

UMPQUA HOLDINGS CORP
Form 8-K
January 23, 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): January 23, 2003

Umpqua Holdings Corporation

(Exact Name of Registrant as Specified in Its Charter)

OREGON

000-25597

93-1261319

(State or Other Jurisdiction of
Incorporation or Organization)

(Commission File Number)

(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)

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

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) Press Release

Item 9. Regulation FD Disclosure

On January 23, 2003, Umpqua Holdings Corporation issued a press release announcing its operating earnings for the fourth quarter and year ended 2002. All 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: January 23, 2003

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

I. FOR IMMEDIATE RELEASE

Contacts:

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UMPQUA HOLDINGS CORPORATION ANNOUNCES CONTINUED MOMENTUM IN FOURTH QUARTER AND YEAR-END EARNINGS

PORTLAND, Ore. - Jan. 23, 2003 -

Umpqua Holdings Corporation (NASDAQ: UMPQ), parent company of Umpqua Bank and of Strand, Atkinson, Williams & York, Inc. today announced operating earnings of \$7.46 million, or \$0.31 per diluted share for the fourth quarter of 2002, a 47% increase over the same period one year ago. For the full year 2002, operating earnings were \$23.69 million, or \$1.11 per diluted share.

Operating earnings are defined as the company's earnings before deduction of merger related expenses, which 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 fourth quarter of 2002 was \$6.72 million or \$0.28 per diluted share. For the full year 2002, net income was \$21.97 million or \$1.03 per share.

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

| | (Dollars in 000's, except per share data) | | | |
|--|---|----------|-----------|-----------|
| | Q4 2002 | Q3 2002 | 2002 | 2001 |
| Net Income | \$ 6,715 | \$ 6,010 | \$ 21,968 | \$ 8,550 |
| Add Back: Merger related expense, net of tax | 748 | -- | 1,721 | 4,837 |
| Operating Earnings | \$ 7,463 | \$ 6,010 | \$ 23,689 | \$ 13,387 |
| Earnings per diluted share: | | | | |
| Net Income | \$ 0.28 | \$ 0.29 | \$ 1.03 | \$ 0.45 |
| Operating Earnings | \$ 0.31 | \$ 0.29 | \$ 1.11 | \$ 0.70 |
| | - more - | | | |

Umpqua Holdings Corporation Announces Fourth-Quarter and Year-End Earnings

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"It was another historic year for this company," said Ray Davis, president and chief executive officer of Umpqua Holdings Corporation. "Through the acquisition of Centennial Bancorp, which closed on November 15, 2002, we expanded the market territory and services of Umpqua Bank and have become the Northwest's leading community bank. Along with strong revenues from our investment brokerage firm, Strand, Atkinson, Williams & York, we continue to strengthen our platform for continued growth in earnings for 2003."

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Total consolidated assets of Umpqua Holdings as of December 31, 2002 were \$2.56 billion, compared to \$1.43 billion at December 31, 2001. Total gross loans and deposits were \$1.78 billion and \$2.1 billion, respectively, as of December 31, 2002, compared to \$1.0 billion and \$1.2 billion, respectively, as of December 31, 2001. The following table provides a recap of organic growth compared to growth from acquisitions over the past two years:

| (dollars in 000's) | Loan Growth | | | Deposit Growth | | | Asset Growth | | |
|--------------------|-------------|----|---|----------------|----|---|--------------|----|---|
| Fiscal 2001: | | | | | | | | | |
| Organic growth | \$ 119,731 | 23 | % | \$ 72,607 | 11 | % | \$ 84,932 | 11 | % |
| Acquired growth | 366,428 | 69 | % | 450,982 | 66 | % | 558,131 | 71 | % |
| Total growth | \$ 485,999 | 92 | % | 523,589 | 77 | % | 643,063 | 82 | % |
| Fiscal 2002: | | | | | | | | | |
| Organic growth | \$ 130,277 | 13 | % | \$ 177,681 | 15 | % | \$ 155,743 | 11 | % |
| Acquired growth | 631,896 | 62 | % | 721,216 | 60 | % | 971,510 | 68 | % |
| Total growth | \$ 762,173 | 75 | % | \$ 898,897 | 75 | % | \$ 1,127,253 | 79 | % |

