$1.17 |
| Discontinued operations | \$0.11 | \$0.02 |
| Net income | \$1.30 | \$1.19 |

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Umpqua Holdings Corporation Consolidated Balance Sheets

(Unaudited)

| <i>Dollars in thousands, except per share data</i> | December 31, 2004 | September 30, 2004 | December 31, 2003 |
|--|-------------------|--------------------|-------------------|
| Assets: | | | |
| Cash and cash equivalents | \$116,188 | \$245,557 | \$134,006 |
| Trading account securities | 1,577 | 1,539 | 1,265 |
| Investments available for sale | 678,003 | 738,538 | 501,904 |
| Investments held to maturity | 11,807 | 12,340 | 14,612 |
| Loans held for sale | 20,791 | 29,632 | 37,798 |
| Loans and leases | 3,470,961 | 3,323,137 | 2,003,587 |
| Less: Allowance for loan losses | (44,229) | (43,374) | (25,352) |
| <hr/> | | | |
| Loans and leases, net | 3,426,732 | 3,279,763 | 1,978,235 |
| Federal Home Loan Bank stock | 14,218 | 14,840 | 7,168 |
| Premises and equipment, net | 85,681 | 94,928 | 63,328 |
| Other real estate owned | 979 | 641 | 2,529 |
| Mortgage servicing rights, net | 11,154 | 11,140 | 10,608 |
| Goodwill and other intangibles | 408,460 | 409,516 | 159,585 |
| Other assets | 104,378 | 108,027 | 52,777 |
| <hr/> | | | |
| Total assets | \$4,879,968 | \$4,946,461 | \$2,963,815 |

Liabilities:

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| | | | |
|---|--------------------|--------------------|--------------------|
| Deposits | \$3,799,107 | \$3,919,271 | \$2,378,192 |
| Securities sold under agreements to repurchase and fed funds purchased | 88,267 | 47,752 | 83,531 |
| Borrowings | 88,451 | 88,521 | 55,000 |
| Notes payable for Trust preferred securities | 166,256 | 166,280 | 97,941 |
| Other liabilities | 50,274 | 52,660 | 30,182 |
| Total liabilities | 4,192,355 | 4,274,484 | 2,644,846 |
| Shareholders' equity: | | | |
| Common stock | 560,611 | 556,995 | 230,773 |
| Retained earnings | 128,112 | 114,494 | 89,058 |
| Accumulated other comprehensive Income (loss) | (1,012) | 488 | (862) |
| Total shareholders' equity | 687,613 | 671,977 | 318,969 |
| Total liabilities and shareholders' equity | \$4,879,968 | \$4,946,461 | \$2,963,815 |
| Common shares outstanding at period end | 44,211,075 | 43,979,674 | 28,411,816 |
| Book value per share | \$15.55 | \$15.28 | \$11.23 |
| Tangible book value per share | \$6.31 | \$5.97 | \$5.,61 |
| Tangible equity | \$279,153 | \$262,461 | \$159,384 |

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Umpqua Holdings Corporation
Loan Portfolio
(Unaudited)

| <i>Dollars in thousands</i> | December 31, 2004 | September 30, 2004 | December 31, 2003 |
|------------------------------|--------------------------|---------------------------|--------------------------|
| Loans and leases by purpose: | | | |
| Commercial real estate | \$1,874,646 | \$1,814,303 | \$1,072,191 |
| Residential real estate | 221,047 | 214,518 | 84,423 |
| Construction | 461,096 | 427,863 | 232,849 |
| Total real estate | 2,556,789 | 2,456,684 | 1,389,463 |

