

UMPQUA HOLDINGS CORP  
Form S-4  
November 15, 2013

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As filed with the Securities and Exchange Commission on November 14, 2013.

Registration No. 333-[ ]

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form S-4**  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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**Umpqua Holdings Corporation**

(Exact Name of Registrant as Specified in its Charter)

**Oregon**  
(State or other jurisdiction of  
incorporation or organization)

**6022**  
(Primary Standard Industrial  
Classification Code Number)  
**One SW Columbia, Suite 1200**  
**Portland, Oregon 97258**  
**(503) 727-4100**

**93-1261319**  
(I.R.S. Employer  
Identification Number)

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

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**Raymond P. Davis**  
**President and Chief Executive Officer**  
**Umpqua Holdings Corporation**  
**One SW Columbia, Suite 1200**  
**Portland, Oregon 97258**  
**(503) 727-4100**

(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

---

**Edward D. Herlihy, Esq.**  
**Matthew M. Guest, Esq.**  
**Wachtell, Lipton, Rosen & Katz**  
**51 West 52nd Street**  
**New York, New York 10019**  
**(212) 403-1000**

**With copies to:**  
**J. Gregory Seibly**  
**President and Chief Executive Officer**  
**Sterling Financial Corporation**  
**111 North Wall Street**  
**Spokane, Washington 99201**  
**(509) 358-8097**

**William L. Taylor**  
**Davis Polk & Wardwell LLP**  
**450 Lexington Avenue**  
**New York, New York 10017**  
**(212) 450-4000**

**Approximate date of commencement of the proposed sale of the securities to the public:**

**As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed document.**

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
 (Do not check if a smaller reporting company)

**CALCULATION OF REGISTRATION FEE**

<b>Title of each class of Securities to be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price Per Share</b>	<b>Proposed Maximum Aggregate Offering Price(2)</b>	<b>Amount of Registration Fee(2)</b>
Common Stock, no par value	119,175,720	N/A	\$1,979,486,600(3)	\$254,958

- (1) The maximum number of shares of Umpqua common stock estimated to be issuable upon completion of the Umpqua/Sterling merger described herein. This number is based on the number of shares of Sterling common stock outstanding and reserved for issuance under various plans as of October 31, 2013 and that may be issued in the future pursuant to the terms of the merger agreement, and the exchange of each such share of Sterling common stock for 1.671 shares of Umpqua common stock, pursuant to the terms of the Agreement and Plan of Merger, dated as of September 11, 2013, by and between Sterling Financial Corporation and Umpqua Holdings Corporation, which is attached to the joint proxy statement/prospectus as Annex A.
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rules 457(f) and 457(c) under the Securities Act, based on a rate of \$128.80 per \$1,000,000 of the proposed maximum aggregate offering price.
- (3) The proposed maximum aggregate offering price of the registrant's common stock was calculated based upon the market value of shares of Sterling common stock in accordance with Rules 457(c) and 457(f) under the Securities Act as follows: the product of (A) \$27.76, the average of the high and low prices per share of Sterling common stock as reported on the NASDAQ Capital Market on November 8, 2013, less the cash consideration to be paid in the merger of \$2.18 per share, and (B) 71,320,000, the estimated maximum number of shares of Sterling common stock that may be exchanged for the merger consideration, including shares reserved for issuance under various equity plans and shares that may be issued in the future pursuant to the terms of the merger agreement.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED NOVEMBER 14, 2013**

**Proxy Statement**

**Prospectus**

## **MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder:

On September 11, 2013, Sterling Financial Corporation, or Sterling, and Umpqua Holdings Corporation, or Umpqua, entered into an Agreement and Plan of Merger (which we refer to as the "merger agreement") that provides for the combination of the two companies. Under the merger agreement, Sterling will merge with and into Umpqua, with Umpqua as the surviving corporation (which we refer to as the "merger"). The merger will result in the West Coast's largest community bank with expanded geographic reach.

