

UMPQUA HOLDINGS CORP  
Form 8-K  
April 16, 2003

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): April 15, 2003

Umpqua Holdings Corporation

(Exact Name of Registrant as Specified in Its Charter)

OREGON

000-25597

(State or Other Jurisdiction of  
Incorporation or Organization)

(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)

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Item 7. Financial Statements and Exhibits

(a) Financial statements of business acquired.

Not applicable.

(b) Pro Forma Financial Information

Not applicable.

(c) Exhibits.

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

Exhibit

(99) Earnings Press Release

Item 9. Regulation FD Disclosure

On April 15, 2003, Umpqua issued a press release with respect to financial results for the first quarter of 2003 including certain forward looking statements. All of the information in the press release, appearing in Exhibit 99, is not filed but is furnished pursuant to Regulation FD.

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: April 15, 2003

By: /s/ Kenneth E. Roberts

Kenneth E. Roberts  
Assistant Secretary

EXHIBIT 99

FOR IMMEDIATE RELEASE

Contacts:

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UMPQUA HOLDINGS CORPORATION CONTINUES STRONG EARNINGS GROWTH IN THE FIRST QUARTER WHILE COMPLETING INTEGRATION

PORTLAND, Ore. - April 15, 2003 -

Umpqua Holdings Corporation (NASDAQ: UMPQ), parent company of Umpqua Bank and of Strand, Atkinson, Williams & York, Inc. today announced operating earnings of \$8.79 million, a 78% increase over the same period one year ago, or \$0.31 per diluted share for the first quarter of 2003.

Operating earnings are defined as the company's earnings before deduction of merger related expenses, and are only reported in quarters in which significant merger related activities occur. Net income is operating earnings minus merger related expenses.

Net income for the first quarter of 2003 was \$8.38 million or \$0.29 per diluted share compared to \$6.7 million or \$0.28 for the fourth quarter of 2002.

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

| (Dollars in 000's, except per share data)    | Q1 2003 |       | Q4 2002 |       | Q1 2002  |
|--|---------|-------|---------|-------|----------|
| Net Income                                   | \$      | 8,380 | \$      | 6,715 | \$ 3,961 |
| Add Back: Merger related expense, net of tax |         | 409   |         | 748   | 973      |
| Operating Earnings                           | \$      | 8,789 | \$      | 7,463 | \$ 4,934 |
| Earnings per diluted share:                  |         |       |         |       |          |
| Net Income                                   | \$      | 0.29  | \$      | 0.28  | \$ 0.20  |
| Operating Earnings                           | \$      | 0.31  | \$      | 0.31  | \$ 0.24  |

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"It was another quarter of strong financial performance," said Ray Davis, President and Chief Executive Officer of Umpqua Holdings Corporation. "With the integration of Centennial Bancorp virtually complete, we continue to strengthen our foundation for future growth in earnings this year. In addition, with the opening of our new flagship store in Portland's Pearl District, we continue to build on our reputation as a leader in the delivery of financial services."

The acquisition of Centennial Bancorp, which closed on November 15, 2003, was accounted for under the purchase accounting method, and Centennial Bancorp's results are included from the date of closing.

Total consolidated assets of Umpqua Holdings as of March 31, 2003 were \$2.65 billion, compared to \$2.56 billion at December 31, 2002. Total gross loans and deposits were \$1.82 billion and \$2.18 billion, respectively, as of March 31, 2003, compared to \$1.78 billion and \$2.10 billion, respectively, as of December 31, 2002.

The following table presents annualized 2003 growth, based on these first quarter achievements:

| (dollars in thousands) | <u>Mar 31, 2003</u> | <u>Dec 31, 2002</u> | <u>Annualized Growth Rate</u> |
|------------------------|---------------------|---------------------|-------------------------------|
| Loans and Leases       | \$1,823,311         | \$1,778,315         | 10.1%                         |
| Deposits               | \$2,178,769         | \$2,103,790         | 14.3%                         |
| Assets                 | \$2,645,915         | \$2,555,964         | 14.1%                         |

Demand Deposits grew 9.8% over the last 90 days alone and now constitute 24.9% of Umpqua Bank's deposit base.

Non-interest income for the first quarter of 2003 grew to \$10.29 million, an increase of 12% over the fourth quarter of 2002 and an increase of 59% over the first quarter of 2002. This is due largely to the continuation of strong mortgage banking revenue. Revenue from mortgage banking was \$4.28 million in the first quarter of 2003, compared to \$3.99 million in the fourth quarter of 2002 and \$1.68 million in the first quarter of 2002.

Umpqua Bank, Umpqua Holdings largest subsidiary, achieved an efficiency ratio before merger-related expenses of 55.10% for the quarter ended March 31, 2003 compared to 52.88% for the quarter ended December 31, 2002 and 58.35% for the quarter ended March 31, 2002.