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| | | | |
|------------------------|-------------|-------------|-------------|
| Commercial | 823,364 | 766,274 | 565,652 |
| Leases | 18,357 | 19,552 | 10,918 |
| Consumer | 71,174 | 78,647 | 36,790 |
| Other | 1,277 | 1,980 | 764 |
| <hr/> | | | |
| Total loans and leases | \$3,470,961 | \$3,323,137 | \$2,003,587 |
| <hr/> | | | |

| <i>Dollars in thousands</i> | Quarter Ended December 31, 2004 | Quarter Ended September 30, 2004 | Quarter Ended December 31, 2003 |
|--|--|---|--|
| <hr/> | | | |
| Allowance for credit losses | | | |
| Balance beginning of period | \$43,374 | \$27,319 | \$25,312 |
| Provision for credit losses | 3,667 | 1,479 | 1,075 |
| Acquisitions | -- | 17,257 | -- |
| Reclassification | -- | (1,216) | -- |
| Charge-offs | (3,443) | (2,124) | (1,591) |
| Less: recoveries | 631 | 659 | 556 |
| <hr/> | | | |
| Net charge-offs | (2,812) | (1,465) | (1,035) |
| Total Allowance for loan losses | 44,229 | 43,374 | 25,352 |
| Reserve for unfunded commitments | 1,338 | 1,216 | -- |
| <hr/> | | | |
| Total Allowance for credit losses | \$45,567 | \$44,590 | \$25,352 |
| <hr/> | | | |
| Net charge-offs to average loans and leases (annualized) | 0.33% | 0.18% | 0.21% |
| Recoveries to gross charge-offs | 18.33% | 31.03% | 34.95% |
| Allowance for credit losses to loans and leases | 1.31% | 1.34% | 1.27% |
| Allowance for credit losses to nonperforming loans and leases | 202% | 160% | 222% |
| Nonperforming loans and leases To total loans and leases | 0.65% | 0.84% | 0.57% |
| Nonperforming assets | | | |
| Nonperforming loans and leases | \$22,573 | \$27,796 | \$11,425 |
| Real estate owned | 979 | 641 | 2,529 |
| <hr/> | | | |
| Total nonperforming assets | \$23,552 | \$28,437 | \$13,954 |
| <hr/> | | | |

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Umpqua Holdings Corporation Loan Portfolio

(Unaudited)

| <i>Dollars in thousands</i> | Year Ended December 31, 2004 | Year Ended December 31, 2003 |
|---|---------------------------------|---------------------------------|
| Allowance for credit losses | | |
| Balance beginning of period | \$25,352 | \$24,731 |
| Provision for credit losses | 7,321 | 4,550 |
| Acquisitions | 17,257 | -- |
| Reclassification | (1,216) | -- |
| Charge-offs | (6,429) | (6,077) |
| Less: recoveries | 1,944 | 2,148 |
| Net charge-offs | (4,485) | (3,929) |
| Total Allowance for loan loss | 44,229 | 25,352 |
| Reserve for unfunded commitments | 1,338 | -- |
| Total Allowance for credit loss | \$45,567 | \$25,352 |
| Net charge-offs to average loans and leases (annualized) | 0.17% | 0.21% |
| Recoveries to gross charge-offs | 30.24% | 35.35% |

Deposits by Type

(Unaudited)

| <i>Dollars in thousands</i> | December 31, 2004 | | September 30, 2004 | | December 31, 2003 | |
|------------------------------|-------------------|-------|--------------------|-------|-------------------|-------|
| | Amount | Mix | Amount | Mix | Amount | Mix |
| Demand, non interest bearing | \$891,731 | 23.5% | \$935,206 | 23.9% | \$589,901 | 24.8% |
| Demand, interest bearing | 1,504,396 | 39.6% | 1,502,899 | 38.3% | 1,048,733 | 44.1% |
| Savings | 452,684 | 11.9% | 531,466 | 13.6% | 145,960 | 6.1% |
| Time | 950,296 | 25.0% | 949,700 | 24.2% | 593,598 | 25.0% |

| | | | | | | |
|----------------|-------------|--------|-------------|--------|-------------|--------|
| Total Deposits | \$3,799,107 | 100.0% | \$3,919,271 | 100.0% | \$2,378,192 | 100.0% |
|----------------|-------------|--------|-------------|--------|-------------|--------|

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Umpqua Holdings Corporation Selected Ratios

