

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

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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
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)
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
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
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<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
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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%
Total yield on earning assets	6.02%	5.91%	5.85%
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%
Total cost of interest bearing liabilities	1.66%	1.50%	1.39%
Net interest spread	4.36%	4.41%	4.45%
Net interest margin	4.74%	4.73%	4.77%
<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%
<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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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
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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

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	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%	1.3%
Return on average tangible assets (annualized)	1.58%	1.36%	1.29%	1.23%	1.28%	1.4%
Return on average total shareholders' equity (annualized)	10.52%	9.35%	11.65%	10.58%	10.85%	12.0%
Return on average tangible shareholders' equity (annualized)	26.46%	24.11%	22.76%	20.84%	22.10%	25.3%
Efficiency ratio (3) - Umpqua Bank only	48.40%	55.43%	55.11%	58.16%	56.89%	55.9%
Efficiency ratio (3)	52.55%	59.74%	60.09%	62.14%	62.10%	59.9%
Non interest revenue to Total revenue (TE)	26.68%	19.63%	23.12%	22.16%	20.42%	24.4%
Effective tax rate	36.63%	33.07%	36.57%	35.26%	33.93%	34.9%

Net Income After Merger Expenses:

Return on average total assets (annualized)	1.32%	1.13%	1.18%	1.15%	1.19%	1.3%
Return on average tangible assets (annualized)	1.44%	1.23%	1.25%	1.21%	1.28%	1.4%
Return on average total shareholders' equity (annualized)	9.53%	8.46%	11.23%	10.42%	10.85%	11.7%
Return on average tangible shareholders' equity (annualized)	23.96%	21.81%	21.93%	20.52%	22.10%	24.6%
Average yield on earning assets (2) (annualized)	6.02%	5.91%	5.68%	5.78%	5.85%	5.9%
Interest expense to interest bearing liabilities(2)(annualized)	1.66%	1.50%	1.42%	1.47%	1.39%	1.4%

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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
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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.
