

UMPQUA HOLDINGS CORP  
Form 10-Q  
November 04, 2016  
United States  
Securities and Exchange Commission  
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the quarterly period ended: September 30, 2016

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-34624

Umpqua Holdings Corporation

(Exact Name of Registrant as Specified in Its Charter)

OREGON 93-1261319  
(State or Other Jurisdiction (I.R.S. Employer Identification Number)  
of Incorporation or Organization)

One SW Columbia Street, Suite 1200  
Portland, Oregon 97258  
(Address of Principal Executive Offices)(Zip Code)

(503) 727-4100  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding for each of the issuer's classes of common stock, as of the latest practical date:

Common stock, no par value: 220,208,309 shares outstanding as of October 31, 2016

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements (unaudited)

## UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except shares)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Cash and due from banks (restricted cash of \$107,399 and \$58,813)	\$364,013	\$277,645
Interest bearing cash and temporary investments (restricted cash of \$1,004 and \$3,938)	1,102,428	496,080
Total cash and cash equivalents	1,466,441	773,725
Investment securities		
Trading, at fair value	10,866	9,586
Available for sale, at fair value	2,520,037	2,522,539
Held to maturity, at amortized cost	4,302	4,609
Loans held for sale, at fair value	565,624	363,275
Loans and leases	17,392,051	16,866,536
Allowance for loan and lease losses	(133,692 )	(130,322 )
Net loans and leases	17,258,359	16,736,214
Restricted equity securities	47,537	46,949
Premises and equipment, net	306,287	328,734
Goodwill	1,787,651	1,787,793
Other intangible assets, net	38,753	45,508
Residential mortgage servicing rights, at fair value	114,446	131,817
Other real estate owned	8,309	22,307
Bank owned life insurance	297,561	291,892
Deferred tax asset, net	27,587	138,082
Other assets	290,454	203,351
Total assets	\$24,744,214	\$23,406,381
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits		
Noninterest bearing	\$5,993,793	\$5,318,591
Interest bearing	12,924,987	12,388,598
Total deposits	18,918,780	17,707,189
Securities sold under agreements to repurchase	309,463	304,560
Term debt	902,678	888,769
Junior subordinated debentures, at fair value	260,114	255,457
Junior subordinated debentures, at amortized cost	101,012	101,254
Other liabilities	331,959	299,818
Total liabilities	20,824,006	19,557,047
<b>COMMITMENTS AND CONTINGENCIES (NOTE 8)</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, no par value, shares authorized: 400,000,000 in 2016 and 2015; issued and outstanding: 220,207,300 in 2016 and 220,171,091 in 2015	3,514,858	3,520,591
Retained earnings	388,678	331,301
Accumulated other comprehensive income (loss)	16,672	(2,558 )

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Total shareholders' equity	3,920,208	3,849,334
Total liabilities and shareholders' equity	\$24,744,214	\$23,406,381

See notes to condensed consolidated financial statements

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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (UNAUDITED)

(in thousands, except per share amounts)	Three Months Ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
<b>INTEREST INCOME</b>				
Interest and fees on loans and leases	\$212,037	\$218,975	\$640,255	\$649,993
Interest and dividends on investment securities:				
Taxable	10,779	11,882	35,797	35,188
Exempt from federal income tax	2,181	2,393	6,599	7,284
Dividends	332	112	1,063	382
Interest on temporary investments and interest bearing deposits	1,090	440	2,222	1,814
Total interest income	226,419	233,802	685,936	694,661
<b>INTEREST EXPENSE</b>				
Interest on deposits	8,999	7,450	25,952	21,934
Interest on securities sold under agreement to repurchase	32	43	100	134
Interest on term debt	3,558	3,629	11,592	10,585
Interest on junior subordinated debentures	3,938	3,465	11,500	10,208
Total interest expense	16,527	14,587	49,144	42,861
Net interest income	209,892	219,215	636,792	651,800
<b>PROVISION FOR LOAN AND LEASE LOSSES</b>				
Net interest income after provision for loan and lease losses	13,091	8,153	28,503	32,044
<b>NON-INTEREST INCOME</b>				
Service charges on deposits	15,762	15,616	45,945	44,701
Brokerage revenue	4,129	5,003	12,803	14,420
Residential mortgage banking revenue, net	47,206	24,041	99,415	92,282
Gain on investment securities, net	—	220	858	355
Gain on loan sales, net	1,285	5,212	9,296	20,651
Loss on junior subordinated debentures carried at fair value	(1,590)	(1,590)	(4,734)	(4,717)
BOLI income	2,116	2,165	6,407	6,510
Other income	11,802	10,705	31,330	32,177
Total non-interest income	80,710	61,372	201,320	206,379
<b>NON-INTEREST EXPENSE</b>				
Salaries and employee benefits	105,341	106,482	319,424	324,733
Occupancy and equipment, net	38,181	37,235	114,326	104,253
Communications	5,107	4,443	15,966	15,131
Marketing	2,124	2,846	7,978	7,920
Services	9,983	10,389	32,183	35,382
FDIC assessments	4,109	3,369	11,523	9,738
(Gain) loss on other real estate owned, net	(14)	(158)	(82)	2,136
Intangible amortization	1,867	2,806	6,755	8,419
Merger related expenses	2,011	5,991	12,095	41,870
Goodwill impairment	—	—	142	—
Other expenses	12,478	9,791	33,377	28,149
Total non-interest expense	181,187	183,194	553,687	577,731
Income before provision for income taxes	96,324	89,240	255,922	248,404
Provision for income taxes	34,515	31,633	92,257	88,884

Net income	\$61,809	\$57,607	\$163,665	\$159,520
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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Continued)  
 (UNAUDITED)

(in thousands, except per share amounts)	Three Months Ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income	\$61,809	\$57,607	\$163,665	\$159,520
Dividends and undistributed earnings allocated to participating securities	31	84	92	261
Net earnings available to common shareholders	\$61,778	\$57,523	\$163,573	\$159,259
Earnings per common share:				
Basic	\$0.28	\$0.26	\$0.74	\$0.72
Diluted	\$0.28	\$0.26	\$0.74	\$0.72
Weighted average number of common shares outstanding:				
Basic	220,291	220,297	220,313	220,370
Diluted	220,751	220,904	220,936	221,062

See notes to condensed consolidated financial statements



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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (UNAUDITED)

(in thousands)	Three Months Ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income	\$61,809	\$57,607	\$163,665	\$159,520
Available for sale securities:				
Unrealized (losses) gains arising during the period	(9,768 )	15,258	32,228	3,695
Income tax benefit (expense) related to unrealized gains	3,780	(6,103 )	(12,472 )	(1,478 )
Reclassification adjustment for net realized gains in earnings	—	(220 )	(858 )	(355 )
Income tax expense related to realized gains	—			