(Unaudited)

| | Quarter ended: | | |
|---|----------------------|-----------------------|----------------------|
| | December 31, 2004 | September 30, 2004 | December 31, 2003 |
| Net Interest Spread: | | | |
| Yield on loans and leases | 6.44% | 6.35% | 6.38% |
| Yield on taxable investments | 4.10% | 4.15% | 3.67% |
| Yield on tax-exempt investments (1) | 7.29% | 6.72% | 6.61% |
| Yield on temporary investments | 1.92% | 1.54% | 0.77% |
| <hr/> | | | |
| Total yield on earning assets | 6.02% | 5.91% | 5.85% |
| <hr/> | | | |
| Cost of interest bearing deposits | 1.41% | 1.29% | 1.23% |
| Cost of securities sold under agreements to repurchase and fed funds purchased | 1.32% | 1.37% | 1.20% |
| Cost of borrowings | 2.63% | 1.79% | 1.78% |
| Cost of trust preferred | 5.58% | 4.93% | 4.68% |
| <hr/> | | | |
| Total cost of interest bearing liabilities | 1.66% | 1.50% | 1.39% |
| <hr/> | | | |
| Net interest spread | 4.36% | 4.41% | 4.45% |
| Net interest margin | 4.74% | 4.73% | 4.77% |
| <hr/> | | | |
| <u>Before Merger Related Expenses</u> :(2) | | | |
| Return on average assets | 1.45% | 1.25% | 1.19% |
| Return on average tangible assets | 1.58% | 1.36% | 1.26% |
| Return on average equity | 10.52% | 9.35% | 10.85% |
| Return on average tangible equity | 26.46% | 24.11% | 22.10% |
| <hr/> | | | |
| <u>After Merger Related Expenses</u> :(2) | | | |
| Return on average assets | 1.32% | 1.13% | 1.19% |
| Return on average tangible assets | 1.44% | 1.23% | 1.26% |

| | | | |
|-----------------------------------|--------|--------|--------|
| Return on average equity | 9.53% | 8.46% | 10.85% |
| Return on average tangible equity | 23.96% | 21.81% | 22.10% |

Bank Only Ratios:

| | | | |
|---|--------|--------|--------|
| Umpqua Bank efficiency ratio before merger expenses (2) | 48.40% | 55.43% | 56.89% |
| Umpqua Bank net interest margin | 4.96% | 4.93% | 4.91% |

(1) Tax exempt interest has been adjusted to a taxable equivalent basis using a 35% tax rate.

(2) Includes the impact of the gain on sale of, and income from, discontinued operations.

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Umpqua Holdings Corporation
Selected Ratios
(Unaudited)

| | Year ended: | |
|--|--------------------------|--------------------------|
| | December 31, 2004 | December 31, 2003 |
| Net Interest Spread: | | |
| Yield on loans and leases | 6.31% | 6.63% |
| Yield on taxable investments | 4.05% | 3.51% |
| Yield on tax-exempt investments (1) | 6.93% | 6.82% |
| Yield on temporary investments | 1.61% | 1.11% |
| <hr/> | | |
| Total yield on earning assets | 5.87% | 6.08% |
| | | |
| Cost of interest bearing deposits | 1.32% | 1.42% |
| Cost of securities sold under agreements to repurchase and fed funds purchased | 1.13% | 1.17% |
| Cost of borrowings | 2.00% | 2.48% |
| Cost of trust preferred | 5.02% | 4.86% |
| <hr/> | | |
| Total cost of interest bearing liabilities | 1.53% | 1.58% |
| | | |
| Net interest spread | 4.34% | 4.50% |
| Net interest margin | 4.68% | 4.85% |

Before Merger Related Expenses : (2)

| | | |
|-----------------------------------|--------|--------|
| Return on average assets | 1.29% | 1.31% |
| Return on average tangible assets | 1.39% | 1.39% |
| Return on average equity | 10.34% | 11.68% |
| Return on average tangible equity | 23.97% | 24.80% |

After Merger Related Expenses : (2)

| | | |
|-----------------------------------|--------|--------|
| Return on average assets | 1.20% | 1.26% |
| Return on average tangible assets | 1.30% | 1.34% |
| Return on average equity | 9.61% | 11.24% |
| Return on average tangible equity | 22.27% | 23.87% |

Bank Only Ratios:

| | | | |
|---|-----|--------|--------|
| Umpqua Bank efficiency ratio before merger expenses | (2) | 53.51% | 55.49% |
| Umpqua Bank net interest margin | | 4.88% | 5.01% |

(1) Tax exempt interest has been adjusted to a taxable equivalent basis using a 35% tax rate.