In the merger, each share of Sterling common stock (except for specified shares of Sterling common stock held by Sterling or Umpqua and any dissenting shares) will be converted into the right to receive 1.671 shares of Umpqua common stock and \$2.18 in cash, without interest, (which we refer to as the "merger consideration"). Although the number of shares of Umpqua common stock that Sterling shareholders will receive is fixed, the market value of the merger consideration will fluctuate with the market price of Umpqua common stock and will not be known at the time Sterling shareholders vote on the merger. Based on the closing price of Umpqua's common stock on the NASDAQ Global Select Market on [ ], 2013, the last practicable date before the date of this document, the value of the per share merger consideration payable to holders of Sterling common stock was [ ]. **We urge you to obtain current market quotations for Umpqua (trading symbol "UMPQ") and Sterling (trading symbol "STSA").**

Based on the current number of shares of Sterling common stock outstanding and reserved for issuance under employee benefit plans, Umpqua expects to issue approximately [ ] million shares of common stock to Sterling shareholders in the aggregate upon completion of the merger. However, any increase or decrease in the number of shares of Sterling common stock outstanding that occurs for any reason prior to the completion of the merger would cause the actual number of shares issued upon completion of the merger to change.

Sterling and Umpqua will each hold a special meeting of their respective shareholders in connection with the merger. Sterling and Umpqua shareholders will be asked to vote to approve the merger agreement and related matters as described in the attached joint proxy statement/prospectus. Approval of the merger agreement by Umpqua shareholders requires the affirmative vote of the holders of a majority of votes entitled to be cast and approval of the merger agreement by Sterling shareholders requires the affirmative vote of the holders of two-thirds of the votes entitled to be cast.

The special meeting of Sterling shareholders will be held on [ ] at [ ], at [ ] local time. The special meeting of Umpqua shareholders will be held on [ ] at [ ], at [ ] local time.

**Sterling's board of directors unanimously recommends that Sterling shareholders vote "FOR" the approval of the merger agreement and "FOR" the approval of the other matters to be considered at the Sterling special meeting.**

**Umpqua's board of directors unanimously recommends that Umpqua shareholders vote "FOR" the approval of the merger agreement and "FOR" the approval of the other matters to be considered at the Umpqua special meeting.**

This joint proxy statement/prospectus describes the special meeting of Sterling, the special meeting of Umpqua, the merger, the documents related to the merger and other related matters. **Please carefully read this entire joint proxy statement/prospectus, including "Risk**

**Factors," beginning on page 41, for a discussion of the risks relating to the proposed merger.** You also can obtain information about Umpqua and Sterling from documents that each has filed with the Securities and Exchange Commission.

Raymond P. Davis  
*President and Chief Executive Officer*  
Umpqua Holdings Corporation

J. Gregory Seibly  
*President and Chief Executive Officer*  
Sterling Financial Corporation

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger, the issuance of the Umpqua common stock to be issued in the merger or the other transactions described in this document or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

**The securities to be issued in the merger are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either Umpqua or Sterling, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

The date of this joint proxy statement/prospectus is [            ], and it is first being mailed or otherwise delivered to the shareholders of Umpqua and Sterling on or about [            ].

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**REFERENCES TO ADDITIONAL INFORMATION**

This joint proxy statement/prospectus incorporates important business and financial information about Umpqua and Sterling from documents filed with the U.S. Securities and Exchange Commission, or the SEC, that are not included in or delivered with this joint proxy statement/prospectus. You can obtain any of the documents filed with or furnished to the SEC by Umpqua and/or Sterling at no cost from the SEC's website at <http://www.sec.gov>. You may also request copies of these documents, including documents incorporated by reference in this joint proxy statement/prospectus, at no cost by contacting the appropriate company at the following address:

**Umpqua Holdings Corporation**

20085 N.W. Tanasbourne Drive  
Hillsboro, Oregon 97124  
Attention: Investor Relations  
Telephone: (503) 268-6675

**Sterling Financial Corporation**

111 North Wall Street  
Spokane, Washington 99201  
Attention: Investor Relations  
Telephone: (509) 358-8097

**You will not be charged for any of these documents that you request. To obtain timely delivery of these documents, you must request them no later than five business days before the date of your meeting. This means that Umpqua shareholders requesting documents must do so by [ ], in order to receive them before the Umpqua special meeting, and Sterling shareholders requesting documents must do so by [ ], in order to receive them before the Sterling special meeting.**

You should rely only on the information contained in, or incorporated by reference into, this document. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this document. This document is dated [ ], 2013, and you should assume that the information in this document is accurate only as of such date. You should assume that the information incorporated by reference into this document is accurate as of the date of such document. Neither the mailing of this document to Sterling shareholders or Umpqua shareholders nor the issuance by Umpqua of shares of Umpqua common stock in connection with the merger will create any implication to the contrary.

**This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this document regarding Sterling has been provided by Sterling and information contained in this document regarding Umpqua has been provided by Umpqua.**

See "Where You Can Find More Information" for more details.

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON [        ], 201[    ]**

To the Shareholders of Umpqua Holdings Corporation:

Umpqua Holdings Corporation will hold a special meeting of shareholders at [        ] local time, on [        ], at [        ] to consider and vote upon the following matters:

a proposal to approve the Agreement and Plan of Merger, dated as of September 11, 2013, by and between Sterling Financial Corporation and Umpqua Holdings Corporation, pursuant to which Sterling will merge with and into Umpqua, as more fully described in the attached joint proxy statement/prospectus (which we refer to as the "Umpqua merger proposal");

a proposal to amend the Restated Articles of Incorporation of Umpqua to increase the number of authorized shares of no par value common stock to 400,000,000 (which we refer to as the "articles amendment proposal"); and

a proposal to adjourn the Umpqua special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Umpqua merger proposal and/or the articles amendment proposal (which we refer to as the "Umpqua adjournment proposal").

We have fixed the close of business on [        ] as the record date for the special meeting. Only Umpqua common shareholders of record at that time are entitled to notice of, and to vote at, the Umpqua special meeting, or any adjournment or postponement of the Umpqua special meeting. Approval of the Umpqua merger proposal requires the affirmative vote of holders of a majority of the votes entitled to be cast on the proposal. Approval of the Umpqua adjournment proposal requires the affirmative vote of holders of a majority of shares represented at the special meeting. The articles amendment proposal will be approved if the votes cast in favor of the proposal exceed the votes cast in opposition.

**Umpqua's board of directors has unanimously adopted the merger agreement, has determined that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of Umpqua and its shareholders, and unanimously recommends that Umpqua shareholders vote "FOR" the Umpqua merger proposal, "FOR" the articles amendment proposal and "FOR" the Umpqua adjournment proposal, if necessary or appropriate.**

**Your vote is very important.** We cannot complete the merger unless Umpqua's common shareholders approve the Umpqua merger proposal and the articles amendment proposal.

**Regardless of whether you plan to attend the Umpqua special meeting, please vote as soon as possible. If you hold stock in your name as a shareholder of record of Umpqua, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid return envelope. If you hold your stock in "street name" through a bank or broker, please follow the instructions on the voting instruction card furnished by the record holder.**

The enclosed joint proxy statement/prospectus provides a detailed description of the special meeting, the merger, the documents related to the merger and other related matters. We urge you to

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read the joint proxy statement/prospectus, including any documents incorporated in the joint proxy statement/prospectus by reference, and its annexes carefully and in their entirety.

