

UMPQUA HOLDINGS CORP  
Form 8-K  
July 15, 2004

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of  
1934**

Date of Report (Date of earliest event reported): July 15, 2004

**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) 546-2499**  
(Registrant's Telephone Number, Including Area Code)

(Former name or former address, if changed since last report)

---

**Item 7. Financial Statements and Exhibits**

(c) Exhibits.

The following exhibits are being filed herewith and this list shall constitute the exhibit index:

Exhibit

99.1 Earnings Press Release

**Item 12. Results of Operations and Financial Condition**

On July 15, 2004, Umpqua issued a press release with respect to financial results for the second quarter of 2004. A copy of the press release is attached as Exhibit 99.1.

### SIGNATURES

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

UMPQUA HOLDINGS CORPORATION  
(Registrant)

Dated: July 15, 2004

By: /s/ Kenneth E. Roberts  
Kenneth E. Roberts  
Assistant Secretary

---

**EXHIBIT 99.1**

### FOR IMMEDIATE RELEASE

#### Contacts:

Ray Davis  
President/CEO  
Umpqua Holdings Corporation  
503-546-2490  
raydavis@umpquabank.com

Dan Sullivan  
EVP/CFO  
Umpqua Holdings Corporation  
503-546-2492  
dansullivan@umpquabank.com

### UMPQUA HOLDINGS REPORTS RECORD OPERATING EARNINGS

Strong balance sheet growth continues - Revenue at record high

**PORTLAND, Ore. - July 15, 2004** - Umpqua Holdings Corporation (NASDAQ: UMPQ), parent company of Umpqua Bank and Strand, Atkinson, Williams & York, Inc., today announced record second quarter 2004 operating earnings of \$9.5 million, or \$0.33 per diluted share, compared to \$8.8 million, or \$0.31 per diluted share for the second quarter of 2003.

Operating earnings are defined as the Company's earnings before deduction of merger-related expenses, which are reported in periods with merger-related costs. Net income is operating earnings minus merger-related expenses. There were \$346,000 in

merger-related expenses, after tax, recorded in the second quarter of 2004.

Net income for the second quarter of 2004 was \$9.1 million or \$0.32 per diluted share compared to \$8.1 million or \$0.28 the second quarter of 2003.

The following table presents a reconciliation of net income to operating earnings, with merger-related expenses, net of tax, displayed for each period presented:

| (Dollars in thousands, except per share data) | <u>Q2 2004</u> | <u>Q1 2004</u> | <u>Q2 2003</u> |
|---|----------------|----------------|----------------|
| Net Income                                    | \$9,131        | \$8,398        | \$8,132        |
| Add Back: Merger related expense, net of tax  | 346            | 131            | 672            |
|   | <hr/>          | <hr/>          | <hr/>          |
| Operating Earnings                            | \$9,477        | \$8,530        | \$8,804        |
|   | <hr/>          | <hr/>          | <hr/>          |
| <u>Earnings per diluted share:</u>            | <u>Q2 2004</u> | <u>Q1 2004</u> | <u>Q2 2003</u> |
| Net Income                                    | \$0.32         | \$0.29         | \$0.28         |
| Operating Earnings                            | \$0.33         | \$0.30         | \$0.31         |

"We are very pleased to report record operating earnings this quarter, both in amount and on a diluted per share basis. The Company is delivering on its plan of strong organic growth, with total loans increasing by \$79 million over the first quarter," said Ray Davis, president and chief executive officer of Umpqua Holdings Corporation.

The Bank's net interest margin was 4.74% for the second quarter of 2004, compared to 4.80% for the first quarter of 2004. Net charge-offs were \$68 thousand, or 0.01% of average loans and leases for the second quarter of 2004, compared to \$140 thousand, or 0.03% of average loans and leases for the first quarter of 2004.

Total non-interest income for the second quarter of 2004 increased \$0.9 million, or 11% when compared to the first quarter of 2004. This resulted from an increase in mortgage banking revenue of \$0.8 million, along with continued growth in other categories of the Company of \$0.1 million.