(2) Includes the impact of the gain on sale of, and income from, discontinued operations.

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January 27, 2005
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Umpqua Holdings Corporation

Mortgage Banking Statistical Analysis

(unaudited)

| | Quarter ended: | | |
|--|-------------------|--------------------|-------------------|
| | December 31, 2004 | September 30, 2004 | December 31, 2003 |
| <i>Dollars in thousands</i> | | | |
| <u>Mortgage Servicing Rights (MSR):</u> | | | |
| Mortgage loans serviced for others | \$1,066,905 | \$1,093,460 | \$1,166,581 |
| MSR Asset (gross) | \$11,946 | \$11,900 | \$12,515 |
| Less: Valuation reserve | (792) | (760) | (1,907) |
| MSR Asset (net of reserve) | \$11,154 | \$11,140 | \$10,608 |
| MSR as % of serviced portfolio | 1.05% | 1.02% | 0.91% |
| <u>Mortgage Banking Revenue:</u> | | | |
| Origination and sale | \$1,447 | \$2,065 | \$1,208 |
| Servicing | 250 | 196 | (228) |

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| | | | |
|--------------------------------|---------|---------|---------|
| MSR valuation reserve change | (32) | (319) | 220 |
| Total Mortgage Banking Revenue | \$1,665 | \$1,942 | \$1,200 |

Year ended:

December 31, 2004 December 31, 2003

Dollars in thousands

Mortgage Banking Revenue:

| | | |
|--------------------------------|---------|----------|
| Origination and sale | \$6,688 | \$13,884 |
| Servicing | (148) | (2,321) |
| MSR valuation reserve change | 1,115 | (90) |
| Total Mortgage Banking Revenue | \$7,655 | \$11,473 |

| | | |
|---|--------|--------|
| Diluted earnings per share contribution of Mortgage Group | \$0.04 | \$0.11 |
|---|--------|--------|

#

UMPQUA HOLDINGS CORPORATION

Statistical Supplement

(in thousands, except share data and ratios: unaudited)

| | 4thQtr 2004 | 3rdQtr 2004 | 2ndQtr 2004 | 1stQtr 2004 |
|---|----------------|----------------|----------------|----------------|
| Income Statement Data | | | | |
| Interest income | \$ 63,240 | \$ 59,265 | \$ 38,646 | \$ 36,907 |
| Interest expense | 13,566 | 11,856 | 7,557 | 7,392 |
| Net interest income | 49,674 | 47,409 | 31,089 | 29,515 |
| Provision for credit losses | 3,667 | 1,479 | 1,100 | 1,075 |
| Net interest income after provision for credit losses | 46,007 | 45,930 | 29,989 | 28,440 |
| Service fees | 5,434 | 5,570 | 3,273 | 3,127 |
| Brokerage fees & commissions | 3,188 | 2,736 | 3,014 | 2,891 |
| Mortgage banking revenue, net | 1,665 | 1,942 | 2,399 | 1,649 |
| Gain (loss) on sale of securities | - | 13 | 6 | - |
| Other income (4) | 7,930 | 1,412 | 716 | 793 |
| Total noninterest income | 18,217 | 11,673 | 9,408 | 8,460 |
| Salaries and employee benefits | 20,248 | 19,685 | 13,753 | 13,665 |
| Premises and equipment | 5,809 | 5,688 | 4,153 | 4,115 |

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| | | | | |
|---|-----------|-----------|----------|----------|
| Other non interest expense | 9,820 | 10,150 | 6,550 | 5,946 |
| Total noninterest expense | 35,877 | 35,523 | 24,456 | 23,726 |
| Income before income tax & merger expense | 28,347 | 22,080 | 14,941 | 13,174 |
| Provision for income taxes | 10,383 | 7,301 | 5,464 | 4,645 |
| Net income before merger expenses | \$ 17,964 | \$ 14,779 | \$ 9,477 | \$ 8,529 |
| Merger expenses net of tax benefit | 1,695 | 1,411 | 346 | 131 |
| Net income | \$ 16,269 | \$ 13,368 | \$ 9,131 | \$ 8,398 |