**BY ORDER OF THE BOARD OF DIRECTORS,**

Steven L. Philpott

*Executive Vice President, General Counsel and Secretary*

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON [     ], 201[     ]**

To the Shareholders of Sterling Financial Corporation:

Sterling Financial Corporation will hold a special meeting of shareholders at [     ] local time, on [     ], at [     ] to consider and vote upon the following matters:

a proposal to adopt and approve the Agreement and Plan of Merger, dated as of September 11, 2013, by and between Sterling Financial Corporation and Umpqua Holdings Corporation, pursuant to which Sterling will merge with and into Umpqua, as more fully described in the attached joint proxy statement/prospectus (which we refer to as the "Sterling merger proposal");

a proposal to approve, on an advisory (non-binding) basis, the compensation that is tied to or based on the merger and that will or may be paid to Sterling's named executive officers in connection with the merger (which we refer to as the "Sterling compensation proposal"); and

a proposal to adjourn the Sterling special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Sterling merger proposal (which we refer to as the "Sterling adjournment proposal").

We have fixed the close of business on [     ] as the record date for the special meeting. Only Sterling common shareholders of record at that time are entitled to notice of, and to vote at, the Sterling special meeting, or any adjournment or postponement of the Sterling special meeting. Approval of the Sterling merger proposal requires the affirmative vote of holders of two-thirds of the votes entitled to be cast on the proposal. The Sterling compensation proposal will be approved if the votes cast in favor of the proposal exceed the votes cast in opposition. Approval of the Sterling adjournment proposal requires the affirmative vote of holders of a majority of shares represented at the special meeting.

**Sterling's board of directors has unanimously adopted the merger agreement, has determined that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of Sterling and its shareholders, and unanimously recommends that Sterling shareholders vote "FOR" the Sterling merger proposal, "FOR" the Sterling compensation proposal and "FOR" the Sterling adjournment proposal, if necessary or appropriate.**

**Your vote is very important.** We cannot complete the merger unless Sterling's common shareholders approve the Sterling merger proposal.

**Regardless of whether you plan to attend the Sterling special meeting, please vote as soon as possible. If you hold stock in your name as a shareholder of record of Sterling, please complete, sign, date, and return the accompanying proxy card in the enclosed postage-paid return envelope. If you hold your stock in "street name" through a bank or broker, please follow the instructions on the voting instruction card furnished by the record holder.**



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The enclosed joint proxy statement/prospectus provides a detailed description of the special meeting, the merger, the documents related to the merger and other related matters. We urge you to read the joint proxy statement/prospectus, including any documents incorporated in the joint proxy statement/prospectus by reference, and its annexes carefully and in their entirety.

**BY ORDER OF THE BOARD OF  
DIRECTORS,**

Andrew J. Schultheis  
*Executive Vice President, General Counsel and Secretary*

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**QUESTIONS AND ANSWERS**

**The following are some questions that you may have about the merger and the Umpqua or Sterling special meetings, and brief answers to those questions. We urge you to read carefully the remainder of this joint proxy statement/prospectus because the information in this section does not provide all of the information that might be important to you with respect to the merger and the Umpqua or Sterling special meetings. Additional important information is also contained in the documents incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information."**

**Unless the context otherwise requires, references in this joint proxy statement/prospectus to "Umpqua" refer to Umpqua Holdings Corporation, an Oregon corporation, and its subsidiaries, and references to "Sterling" refer to Sterling Financial Corporation, a Washington corporation, and its subsidiaries.**

**Q: What is the merger?**

A: Umpqua and Sterling have entered into an Agreement and Plan of Merger, dated as of September 11, 2013 (which we refer to as the "merger agreement"). Under the merger agreement, Sterling will be merged with and into Umpqua, with Umpqua continuing as the surviving corporation. Immediately following the completion of the merger, Sterling's wholly owned bank subsidiary, Sterling Savings Bank, will merge with and into Umpqua's wholly owned bank subsidiary, Umpqua Bank (which we refer to as the "bank merger"). Umpqua Bank will be the surviving bank in the bank merger. A copy of the merger agreement is included in this joint proxy statement/prospectus as Annex A.