Including non-performing assets acquired as part of the Centennial acquisition, the Bank's non-performing loans stand at \$17.82 million at March 31, 2003, representing 0.98% of total loans compared to 1.03% at December 31, 2002 and 0.45% at March 31, 2002.

"The results of this quarter are indicative of the excellent leadership and commitment of our management team and employees to deliver positive returns for our shareholders and superior service to our customers during an aggressive integration period," said Davis.

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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 66 stores throughout Oregon and Southwest Washington. Umpqua Holdings also owns a retail brokerage subsidiary, Strand, Atkinson, Williams & York, Inc. which has nine 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 private customers. Umpqua Holdings Corporation is headquartered in Portland, Ore. For more information, visit [www.umpquabank.com/investor](http://www.umpquabank.com/investor).

Umpqua Holdings Corporation will conduct a quarterly earnings conference call Tuesday, April 15, 2003, at 10:00 a.m. PST where the Company will discuss first-quarter results and provide an update on the progress of the Centennial Bancorp conversion. 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 888-913-9967 a few minutes before 10:00 a.m. The password is "UMPQUA." A rebroadcast can be found approximately one hour after the conference call by dialing 888-568-0438, or by visiting [www.umpquabank.com/investor](http://www.umpquabank.com/investor).

This press release includes forward-looking statements. These statements are necessarily subject to risk and uncertainty. Actual results could differ materially from those projected in these forward-looking statements as a result of certain risk factors set forth in the Form 10-K for Umpqua Holdings Corporation for the year ended December 31, 2002. These risk factors include, but are not limited to, the level of commercial activity, general market conditions, prevailing interest rates, the company's ability to continue generating loans, the ability to execute our community-based banking strategies, and intense competition within the banking industry, which the company believes will increase. Specific risks in this press release include timely completion of the Centennial Bancorp integration, the timing and amount of consolidated savings and additional acquisition charges, management of non-performing assets and future growth in assets and earnings.

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Umpqua Holdings Corporation  
Consolidated Statements of Income  
(unaudited)

| Dollars in thousands, except<br>per-share data | Quarter ended: |                   |                   |
|--|----------------|-------------------|-------------------|
|  | March 31, 2003 | December 31, 2002 | March 31,<br>2002 |
| <u>Interest income</u>                         |                |                   |                   |
| Loans and leases                               | \$ 31,383      | \$ 26,340         | \$ 19,931         |
| Investments taxable                            | 2,967          | 2,659             | 2,285             |
| Investments tax exempt                         | 802            | 790               | 729               |
| Temporary investments                          | 151            | 247               | 105               |
| Other interest and dividends                   | 14             | 22                | 15                |

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|  |            |            |            |
|--|------------|------------|------------|
| Total interest income                            | 35,317     | 30,058     | 23,065     |
| <u>Interest expense</u>                          |            |            |            |
| Deposits   | 6,480      | 5,769      | 5,284      |
| Repurchase agreements and<br>fed funds purchased | 109        | 114        | 81         |
| Trust preferred securities                       | 937        | 839        | -          |
| Other borrowings                                 | 212        | 213        | 330        |
| Total interest expense                           | 7,738      | 6,935      | 5,695      |
| Net interest income                              | 27,579     | 23,123     | 17,370     |
| Provision for credit losses                      | 1,475      | 1,384      | 1,004      |
| <u>Non-interest income</u>                       |            |            |            |
| Service charges                                  | 3,020      | 2,541      | 2,084      |
| Brokerage fees                                   | 1,939      | 2,208      | 2,174      |
| Mortgage banking revenue                         | 4,279      | 3,989      | 1,679      |
| Other income                                     | 1,052      | 418        | 543        |
| Total non-interest income                        | 10,290     | 9,156      | 6,480      |
| <u>Non-interest expense</u>                      |            |            |            |
| Salaries and benefits                            | 12,899     | 10,877     | 8,709      |
| Occupancy and equipment                          | 3,582      | 2,936      | 2,099      |
| Other  | 6,200      | 5,221      | 4,109      |
| Merger related expenses                          | 638        | 1,231      | 1,521      |
| Total non-interest expense                       | 23,319     | 20,265     | 16,438     |
| Income before income taxes                       | 13,075     | 10,630     | 6,408      |
| Income taxes                                     | 4,695      | 3,915      | 2,447      |
| Net income                                       | \$ 8,380   | \$ 6,715   | \$ 3,961   |
| Weighted average shares<br>Outstanding           | 28,157,475 | 24,054,398 | 19,960,668 |
| Weighted average diluted<br>shares outstanding   | 28,570,144 | 24,364,161 | 20,204,142 |
| Basic earnings per share                         | \$ 0.30    | \$ 0.28    | \$ 0.20    |
| Diluted earnings per share                       | \$ 0.29    | \$ 0.28    | \$ 0.20    |