Share Data(1)

Before Merger Expenses:

| | | | | |
|-----------------------------------|---------|---------|---------|---------|
| Basic earnings per common share | \$ 0.41 | \$ 0.35 | \$ 0.33 | \$ 0.30 |
| Diluted earnings per common share | \$ 0.40 | \$ 0.34 | \$ 0.33 | \$ 0.30 |

After Merger Expenses:

| | | | | |
|---|------------|------------|------------|------------|
| Basic earnings per common share | \$ 0.37 | \$ 0.32 | \$ 0.32 | \$ 0.30 |
| Diluted earnings per common share | \$ 0.36 | \$ 0.31 | \$ 0.32 | \$ 0.29 |
| Tangible book value per common share | \$ 6.31 | \$ 5.97 | \$ 5.76 | \$ 5.99 |
| Book value per common share | \$ 15.55 | \$ 15.28 | \$ 11.41 | \$ 11.59 |
| Cash dividends per common share | \$ 0.06 | \$ 0.06 | \$ 0.06 | \$ 0.04 |
| Ratio of dividends declared to net income | 16.30% | 19.74% | 18.54% | 13.57% |
| Shares outstanding | 44,211,075 | 43,979,674 | 28,219,677 | 28,489,267 |
| Basic weighted average shares of common stock outstanding | 44,121,546 | 42,149,082 | 28,339,080 | 28,445,316 |
| Common stock equivalents | 749,393 | 740,631 | 325,199 | 373,883 |
| Fully diluted weighted average shares of common stock outstanding | 44,870,939 | 42,889,713 | 28,664,279 | 28,819,200 |

Net Income Before Merger Expense - Diluted Earnings Per Share Contribution

| | | | | |
|---|---------|---------|---------|---------|
| Core company (excluding mortgage group and gain (loss) on sale of securities) | \$ 0.32 | \$ 0.33 | \$ 0.31 | \$ 0.28 |
| Mortgage group | \$ - | \$ 0.01 | \$ 0.02 | \$ 0.01 |
| Gain (loss) on sale of securities | \$ - | \$ 0.00 | \$ 0.00 | \$ - |
| Gain on sale of discontinued operation | \$ 0.08 | \$ - | \$ - | \$ - |
| Income from discontinued operation | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.01 |
| Net income before merger expense per diluted share | \$ 0.40 | \$ 0.34 | \$ 0.33 | \$ 0.30 |

Balance Sheet Data (at period end)

| | | | | |
|--|------------|------------|------------|------------|
| Investment securities | \$ 691,387 | \$ 752,417 | \$ 574,009 | \$ 518,496 |
| Loans & leases, gross (excl held-for-sale) | 3,470,961 | 3,323,137 | 2,152,417 | 2,073,875 |
| Less: Allowance for credit losses | 44,229 | 43,374 | 27,319 | 26,287 |
| Loans & leases, net (excl held-for-sale) | 3,426,732 | 3,279,763 | 2,125,098 | 2,047,588 |
| Intangible assets | 408,460 | 409,516 | 159,575 | 159,661 |
| Total assets | 4,879,968 | 4,944,340 | 3,153,291 | 2,997,782 |
| Total deposits | 3,799,107 | 3,919,271 | 2,479,115 | 2,428,926 |
| Total shareholders' equity | 687,613 | 671,977 | 322,039 | 330,237 |

Balance Sheet Data (averages)