The merger cannot be completed unless, among other things, both Umpqua shareholders and Sterling shareholders approve their respective proposals to approve the merger agreement (which we refer to as the "Umpqua merger proposal" and the "Sterling merger proposal," respectively).

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: We are delivering this document to you because it is a joint proxy statement being used by both the Umpqua and Sterling boards of directors to solicit proxies of their respective shareholders in connection with approval of the merger and related matters.

In order to approve the merger and related matters, Umpqua and Sterling have each called a special meeting of their shareholders (which we refer to as the "Umpqua special meeting" and the "Sterling special meeting," respectively). This document serves as proxy statement for the Umpqua special meeting and the Sterling special meeting and describes the proposals to be presented at the meetings.

This document is also a prospectus that is being delivered to Sterling shareholders because Umpqua is offering shares of its common stock to Sterling shareholders in connection with the merger.

This joint proxy statement/prospectus contains important information about the merger and the other proposals being voted on at the meetings. You should read it carefully and in its entirety. The enclosed materials allow you to have your shares voted by proxy without attending your meeting. Your vote is important. We encourage you to submit your proxy as soon as possible.

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**Q:** **In addition to the Umpqua merger proposal, what else are Umpqua shareholders being asked to vote on?**

**A:** In addition to the Umpqua merger proposal, Umpqua is soliciting proxies from its shareholders with respect to two additional proposals:

a proposal to amend the Restated Articles of Incorporation of Umpqua to increase the number of authorized shares of no par value common stock to 400,000,000 (which we refer to as the "articles amendment proposal"); and

a proposal to adjourn the Umpqua special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Umpqua merger proposal and/or the articles amendment proposal (which we refer to as the "Umpqua adjournment proposal").

Approval of the articles amendment proposal is a condition to completion of the merger and is necessary for Umpqua to have enough authorized shares to issue the stock portion of the merger consideration. Completion of the merger is not conditioned upon approval of the Umpqua adjournment proposal.

**Q:** **In addition to the Sterling merger proposal, what else are Sterling shareholders being asked to vote on?**

**A:** In addition to the Sterling merger proposal, Sterling is soliciting proxies from its shareholders with respect to two additional proposals:

a proposal to approve, on an advisory (non-binding) basis, the compensation that is tied to or based on the merger and that will or may be paid to Sterling's named executive officers in connection with the merger (which we refer to as the "Sterling compensation proposal"); and

a proposal to adjourn the Sterling special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Sterling merger proposal (which we refer to as the "Sterling adjournment proposal").

Completion of the merger is not conditioned upon approval of either of these proposals.

**Q:** **What will Sterling shareholders receive in the merger?**

**A:** If the merger is completed, Sterling shareholders will receive 1.671 shares of Umpqua common stock and \$2.18 in cash, without interest, (which we refer to as the "merger consideration") for each share of Sterling common stock held immediately prior to the merger. Umpqua will not issue any fractional shares of Umpqua common stock in the merger. Sterling shareholders who would otherwise be entitled to a fractional share of Umpqua common stock upon the completion of the merger will instead receive an amount in cash based on the average closing-sale price per share of Umpqua common stock for the ten trading days immediately preceding (but not including) the day on which the merger is completed (which we refer to as the "Umpqua closing price").

**Q:** **What will Umpqua shareholders receive in the merger?**

**A:** If the merger is completed, Umpqua shareholders will not receive any merger consideration and will continue to hold the shares of Umpqua common stock that they currently hold. Following the merger, shares of Umpqua common stock will continue to be traded on the NASDAQ Global Select Market under the symbol "UMPQ."