Non-interest income for the fourth quarter of 2002 increased to \$9.16 million, an increase of 37% over the third quarter of 2002 and an increase of 28% over the fourth quarter of 2001. This is due largely to significant increases in mortgage banking revenue. Sold mortgage loan volume was \$349 million in the fourth quarter, compared to \$166 million in the third quarter. Approximately \$71 million of the fourth quarter sold mortgage loan volume is attributable to the former Centennial Bank mortgage operations.

Umpqua Bank, Umpqua Holdings's largest subsidiary, achieved an efficiency ratio before merger-related expenses of 52.88% for the quarter and 55.58% for the year ending December 31, 2002.

All offices and departments of Centennial Bancorp's subsidiary, Centennial Bank, now operate as Umpqua Bank. The integration of the two organizations has proceeded smoothly with standardized products, pricing and lending policies in effect. Full operational integration is expected to be completed within the first half of 2003.

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

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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 68 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's 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.

Umpqua Holdings Corporation will conduct a quarterly earnings conference call Thursday, January 23, 2003, at 10:00 a.m. PST where the Company will discuss fourth-quarter results and provide an update on the recent acquisition of Centennial Bancorp. 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 888-373-3590 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 888-568-0502, or by visiting 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 Forms 10-K for Umpqua Holdings Corporation and Centennial Bancorp for the year ended December 31, 2001. These risk factors include, but are not limited to, the level of commercial activity, general market conditions, prevailing interest rates, the companies' abilities to continue generating loans, their abilities to execute on their community-based banking strategies, and intense competition within the banking industry, which the companies believe will increase. Specific risks in this press release include timely completion of the Centennial Bank integration, the timing and amount of consolidated savings and additional acquisition charges, and future growth in assets and earnings.

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Umpqua Holdings Corporation

Consolidated Statements of Income

(unaudited)

| Dollars in thousands, except per-share data | Quarter ended: | | |
|---|-------------------|--------------------|-------------------|
| | December 31, 2002 | September 30, 2002 | December 31, 2001 |
| Interest income | | | |
| Loans and leases | \$ 26,340 | \$ 20,435 | \$ 18,374 |
| Investments taxable | 2,659 | 2,557 | 2,400 |
| Investments tax exempt | 790 | 714 | 686 |
| Temporary investments | 247 | 318 | 242 |
| Other interest and dividends | 22 | 28 | 22 |
| Total interest income | 30,058 | 24,052 | 21,724 |
| Interest expense | | | |
| Deposits | 5,769 | 5,394 | 6,031 |
| Repurchase agreements and | | | |

| | | | |
|-----------------------------------|------------|------------|------------|
| fed funds purchased | 114 | 101 | 121 |
| Trust preferred securities | 839 | 18 | - |
| Other borrowings | 213 | 226 | 335 |
| Total interest expense | 6,935 | 5,739 | 6,487 |
| Net interest income | 23,123 | 18,313 | 15,237 |
| Provision for credit losses | 1,384 | 900 | 1,750 |
| Non-interest income | | | |
| Service charges | 2,541 | 2,138 | 2,066 |
| Brokerage fees | 2,208 | 2,299 | 2,125 |
| Mortgage banking revenue | 3,989 | 1,190 | 2,195 |
| Other income | 418 | 1,078 | 740 |
| Total non-interest income | 9,156 | 6,705 | 7,126 |
| Non-interest expense | | | |
| Salaries and benefits | 10,877 | 8,963 | 7,997 |
| Occupancy and equipment | 2,936 | 2,348 | 2,169 |
| Other | 5,221 | 3,810 | 4,394 |
| Merger related expenses | 1,231 | - | 5,641 |
| Total non-interest expense | 20,265 | 15,121 | 20,201 |
| Income before income taxes | 10,630 | 8,997 | 412 |
| Income taxes | 3,915 | 2,987 | 1,003 |
| Net income (loss) | \$ 6,715 | \$ 6,010 | \$ (591) |
| Weighted average shares | | | |
| Outstanding | 24,054,398 | 20,125,583 | 18,837,665 |
| Weighted average diluted | | | |
| Shares outstanding | 24,364,161 | 20,398,796 | 19,107,953 |
| Basic earnings (loss) per share | \$ 0.28 | \$ 0.30 | \$ (0.03) |
| Diluted earnings (loss) per share | \$ 0.28 | \$ 0.29 | \$ (0.03) |