Earnings contribution from the Company's mortgage group was \$0.02 per diluted share in the second quarter of 2004, as compared to \$0.01 per diluted share for the first quarter of 2004. Excluding the impact of the mortgage group, core operating earnings increased by \$0.02 per diluted share, or 7% from the first quarter of 2004. The following table presents a reconciliation of core operating earnings per share to total:

| <u>Operating Earnings per diluted share:</u> | <u>Q2 2004</u> | <u>Q1 2004</u> | <u>Variance</u> |
|--|----------------|----------------|-----------------|
| Core excluding mortgage group                | \$0.31         | \$0.29         | \$0.02          |
| Mortgage group                               | <u>0.02</u>    | <u>0.01</u>    | <u>0.01</u>     |
| Total  | \$0.33         | \$0.30         | \$0.03          |

The Company's brokerage subsidiary, Strand, Atkinson, Williams & York, Inc., reported gross revenue of \$3.1 million, an increase of 28% for the quarter compared with the second

quarter of 2003.

Total revenue, which is defined as net interest income on a tax equivalent basis plus non-interest income, reached a record \$40.7 million for the second quarter of 2004, compared to \$38.2 million for the previous quarter, and \$38.8 million for the same quarter a year ago. This represents an increase of 7% over the first quarter of 2004, and 5% over the same period a year ago.

Umpqua Bank, Umpqua Holdings' largest subsidiary, reports an efficiency ratio before merger-related expenses of 55.1% for the second quarter of 2004, compared to 58.2% for the previous quarter and 57.5% for the same quarter one year ago.

Total consolidated assets of Umpqua Holdings as of June 30, 2004 were \$3.15 billion, compared to \$3.00 billion at March 31, 2004 and \$2.75 billion at June 30, 2003. Total gross loans and leases, and deposits were \$2.15 billion and \$2.48 billion, respectively, as of June 30, 2004, compared to \$2.07 billion and \$2.43 billion, respectively, as of March 31, 2004.

The following table presents the year to date June 2004 annualized growth rates:

| (Dollars in thousands) | <b><u>June 30, 2004</u></b> | <b><u>Dec. 31, 2003</u></b> | <b><u>Growth Rate</u></b> |
|------------------------|-----------------------------|-----------------------------|---------------------------|
| Loans and Leases       | <b>\$2,152,417</b>          | \$2,003,587                 | <b>15%</b>                |
| Deposits               | <b>\$2,479,115</b>          | \$2,378,192                 | <b>8%</b>                 |
| Assets                 | <b>\$3,153,291</b>          | \$2,963,815                 | <b>13%</b>                |

Total loans increased by \$79 million during the quarter, while non-performing assets decreased by \$0.4 million during the same period. The Bank's non-performing assets stand at \$13.1 million at June 30, 2004, representing 0.41% of total assets, down from 0.45% as of March 31, 2004.

During the second quarter of 2004, the Company repurchased 321,729 shares of its common stock on the open market at a weighted average price per share of \$18.80. Also during the second quarter of 2004, the Company announced a dividend to shareholders of \$0.06 per share, an increase of 50% over the first quarter dividend of \$0.04 per share.

On July 12, 2004, the company announced the completion of its acquisition of Humboldt Bancorp and its principal operating subsidiary Humboldt Bank. Under the terms of the merger agreement, Humboldt Bancorp shareholders will receive one share of Umpqua Holdings Corporation common stock for each share of Humboldt Bancorp common stock. Approximately 15.5 million shares of Umpqua Holdings Corporation common stock are to be issued in connection with the merger. The combined organization will have assets of approximately \$4.6 billion, deposits of approximately \$3.5 billion and shareholders' equity of approximately \$650 million. The acquisition will be accounted for using the purchase accounting method for business combinations, and as such, will be first reflected in the Company's third quarter 2004 financial statements.