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| | | \$ | \$ | \$ |
|--|--------------|-----------|-----------|-----------|
| Loans & leases, gross (excl held-for-sale) | \$ 3,388,503 | 3,158,363 | 2,125,031 | 2,033,357 |
| Loans held for sale | 22,831 | 29,915 | 29,245 | 25,100 |
| Earning assets | 4,205,698 | 4,015,604 | 2,751,467 | 2,581,349 |
| Total assets | 4,918,386 | 4,693,725 | 3,106,392 | 2,941,964 |
| Non interest bearing demand deposits | 935,648 | 875,741 | 607,543 | 571,131 |
| Interest bearing deposits | 2,920,903 | 2,761,381 | 1,861,619 | 1,813,598 |
| Interest bearing liabilities | 3,255,602 | 3,143,938 | 2,145,309 | 2,021,049 |
| Total shareholders' equity | 679,387 | 628,667 | 327,064 | 324,191 |

UMPQUA HOLDINGS CORPORATION
Statistical Supplement
(in thousands, except share data and ratios: unaudited)

| | 4th Qtr | 3rd Qtr | 2nd Qtr | 1st Qtr | 4th Qtr | 3rd Qtr |
|--|---------|---------|---------|---------|---------|---------|
| | 2004 | 2004 | 2004 | 2004 | 2003 | 2003 |

Other Financial Data

| | | | | | | |
|---|----------|----------|--------|--------|----------|----------|
| Total loan charge-offs | \$ 3,443 | \$ 2,124 | \$ 415 | \$ 447 | \$ 1,591 | \$ 2,124 |
| Total loan recoveries | 631 | 659 | 347 | 307 | 556 | 556 |
| Net loan charge-offs (recoveries) | 2,812 | 1,465 | 68 | 140 | 1,035 | 1,568 |
| Loans 90 days past due and still accruing | 737 | 497 | 704 | 1,246 | 927 | 927 |
| Non-accrual loans | 21,836 | 27,299 | 11,648 | 10,554 | 10,498 | 12,498 |
| Total nonperforming loans | 22,573 | 27,796 | 12,352 | 11,800 | 11,425 | 13,498 |
| Other real estate owned | 979 | 641 | 724 | 1,711 | 2,529 | 2,529 |
| Nonperforming assets | 23,552 | 28,437 | 13,076 | 13,511 | 13,954 | 15,027 |

Selected Ratios

Net Income Before Merger Expenses :

| | | | | | | |
|--|--------|--------|--------|--------|--------|--------|
| Return on average total assets (annualized) | 1.45% | 1.25% | 1.23% | 1.17% | 1.19% | 1.33% |
| Return on average tangible assets (annualized) | 1.58% | 1.36% | 1.29% | 1.23% | 1.28% | 1.44% |
| Return on average total shareholders' equity (annualized) | 10.52% | 9.35% | 11.65% | 10.58% | 10.85% | 12.00% |
| Return on average tangible shareholders' equity (annualized) | 26.46% | 24.11% | 22.76% | 20.84% | 22.10% | 25.30% |
| Efficiency ratio (3) - Umpqua Bank only | 48.40% | 55.43% | 55.11% | 58.16% | 56.89% | 55.90% |
| Efficiency ratio (3) | 52.55% | 59.74% | 60.09% | 62.14% | 62.10% | 59.90% |
| Non interest revenue to Total revenue (TE) | 26.68% | 19.63% | 23.12% | 22.16% | 20.42% | 24.40% |
| Effective tax rate | 36.63% | 33.07% | 36.57% | 35.26% | 33.93% | 34.90% |

Net Income After Merger Expenses:

| | | | | | | |
|---|--------|--------|--------|--------|--------|--------|
| Return on average total assets (annualized) | 1.32% | 1.13% | 1.18% | 1.15% | 1.19% | 1.33% |
| Return on average tangible assets (annualized) | 1.44% | 1.23% | 1.25% | 1.21% | 1.28% | 1.44% |
| Return on average total shareholders' equity (annualized) | 9.53% | 8.46% | 11.23% | 10.42% | 10.85% | 11.70% |
| Return on average tangible shareholders' equity (annualized) | 23.96% | 21.81% | 21.93% | 20.52% | 22.10% | 24.60% |
| Average yield on earning assets (2) (annualized) | 6.02% | 5.91% | 5.68% | 5.78% | 5.85% | 5.90% |
| Interest expense to interest bearing liabilities(2)(annualized) | 1.66% | 1.50% | 1.42% | 1.47% | 1.39% | 1.44% |