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Umpqua Holdings Corporation

Consolidated Statements of Income

(unaudited)

| Dollars in thousands, except per-share data | Year ended: | |
|---|-------------------|-------------------|
| | December 31, 2002 | December 31, 2001 |
| Interest income | | |
| Loans and leases | \$ 86,966 | \$ 73,222 |
| Investments taxable | 9,493 | 9,753 |
| Investments tax exempt | 2,946 | 2,737 |
| Temporary investments | 838 | 2,236 |

| | | |
|--|------------|------------|
| Other interest and dividends | 82 | 90 |
| Total interest income | 100,325 | 88,038 |
| Interest expense | | |
| Deposits | 21,545 | 30,155 |
| Repurchase agreements and fed funds purchased | 372 | 614 |
| Trust preferred securities | 856 | |
| Other borrowings | 1,024 | 1,640 |
| Total interest expense | 23,797 | 32,409 |
| Net interest income | 76,528 | 55,629 |
| Provision for credit losses | 3,888 | 3,190 |
| Non-interest income | | |
| Service charges | 8,640 | 7,768 |
| Brokerage fees | 9,012 | 8,309 |
| Mortgage banking revenue | 9,075 | 5,106 |
| Other income | 1,616 | 2,215 |
| Total non-interest income | 28,343 | 23,398 |
| Non-interest expense | | |
| Salaries and benefits | 37,117 | 30,260 |
| Occupancy and equipment | 9,596 | 9,263 |
| Other | 17,249 | 14,748 |
| Merger related expenses | 2,752 | 6,610 |
| Total non-interest expense | 66,714 | 60,881 |
| Income before income taxes | 34,269 | 14,956 |
| Income taxes | 12,301 | 6,406 |
| Net income | \$ 21,968 | \$ 8,550 |
| Weighted average shares | | |
| Outstanding | 21,054,351 | 18,781,813 |
| Weighted average diluted | | |
| Shares outstanding | 21,306,036 | 19,006,349 |
| Basic earnings per share | \$ 1.04 | \$ 0.46 |
| Diluted earnings per share | \$ 1.03 | \$ 0.45 |

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Consolidated Balance Sheets

(unaudited)