### **About Umpqua Holdings Corporation**

Umpqua Holdings Corporation (NASDAQ: UMPQ) is the parent company of Umpqua Bank,

an Oregon state-chartered bank recognized for its entrepreneurial approach, innovative use of technology, and distinctive banking solutions. Umpqua Bank has 91 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 Holdings' 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](http://www.umpquaholdingscorp.com).

Umpqua Holdings Corporation will conduct a quarterly earnings conference call Thursday, July 15, 2004, at 10:00 a.m. PDT where the Company will discuss operating results for the second quarter of 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 888-323-2711 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](http://www.umpquaholdingscorp.com). A rebroadcast can be found approximately one hour after the conference call by dialing 888-568-0664, or by visiting that website.

## Umpqua Holdings Corporation Consolidated Statements of Income

(unaudited)

| <i>Dollars in thousands, except per share data</i> | Quarter ended: |                |               |
|--|----------------|----------------|---------------|
|  | June 30, 2004  | March 31, 2004 | June 30, 2003 |
| Interest income                                    |                |                |               |
| Loans and leases                                   | \$32,791       | \$31,865       | \$30,962      |
| Investments taxable                                | 5,415          | 4,590          | 2,395         |
| Investments tax exempt                             | 396            | 413            | 720           |
| Temporary investments                              | 29             | 23             | 187           |
| Other interest and dividends                       | 15             | 16             | 16            |
| <b>Total interest income</b>                       | <b>38,646</b>  | <b>36,907</b>  | <b>34,280</b> |
| Interest expense                                   |                |                |               |
| Deposits   | 5,785          | 5,889          | 6,267         |
| Repurchase agreements and                          |                |                |               |

Edgar Filing: UMPQUA HOLDINGS CORP - Form 8-K

|  |            |            |            |
|--|------------|------------|------------|
| fed funds purchased                            | 185        | 139        | 106        |
| Trust preferred securities                     | 1,120      | 1,123      | 914        |
| Other borrowings                               | 467        | 241        | 193        |
| <hr/>  |            |            |            |
| Total interest expense                         | 7,557      | 7,392      | 7,480      |
| Net interest income                            | 31,089     | 29,515     | 26,800     |
| Provision for credit losses                    | 1,100      | 1,075      | 950        |
| Non-interest income                            |            |            |            |
| Service charges                                | 3,273      | 3,127      | 3,198      |
| Brokerage fees                                 | 3,014      | 2,891      | 2,370      |
| Mortgage banking revenue                       | 2,399      | 1,649      | 2,835      |
| Gain on sale of securities                     | 6          | -          | 2,136      |
| Other income                                   | 716        | 793        | 1,099      |
| <hr/>  |            |            |            |
| Total non-interest income                      | 9,408      | 8,460      | 11,638     |
| Non-interest expense                           |            |            |            |
| Salaries and benefits                          | 13,753     | 13,665     | 13,170     |
| Occupancy and equipment                        | 4,153      | 4,115      | 3,947      |
| Other  | 6,550      | 5,946      | 6,760      |
| Merger related expenses                        | 549        | 216        | 1,050      |
| <hr/>  |            |            |            |
| Total non-interest expense                     | 25,005     | 23,942     | 24,927     |
| Income before income taxes                     | 14,392     | 12,958     | 12,561     |
| Provision for income tax                       | 5,261      | 4,560      | 4,429      |
| <hr/>  |            |            |            |
| Net income                                     | \$9,131    | \$8,398    | \$8,132    |
| <hr/>  |            |            |            |
| Weighted average shares<br>outstanding         | 28,339,080 | 28,445,316 | 28,283,843 |
| Weighted average diluted<br>shares outstanding | 28,664,279 | 28,819,200 | 28,667,926 |
| Basic earnings per share                       | \$0.32     | \$0.30     | \$0.29     |
| Diluted earnings per share                     | \$0.32     | \$0.29     | \$0.28     |