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Umpqua Holdings Corporation

Consolidated Balance Sheets

(unaudited)

Dollars in thousands, except per-share  
data

March 31, 2003

December 31,  
2002

March 31, 2002

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Assets:

|                                   |    |                  |    |                  |    |                  |
|-----------------------------------|----|------------------|----|------------------|----|------------------|
| Cash and cash equivalents         | \$ | 154,274          | \$ | 120,542          | \$ | 97,211           |
| Trading account securities        |    | 670              |    | 1,905            |    | 861              |
| Investments available for sale    |    | 355,079          |    | 331,160          |    | 172,076          |
| Investments held to maturity      |    | 18,251           |    | 18,455           |    | 19,113           |
| Loans held for sale               |    | 42,239           |    | 62,349           |    | 29,314           |
| Loans and leases                  |    | 1,823,311        |    | 1,778,315        |    | 1,041,553        |
| Less: Allowance for credit losses |    | (24,538)         |    | (24,731)         |    | (14,271)         |
| Loans and leases, net             |    | <b>1,798,773</b> |    | <b>1,753,584</b> |    | <b>1,027,282</b> |
| Federal Home Loan Bank stock      |    | 4,828            |    | 6,589            |    | 8,291            |
| Premises and equipment, net       |    | 61,339           |    | 58,585           |    | 39,310           |
| Other real estate owned           |    | 3,430            |    | 2,209            |    | 1,430            |
| Mortgage servicing rights, net    |    | 10,179           |    | 9,316            |    | 5,991            |
| Goodwill and other intangibles    |    | 161,181          |    | 160,967          |    | 26,169           |
| Other assets                      |    | 35,672           |    | 30,303           |    | 10,124           |
|                                   | \$ | <b>2,645,915</b> | \$ | <b>2,555,964</b> | \$ | <b>1,437,172</b> |

Liabilities:

|  |    |                  |    |                  |    |                  |
|--|----|------------------|----|------------------|----|------------------|
| Deposits   | \$ | 2,178,769        | \$ | 2,103,790        | \$ | 1,207,513        |
| Securities sold under agreements<br>to repurchase and fed funds<br>purchased |    | 34,675           |    | 31,232           |    | 29,216           |
| Borrowings   |    | 24,162           |    | 24,219           |    | 35,068           |
| Other borrowings   |    | -                |    | 5,000            |    | -                |
| Trust preferred securities   |    | 75,000           |    | 75,000           |    | -                |
| Other liabilities  |    | 34,840           |    | 28,564           |    | 27,461           |
| Total liabilities  |    | <b>2,347,446</b> |    | <b>2,267,805</b> |    | <b>1,299,258</b> |

Shareholders' equity:

|   |    |                  |    |                  |    |                  |
|---|----|------------------|----|------------------|----|------------------|
| Common stock                                  |    | 228,899          |    | 225,380          |    | 92,469           |
| Retained earnings                             |    | 66,724           |    | 59,475           |    | 44,197           |
| Accumulated other comprehensive<br>Income     |    | 2,846            |    | 3,304            |    | 1,248            |
| Total shareholders' equity                    |    | <b>298,469</b>   |    | <b>288,159</b>   |    | <b>137,914</b>   |
| Total liabilities and shareholders'<br>equity | \$ | <b>2,645,915</b> | \$ | <b>2,555,964</b> | \$ | <b>1,437,172</b> |

Common shares outstanding at period

|                               |    |            |    |            |    |            |
|-------------------------------|----|------------|----|------------|----|------------|
| End                           |    | 28,234,620 |    | 27,980,591 |    | 19,970,763 |
| Book value per share          | \$ | 10.57      | \$ | 10.30      | \$ | 6.91       |
| Tangible book value per share | \$ | 4.86       | \$ | 4.55       | \$ | 5.60       |
| Tangible equity               | \$ | 137,288    | \$ | 127,192    | \$ | 111,745    |

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## Umpqua Holdings Corporation