Dollars in thousands, except per-share
data

December 31, 2002 September 30, 2002 December 31, 2001

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| | | | |
|--|--------------|--------------|--------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 120,542 | \$ 128,022 | \$ 107,988 |
| Trading account securities | 1,905 | 1,534 | 3,010 |
| Investments available for sale | 331,160 | 251,996 | 193,588 |
| Investments held to maturity | 18,455 | 20,011 | 19,134 |
| Loans held for sale | 62,349 | 32,959 | 11,520 |
| Loans and leases | 1,778,315 | 1,076,521 | 1,016,142 |
| Less: Allowance for credit losses | (24,731) | (15,038) | (13,221) |
| Loans and leases, net | 1,753,584 | 1,061,483 | 1,002,921 |
| Federal Home Loan Bank stock | 6,589 | 4,973 | 8,170 |
| Premises and equipment, net | 58,585 | 40,623 | 38,871 |
| Other real estate owned | 2,209 | 756 | 1,061 |
| Mortgage servicing rights, net | 9,316 | 7,043 | 4,876 |
| Goodwill and other intangibles | 160,967 | 26,105 | 25,841 |
| Other assets | 30,303 | 11,450 | 11,731 |
| | \$ 2,555,964 | \$ 1,586,955 | \$ 1,428,711 |
| Liabilities: | | | |
| Deposits | \$ 2,103,790 | \$ 1,347,494 | \$ 1,204,893 |
| Securities sold under agreements to repurchase and fed funds purchased | 31,232 | 28,771 | 33,215 |
| Borrowings | 24,219 | 24,048 | 31,041 |
| Other borrowings | 5,000 | - | - |
| Trust preferred securities | 75,000 | 25,000 | - |
| Other liabilities | 28,564 | 10,428 | 24,261 |
| Total liabilities | 2,267,805 | 1,435,741 | 1,293,410 |
| Shareholders' equity: | | | |
| Common stock | 225,380 | 94,116 | 92,268 |
| Retained earnings | 59,475 | 53,880 | 41,041 |
| Accumulated other comprehensive Income | 3,304 | 3,218 | 1,992 |
| Total shareholders' equity | 288,159 | 151,214 | 135,301 |
| Total liabilities and shareholders' equity | \$ 2,555,964 | \$ 1,586,955 | \$ 1,428,711 |
| Common shares outstanding at period | | | |
| End | 27,980,591 | 20,137,343 | 19,952,965 |
| Book value per share | \$ 10.30 | \$ 7.51 | \$ 6.78 |
| Tangible book value per share | \$ 4.55 | \$ 6.21 | \$ 5.49 |
| | | \$ 125,109 | |
| Tangible equity | \$ 127,192 | | \$ 109,460 |

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Loan Portfolio

| Dollars in thousands | December 31, 2002 | September 30, 2002 | December 31, 2001 |
|------------------------------|-------------------|--------------------|-------------------|
| Loans and leases by purpose: | | | |
| Commercial real estate | \$ 817,691 | \$ 584,921 | \$ 499,155 |
| Residential real estate | 79,708 | 56,530 | 134,876 |
| Construction | 270,116 | 125,433 | 74,372 |
| Total real estate | 1,167,515 | 766,884 | 708,403 |
| Commercial | 554,090 | 259,266 | 235,809 |
| Leases | 6,698 | 3,931 | 4,098 |
| Consumer | 49,305 | 46,184 | 59,988 |
| Other | 707 | 256 | 7,844 |
| Total loans and leases | \$ 1,778,315 | \$ 1,076,521 | \$ 1,016,142 |

Year ended:

| | December 31, 2002 | December 31, 2001 |
|---------------------------------|-------------------|-------------------|
| Allowance for credit losses | | |
| Balance beginning of period | \$ 13,221 | \$ 9,838 |
| Provision for credit losses | 3,888 | 3,190 |
| Loan charge-offs, net | (2,234) | (1,670) |
| Acquisitions | 9,856 | 1,863 |
| Balance end of period | \$ 24,731 | \$ 13,221 |
| Net charge-offs to average | | |
| Loans and leases (annualized) | 0.20% | 0.20% |
| Allowance for credit losses to | | |
| Loans and leases | 1.39% | 1.30% |
| Allowance for credit losses to | | |
| non-performing loans and leases | 134% | 393% |
| Non-performing loans and leases | | |
| to total loans and leases | 1.03% | 0.33% |
| Non-performing assets | | |
| Non-performing loans and leases | \$ 18,395 | \$ 3,366 |
| Real estate owned | 2,209 | 1,061 |
| Total non-performing assets | \$ 20,604 | \$ 4,427 |

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Deposits by Type

December 31, 2002
September 30, 2002
December 31, 2001

| | |
|------------------------------|-----------|
| Demand, non interest bearing | |
| \$ | 494,810 |
| \$ | 320,150 |
| \$ | 270,813 |
| Demand, interest bearing | |
| | 814,494 |
| | 490,640 |
| | 440,739 |
| Savings | |
| | 162,043 |
| | 82,314 |
| | 73,357 |
| Time | |
| | 632,443 |
| | 454,390 |
| | 419,984 |
| Total Deposits | |
| \$ | 2,103,790 |
| \$ | 1,347,494 |
| \$ | 1,204,893 |