**Umpqua Holdings Corporation**  
**Consolidated Statements of Income**  
(unaudited)

Six months ended:

*Dollars in thousands, except per share data*

June 30, 2004

June 30, 2003

Edgar Filing: UMPQUA HOLDINGS CORP - Form 8-K

|  |            |            |
|--|------------|------------|
| Interest income                                  |            |            |
| Loans and leases                                 | \$64,655   | \$62,346   |
| Investments taxable                              | 10,006     | 5,361      |
| Investments tax exempt                           | 809        | 1,523      |
| Temporary investments                            | 52         | 338        |
| Other interest and dividends                     | 31         | 30         |
|  |            |            |
| Total interest income                            | 75,553     | 69,598     |
| Interest expense                                 |            |            |
| Deposits   | 11,675     | 12,748     |
| Repurchase agreements and<br>fed funds purchased | 323        | 214        |
| Trust preferred securities                       | 2,243      | 1,851      |
| Other borrowings                                 | 708        | 405        |
|  |            |            |
| Total interest expense                           | 14,949     | 15,218     |
| Net interest income                              | 60,604     | 54,380     |
| Provision for credit losses                      | 2,175      | 2,425      |
| Noninterest income                               |            |            |
| Service charges                                  | 6,400      | 6,112      |
| Brokerage fees                                   | 5,905      | 4,309      |
| Mortgage banking revenue                         | 4,048      | 7,113      |
| Gain (loss) on sale of securities                | 6          | 2,143      |
| Other income                                     | 1,509      | 2,145      |
|  |            |            |
| Total noninterest income                         | 17,868     | 21,822     |
| Noninterest expense                              |            |            |
| Salaries and benefits                            | 27,419     | 26,070     |
| Occupancy and equipment                          | 8,268      | 7,529      |
| Other  | 12,495     | 12,853     |
| Merger related expenses                          | 765        | 1,688      |
|  |            |            |
| Total noninterest expense                        | 48,947     | 48,140     |
| Income before income taxes                       | 27,350     | 25,637     |
| Provision for income tax                         | 9,821      | 9,124      |
|  |            |            |
| Net income                                       | \$17,529   | \$16,513   |
|  |            |            |
| Weighted average shares<br>outstanding           | 28,392,198 | 28,221,008 |
| Weighted average diluted<br>shares outstanding   | 28,734,859 | 28,600,479 |
|  |            |            |
| Basic earnings per share                         | \$0.62     | \$0.59     |
| Diluted earnings per share                       | \$0.61     | \$0.58     |

## Umpqua Holdings Corporation Consolidated Balance Sheets

(unaudited)