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| | | | | | | |
|---|-------|-------|-------|-------|-------|-----|
| Net interest spread (2) | 4.36% | 4.41% | 4.26% | 4.31% | 4.45% | 4.4 |
| Interest expense to earning assets (annualized) | 1.28% | 1.17% | 1.10% | 1.15% | 1.08% | 1.1 |
| Net interest margin (2) (annualized) | 4.74% | 4.73% | 4.57% | 4.63% | 4.77% | 4.8 |
| Net interest margin (2) (annualized) - Umpqua Bank only | 4.96% | 4.93% | 4.74% | 4.80% | 4.91% | 4.9 |

Asset Quality Ratios

| | | | | | | |
|--|-------|-------|-------|-------|-------|-----|
| Allowance for credit losses to ending total loans and leases | 1.31% | 1.34% | 1.27% | 1.27% | 1.27% | 1.3 |
| Nonperforming loans to ending total loans and leases | 0.65% | 0.84% | 0.57% | 0.57% | 0.57% | 0.6 |
| Nonperforming assets to ending total assets | 0.48% | 0.58% | 0.41% | 0.45% | 0.47% | 0.5 |
| Net loan charge-offs (recoveries) to avg loans and leases (annualized) | 0.33% | 0.18% | 0.01% | 0.03% | 0.21% | 0.2 |

Capital Ratio

| | | | | | | |
|--|--------|--------|--------|--------|--------|------|
| Average shareholders' equity to average assets | 13.81% | 13.39% | 10.53% | 11.02% | 10.97% | 11.0 |
|--|--------|--------|--------|--------|--------|------|

Year to Date Growth

| | | | | | | |
|--|--------|--------|-------|-------|--------|-----|
| Loans & leases, gross (excl held-for-sale) | 73.24% | 65.86% | 7.43% | 3.51% | 12.67% | 8.8 |
| Deposits | 59.75% | 64.80% | 4.24% | 2.13% | 13.04% | 7.5 |
| Total assets | 64.65% | 66.82% | 6.39% | 1.15% | 15.96% | 9.9 |

Mortgage Banking Revenue

| | | | | | | |
|--|-------|-------|-------|-------|-------|------|
| Gain (loss) on origination and sale | 1,447 | 2,065 | 1,903 | 1,273 | 1,208 | 2, |
| Servicing income before accelerated amortization | 693 | 703 | 314 | 307 | 299 | |
| Accelerated servicing right amortization | (443) | (507) | (684) | (531) | (527) | (1,2 |
| Sub total before mortgage servicing right (MSR) valuation change | 1,697 | 2,261 | 1,533 | 1,049 | 980 | 1, |
| MSR valuation change | (32) | (319) | 866 | 600 | 220 | 1, |
| Total Mortgage Banking Revenue | 1,665 | 1,942 | 2,399 | 1,649 | 1,200 | 3, |

Mortgage Servicing Right Asset

| | | | | | | |
|--|--------|--------|--------|---------|---------|------|
| Gross Mortgage Servicing Right Asset | 11,946 | 11,900 | 11,832 | 12,266 | 12,515 | 12, |
| less: valuation reserve | (792) | (760) | (441) | (1,307) | (1,907) | (2,1 |
| Net Mortgage Servicing Right Asset | 11,154 | 11,140 | 11,391 | 10,959 | 10,608 | 10, |
| Net Mortgage Servicing Right Asset as % of serviced loan portfolio | 1.05% | 1.02% | 1.02% | 0.95% | 0.91% | 0.9 |

(1) Per share data has been adjusted for subsequent stock dividends and stock splits.

(2) Tax exempt interest income has been adjusted to a tax equivalent basis at a 35% effective tax rate.

(3) Efficiency ratio is noninterest expense divided by the sum of net interest income (tax equivalent basis) plus noninterest income.

(4) The gain on sale of, and income from, the merchant bankcard operation, which is disclosed as a discontinued operation on

the Company's financial statements, is included in other non-interest income above.