## Loan Portfolio

| Dollars in thousands         | March 31, 2003      | December 31,<br>2002 | March 31, 2002      |
|------------------------------|---------------------|----------------------|---------------------|
| Loans and leases by purpose: |                     |                      |                     |
| Commercial real estate       | \$ 841,492          | \$ 817,691           | \$ 584,184          |
| Residential real estate      | 79,636              | 79,708               | 69,777              |
| Construction                 | 281,223             | 270,116              | 80,455              |
| Total real estate            | <b>1,202,351</b>    | <b>1,167,515</b>     | <b>734,416</b>      |
| Commercial                   | 566,677             | 554,748              | 245,722             |
| Leases                       | 9,271               | 6,698                | 3,905               |
| Consumer                     | 44,959              | 48,647               | 56,829              |
| Other                        | 53                  | 707                  | 681                 |
| Total loans and leases       | \$ <b>1,823,311</b> | \$ <b>1,778,315</b>  | \$ <b>1,041,553</b> |

|   | March 31, 2003 | Quarter Ended<br>December 31,<br>2002 | March 31, 2002 |
|---|----------------|---------------------------------------|----------------|
| Allowance for credit losses                                       |                |                                       |                |
| Balance beginning of period                                       | \$ 24,731      | \$ 15,038                             | \$ 13,221      |
| Provision for credit losses                                       | 1,475          | 1,384                                 | 1,004          |
| Loan charge-offs, net   | (1,668)        | (1,547)                               | 46             |
| Acquisitions  | -              | 9,856                                 | -              |
| Balance end of period   | \$ 24,538      | \$ 24,731                             | \$ 14,271      |
| Net charge-offs to average<br>loans and leases (annualized)       | 0.38%          | 0.44%                                 | -0.02%         |
| Allowance for credit losses to<br>loans and leases                | 1.35%          | 1.39%                                 | 1.37%          |
| Allowance for credit losses to<br>non-performing loans and leases | 138%           | 134%                                  | 304%           |
| Non-performing loans and leases<br>to total loans and leases      | 0.98%          | 1.03%                                 | 0.45%          |
| Non-performing assets   |                |                                       |                |
| Non-performing loans and leases                                   | \$ 17,816      | \$ 18,395                             | \$ 4,693       |
| Real estate owned   | 3,430          | 2,209                                 | 1,430          |
| Total non-performing assets                                       | \$ 21,246      | \$ 20,604                             | \$ 6,123       |

## Deposits by Type



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|                              | March 31, 2003 | December 31,<br>2002 | March 31, 2002 |
|------------------------------|----------------|----------------------|----------------|
| Demand, non interest bearing | \$ 543,319     | \$ 9; 494,810        | \$ J68,428     |
| Demand, interest bearing     | 843,187        | 9; 814,494           | L45,726        |
| Savings                      | 167,715        | 9; 162,043           | O6,000         |
| Time                         | 624,548        | 9; 632,443           | L17,539        |
| Total Deposits               | \$ 2,178,769   | \$ 2,103,790         | \$ 1,207,513   |

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Umpqua Holdings Corporation

Selected Ratios

| <u>Consolidated Ratios</u>  | Quarter ended: |                   |                |
|---|----------------|-------------------|----------------|
|   | March 31, 2003 | December 31, 2002 | March 31, 2002 |
| <u>Net Interest Spread:</u>   |                |                   |                |
| Yield on loans and leases   | 6.95%          | 7.21%             | 7.82%          |
| Yield on investments (1)  | 4.98%          | 4.91%             | 6.54%          |
| Yield on temporary investments  | 1.17%          | 1.44%             | 1.58%          |
| Total yield on earning assets   | 6.51%          | 6.61%             | 7.48%          |
| Cost of interest bearing deposits   | 1.61%          | 1.74%             | 2.30%          |
| Cost of securities sold under agreements to re-purchase and Fed funds purchased | 1.43%          | 1.44%             | 1.27%          |
| Cost of borrowings  | 3.56%          | 3.76%             | 4.00%          |
| Cost of trust preferred   | 5.07%          | 5.33%             | 0.00%          |
| Total cost of interest bearing liabilities                                      | 1.78%          | 1.92%             | 2.32%          |
| Net interest spread   | 4.73%          | 4.69%             | 5.16%          |
| Net interest margin   | 5.10%          | 5.10%             | 5.66%          |
| <u>Before Merger Related Expenses:</u>  |                |                   |                |
| Return on average assets  | 1.38%          | 1.43%             | 1.42%          |
| Return on average equity  | 12.17%         | 13.75%            | 14.45%         |
| Return on average tangible equity   | 27.04%         | 23.76%            | 17.79%         |
| <u>After Merger Related Expenses:</u>   |                |                   |                |
| Return on average assets  | 1.32%          | 1.29%             | 1.14%          |
| Return on average equity  | 11.61%         | 12.36%            | 11.60%         |
| Return on average tangible equity   | 25.78%         | 21.38%            | 14.28%         |
| <u>Bank only Ratios</u>   |                |                   |                |
| Umpqua Bank efficiency ratio before merger expenses                             | 55.10%         | 52.88%            | 58.35%         |
| Umpqua Bank net interest margin   | 5.27%          | 5.28%             | 5.66%          |

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

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