| <i>Dollars in thousands, except per share data</i>                        | <b>June 30, 2004</b> | <b>March 31, 2004</b> | <b>June 30, 2003</b> |
|---|----------------------|-----------------------|----------------------|
| <b>Assets:</b>  |                      |                       |                      |
| Cash and cash equivalents   | \$110,804            | \$105,913             | \$184,262            |
| Trading account securities  | 1,089                | 1,094                 | 1,833                |
| Investments available for sale  | 559,013              | 502,807               | 351,209              |
| Investments held to maturity  | 13,908               | 14,594                | 17,836               |
| Loans held for sale   | 37,866               | 31,526                | 62,926               |
| Loans and leases  | 2,152,417            | 2,073,875             | 1,877,238            |
| Less: Allowance for credit losses   | (27,319)             | (26,287)              | (25,316)             |
|   | <hr/>                | <hr/>                 | <hr/>                |
| Loans and leases, net   | 2,125,098            | 2,047,588             | 1,851,922            |
| Federal Home Loan Bank stock  | 10,368               | 7,239                 | 4,891                |
| Premises and equipment, net   | 68,526               | 67,504                | 62,853               |
| Other real estate owned   | 724                  | 1,711                 | 2,504                |
| Mortgage servicing rights, net  | 11,391               | 10,959                | 9,274                |
| Goodwill and other intangibles  | 159,575              | 159,661               | 160,547              |
| Other assets  | 54,929               | 47,186                | 37,000               |
|   | <hr/>                | <hr/>                 | <hr/>                |
|   | \$3,153,291          | \$2,997,782           | \$2,747,057          |
| <hr/>   |                      |                       |                      |
| <b>Liabilities:</b>   |                      |                       |                      |
| Deposits  | \$2,479,115          | 2,428,926             | \$2,282,909          |
| Securities sold under agreements<br>to repurchase and fed funds purchased | 77,615               | 58,906                | 33,581               |
| Borrowings  | 145,618              | 55,620                | 22,105               |
| Notes payable for Trust preferred<br>securities                           | 97,941               | 97,941                | 75,000               |
| Other liabilities   | 30,963               | 26,152                | 28,358               |
|   | <hr/>                | <hr/>                 | <hr/>                |
| Total liabilities   | 2,831,252            | 2,667,545             | 2,441,953            |
| <br>  |                      |                       |                      |
| <b>Shareholders' equity:</b>  |                      |                       |                      |
| Common stock  | 226,774              | 232,118               | 229,780              |
| Retained earnings   | 103,754              | 96,317                | 73,724               |
| Accumulated other comprehensive<br>Income (loss)                          | (8,489)              | 1,802                 | 1,600                |
|   | <hr/>                | <hr/>                 | <hr/>                |
| Total shareholders' equity  | 322,039              | 330,237               | 305,104              |

|  |             |             |             |
|--|-------------|-------------|-------------|
| Total liabilities and shareholders' equity | \$3,153,291 | \$2,997,782 | \$2,747,057 |
| Common shares outstanding at period end    | 28,219,677  | 28,489,267  | 28,331,279  |
| Book value per share                       | \$11.41     | \$11.59     | \$10.77     |
| Tangible book value per share              | \$5.76      | \$5.99      | \$5.10      |
| Tangible equity                            | \$162,464   | \$170,576   | \$144,557   |

## Umpqua Holdings Corporation Loan Portfolio

| <i>Dollars in thousands</i>  | June 30, 2004 | March 31, 2004 | June 30, 2003 |
|------------------------------|---------------|----------------|---------------|
| Loans and leases by purpose: |               |                |               |
| Commercial real estate       | \$1,209,975   | \$1,121,008    | \$886,543     |
| Residential real estate      | 105,003       | 94,479         | 78,578        |
| Construction                 | 196,577       | 230,674        | 265,753       |
| Total real estate            | 1,511,555     | 1,446,161      | 1,230,874     |
| Commercial                   | 592,718       | 578,823        | 596,778       |
| Leases                       | 9,439         | 10,214         | 9,082         |
| Consumer                     | 35,904        | 37,131         | 39,905        |
| Other                        | 2,801         | 1,546          | 599           |
| Total loans and leases       | \$2,152,417   | \$2,073,875    | \$1,877,238   |

| <i>Dollars in thousands</i>                                 | Quarter Ended<br>June 30, 2004 | Quarter Ended<br>March 31, 2004 | Quarter Ended<br>June 30, 2003 |
|---|--------------------------------|---------------------------------|--------------------------------|
| Allowance for credit losses                                 |                                |                                 |                                |
| Balance beginning of period                                 | \$26,287                       | \$25,352                        | \$24,538                       |
| Provision for credit losses                                 | 1,100                          | 1,075                           | 950                            |
| Charge-offs   | (415)                          | (447)                           | (466)                          |
| Less: recoveries  | 347                            | 307                             | 294                            |
| Net charge-offs   | (68)                           | (140)                           | (172)                          |
| Balance end of period                                       | \$27,319                       | \$26,287                        | \$25,316                       |
| Net charge-offs to average<br>loans and leases (annualized) | 0.01%                          | 0.03%                           | 0.04%                          |
| Recoveries to gross charge-offs                             | 83.61%                         | 68.68%                          | 63.09%                         |
| Allowance for credit losses to                              |                                |                                 |                                |