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Selected Ratios

| <u>Consolidated Ratios</u> | December 31, 2002 | Quarter ended: | |
|--------------------------------|-------------------|-----------------------|-------------------|
| | | September 30, 2002 | December 31, 2001 |
| Net Interest Spread: | | | |
| Yield on loans and leases | 7.21% | 7.47% | 8.08% |
| Yield on investments (1) | 4.91% | 6.01% | 6.32% |
| Yield on temporary investments | 1.44% | 1.61% | 2.21% |
| Total yield on earning assets | 6.61% | 6.89% | 7.54% |

| | | | |
|---|--------|--------|--------|
| Cost of interest bearing deposits | 1.74% | 2.09% | 2.85% |
| Cost of securities sold under agreements to re-purchase and Fed funds purchased | 1.44% | 1.53% | 1.26% |
| Cost of borrowings | 3.76% | 3.73% | 5.10% |
| Cost of trust preferred | 5.33% | 5.22% | 0.00% |
| Total cost of interest bearing liabilities | 1.92% | 2.12% | 2.86% |
| | | | |
| Net interest spread | 4.69% | 4.77% | 4.68% |
| | | | |
| Net interest margin | 5.10% | 5.27% | 5.32% |
| | | | |
| <u>Before Merger Related Expenses:</u> | | | |
| Return on average assets | 1.43% | 1.55% | 1.13% |
| Return on average equity | 13.75% | 15.97% | 11.75% |
| Return on average tangible equity | 23.76% | 19.35% | 13.92% |
| | | | |
| <u>After Merger Related Expenses:</u> | | | |
| Return on average assets | 1.29% | 1.55% | -0.18% |
| Return on average equity | 12.36% | 15.97% | -1.90% |
| Return on average tangible equity | 21.38% | 19.35% | -2.25% |
| | | | |
| <u>Bank only Ratios</u> | | | |
| Umpqua Bank efficiency ratio before merger expenses | 52.88% | 55.08% | 60.19% |
| Umpqua Bank net interest margin | 5.28% | 5.27% | 5.32% |

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

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Umpqua Holdings Corporation

Selected Ratios

| <u>Consolidated Ratios</u> | Year ended: | |
|--------------------------------|-------------------|-------------------|
| | December 31, 2002 | December 21, 2001 |
| Net Interest Spread: | | |
| Yield on loans and leases | 7.51% | 8.73% |
| Yield on investments (1) | 5.86% | 6.51% |
| Yield on temporary investments | 1.58% | 3.75% |
| Total yield on earning assets | 7.02% | 8.04% |

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| | | |
|---|--------|--------|
| Cost of interest bearing deposits | 2.04% | 3.70% |
| Cost of securities sold under agreements to re-purchase and Fed funds purchased | 1.43% | 2.91% |
| Cost of borrowings | 3.77% | 5.42% |
| Cost of trust preferred | 5.33% | 0.00% |
| Total cost of interest bearing liabilities | 2.12% | 3.74% |
| | | |
| Net interest spread | 4.91% | 4.30% |
| | | |
| Net interest margin | 5.38% | 5.13% |
| | | |
| <u>Before Merger Related Expenses:</u> | | |
| Return on average assets | 1.47% | 1.10% |
| Return on average equity | 14.64% | 11.32% |
| Return on average tangible equity | 19.76% | 12.59% |
| | | |
| <u>After Merger Related Expenses:</u> | | |
| Return on average assets | 1.36% | 0.70% |
| Return on average equity | 13.58% | 7.22% |
| Return on average tangible equity | 18.33% | 8.04% |
| | | |
| <u>Bank only Ratios</u> | | |
| Umpqua Bank efficiency ratio before merger expenses | 55.58% | 58.23% |
| Umpqua Bank net interest margin | 5.44% | 5.13% |

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

- END -