Edgar Filing: UMPQUA HOLDINGS CORP - Form 8-K

|   |          |          |          |
|---|----------|----------|----------|
| loans and leases  | 1.27%    | 1.27%    | 1.35%    |
| Allowance for credit losses to nonperforming loans and leases | 221%     | 223%     | 116%     |
| Nonperforming loans and leases to total loans and leases      | 0.57%    | 0.57%    | 1.17%    |
| Nonperforming assets  |          |          |          |
| Nonperforming loans and leases                                | \$12,352 | \$11,800 | \$21,879 |
| Real estate owned   | 724      | 1,711    | 2,504    |
| <hr/>   |          |          |          |
| Total nonperforming assets                                    | \$13,076 | \$13,511 | \$24,383 |
| <hr/>   |          |          |          |

## Umpqua Holdings Corporation Loan Portfolio

| <i>Dollars in thousands</i>                              | Year to date<br>June 30, 2004 | Year to date<br>June 30, 2003 |
|--|-------------------------------|-------------------------------|
| <hr/>  |                               |                               |
| Allowance for credit losses                              |                               |                               |
| Balance beginning of period                              | \$25,352                      | \$24,731                      |
| Provision for credit losses                              | 2,175                         | 2,425                         |
| Charge-offs  | (862)                         | (2,441)                       |
| Less: recoveries   | 654                           | 601                           |
| <hr/>  |                               |                               |
| Net charge-offs  | (208)                         | (1,840)                       |
| <hr/>  |                               |                               |
| Balance end of period                                    | \$27,319                      | \$25,316                      |
| <hr/>  |                               |                               |
| Net charge-offs to average loans and leases (annualized) | 0.02%                         | 0.20%                         |
| Recoveries to gross charge-offs                          | 75.87%                        | 24.62%                        |

## Deposits by Type

| <i>Dollars in thousands</i>  | June 30,<br>2004 |       | March 31,<br>2004 |       | June 30, 2003 |       |
|------------------------------|------------------|-------|-------------------|-------|---------------|-------|
|                              | Amount           | Mix   | Amount            | Mix   | Amount        | Mix   |
| <hr/>                        |                  |       |                   |       |               |       |
| Demand, non interest bearing | \$624,391        | 25.2% | \$592,762         | 24.4% | \$617,326     | 27.0% |
| Demand, interest bearing     | 1,132,087        | 45.7% | 1,069,064         | 44.0% | 877,765       | 38.4% |

Edgar Filing: UMPQUA HOLDINGS CORP - Form 8-K

|                |             |        |             |        |             |        |
|----------------|-------------|--------|-------------|--------|-------------|--------|
| Savings        | 150,436     | 6.1%   | 166,481     | 6.9%   | 181,131     | 7.9%   |
| Time           | 572,201     | 23.1%  | 600,619     | 24.7%  | 606,687     | 26.6%  |
| <hr/>          |             |        |             |        |             |        |
| Total Deposits | \$2,479,115 | 100.0% | \$2,428,926 | 100.0% | \$2,282,909 | 100.0% |
| <hr/>          |             |        |             |        |             |        |

## Umpqua Holdings Corporation Selected Ratios

|   | Quarter ended: |                |               |
|---|----------------|----------------|---------------|
|   | June 30, 2004  | March 31, 2004 | June 30, 2003 |
| <hr/>   |                |                |               |
| Net Interest Spread:  |                |                |               |
| Yield on loans and leases   | 6.12%          | 6.23%          | 6.65%         |
| Yield on taxable investments  | 3.95%          | 3.87%          | 3.21%         |
| Yield on tax-exempt investments (1)   | 6.76%          | 6.71%          | 6.56%         |
| Yield on temporary investments  | 0.91%          | 0.91%          | 1.18%         |
| <hr/>   |                |                |               |
| Total yield on earning assets   | 5.68%          | 5.78%          | 6.05%         |
| Cost of interest bearing deposits   | 1.25%          | 1.31%          | 1.53%         |
| Cost of securities sold under agreements<br>to repurchase and fed funds purchased | 0.85%          | 1.02%          | 1.43%         |
| Cost of borrowings  | 1.91%          | 1.76%          | 3.38%         |
| Cost of trust preferred   | 4.60%          | 4.61%          | 4.89%         |
| <hr/>   |                |                |               |
| Total cost of interest bearing liabilities  | 1.42%          | 1.47%          | 1.69%         |
| Net interest spread   | 4.26%          | 4.31%          | 4.36%         |
| Net interest margin   | 4.57%          | 4.63%          | 4.74%         |
| <b><u>Before Merger Related Expenses:</u></b>                                     |                |                |               |
| Return on average assets  | 1.23%          | 1.17%          | 1.34%         |
| Return on average tangible assets   | 1.29%          | 1.23%          | 1.43%         |
| Return on average equity  | 11.65%         | 10.58%         | 11.72%        |
| Return on average tangible equity   | 22.76%         | 20.84%         | 25.19%        |
| <b><u>After Merger Related Expenses:</u></b>                                      |                |                |               |
| Return on average assets  | 1.18%          | 1.15%          | 1.24%         |
| Return on average tangible assets   | 1.25%          | 1.21%          | 1.32%         |
| Return on average equity  | 11.23%         | 10.42%         | 10.83%        |
| Return on average tangible equity   | 21.93%         | 20.52%         | 23.27%        |
| <b><u>Bank Only Ratios:</u></b>   |                |                |               |
| Umpqua Bank efficiency ratio before merger<br>expenses                            | 55.11%         | 58.16%         | 57.51%        |
| Umpqua Bank net interest margin   | 4.74%          | 4.80%          | 4.90%         |

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

## Umpqua Holdings Corporation Selected Ratios

|   | Six months ended: |               |
|---|-------------------|---------------|
|   | June 30, 2004     | June 30, 2003 |
| Net Interest Spread:  |                   |               |
| Yield on loans and leases   | 6.17%             | 6.80%         |
| Yield on taxable investments  | 3.91%             | 3.80%         |
| Yield on tax-exempt investments (1)   | 6.73%             | 6.52%         |
| Yield on temporary investments  | 0.91%             | 1.18%         |
|   |                   |               |
| Total yield on earning assets   | 5.73%             | 6.28%         |
| Cost of interest bearing deposits   | 1.28%             | 1.57%         |
| Cost of securities sold under<br>agreements to repurchase and fed funds purchased | 0.91%             | 1.43%         |
| Cost of borrowings  | 1.86%             | 3.47%         |
| Cost of trust preferred   | 4.61%             | 4.98%         |
|   |                   |               |
| Total cost of interest bearing liabilities  | 1.44%             | 1.74%         |
| Net interest spread   | 4.29%             | 4.54%         |
| Net interest margin   | 4.60%             | 4.92%         |
| <b><u>Before Merger Related Expenses:</u></b>                                     |                   |               |
| Return on average assets  | 1.20%             | 1.36%         |
| Return on average tangible assets   | 1.26%             | 1.45%         |
| Return on average equity  | 11.12%            | 11.94%        |
| Return on average tangible equity   | 21.81%            | 26.08%        |
| <b><u>After Merger Related Expenses:</u></b>                                      |                   |               |
| Return on average assets  | 1.17%             | 1.28%         |
| Return on average tangible assets   | 1.23%             | 1.36%         |
| Return on average equity  | 10.83%            | 11.21%        |
| Return on average tangible equity   | 21.23%            | 24.48%        |
| <b><u>Bank Only Ratios:</u></b>   |                   |               |
| Umpqua Bank efficiency ratio before merger expenses                               | 56.59%            | 56.25%        |
| Umpqua Bank net interest margin   | 4.77%             | 5.08%         |

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