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**Q:** **How will the merger affect Sterling stock options and restricted stock units?**

**A:** The Sterling equity awards will be affected as follows:

*Stock Options.* Each option to purchase shares of Sterling common stock outstanding immediately prior to the effective time (except for certain options with an exercise price significantly in excess of the value of the merger consideration, which Sterling will use commercially reasonable efforts to cancel prior to the effective time), will be converted into an option to purchase Umpqua common stock on the same terms and conditions as were applicable prior to the merger (taking into account that, except for new equity award compensation granted prior to the effective time of the merger, the consummation of the merger and its related transactions will constitute the first trigger under equity awards that provide for "double trigger" acceleration of vesting), except that (1) the number of shares of Umpqua common stock subject to the new option will be equal to the product of the number of shares of Sterling common stock subject to the existing option and the ratio that expresses the merger consideration solely in shares of Umpqua common stock, with the cash portion of the merger consideration converted into shares based on the Umpqua closing price (which we refer to as the "equity exchange ratio") (rounding fractional shares down to the nearest whole share), and (2) the exercise price per share of Umpqua common stock under the new option will be equal to the exercise price per share of Sterling common stock of the existing option divided by the equity exchange ratio (rounded up to the nearest whole cent).

*Restricted Stock Units.* Each restricted stock unit with respect to Sterling common stock will be converted into a restricted stock unit with respect to a number of shares of Umpqua common stock equal to the product of the number of shares of Sterling common stock subject to the Sterling restricted stock unit and the equity exchange ratio, on the same terms and conditions as were applicable prior to the merger (taking into account that, except for new equity award compensation granted prior to the effective time of the merger, the consummation of the merger and its related transactions will constitute the first trigger under equity awards that provide for "double trigger" acceleration of vesting).

**Q:** **Will the value of the merger consideration change between the date of this joint proxy statement/prospectus and the time the merger is completed?**

**A:** Because the number of shares of Umpqua common stock that Sterling shareholders will receive for each share of Sterling common stock as the stock component of the merger consideration is fixed, the value of the merger consideration will fluctuate between the date of this joint proxy statement/prospectus and the completion of the merger based upon the market value for Umpqua common stock. Any fluctuation in the market price of Umpqua common stock after the date of this joint proxy statement/prospectus will change the value of the shares of Umpqua common stock that Sterling shareholders will receive.

**Q:** **How does Umpqua's board of directors recommend that I vote at the special meeting?**

**A:** Umpqua's board of directors unanimously recommends that you vote "FOR" the Umpqua merger proposal, "FOR" the articles amendment proposal and "FOR" the Umpqua adjournment proposal, if necessary or appropriate.

**Q:** **How does Sterling's board of directors recommend that I vote at the annual meeting?**

**A:** Sterling's board of directors unanimously recommends that you vote "FOR" the Sterling merger proposal, "FOR" the Sterling compensation proposal and "FOR" the Sterling adjournment proposal, if necessary or appropriate.



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**Q: When and where are the meetings?**

A: The Umpqua special meeting will be held at [ ] on [ ], at [ ] local time.

The Sterling special meeting will be held at [ ] on [ ], at [ ] local time.

**Q: What do I need to do now?**

A: After you have carefully read this joint proxy statement/prospectus in its entirety and have decided how you wish to vote your shares, please vote your shares promptly so that your shares are represented and voted at the special meeting. If you hold your shares in your name as a shareholder of record, you must complete, sign, date and mail your proxy card in the enclosed postage-paid return envelope as soon as possible. Alternatively, you may vote through the internet or by telephone. Information and applicable deadlines for voting by internet or by telephone are set forth in the enclosed proxy card instructions. You are encouraged to vote through the internet. If you hold your shares in "street name" through a bank or broker, you must direct your bank or broker how to vote in accordance with the instructions you have received from your bank or broker. "Street name" shareholders who wish to vote in person at the special meeting or annual meeting will need to obtain a legal proxy from the institution that holds their shares.

**Q: What constitutes a quorum for the Umpqua special meeting?**

A: The presence at the Umpqua special meeting, in person or by proxy, of holders of a majority of the outstanding shares of Umpqua common stock entitled to vote at the special meeting will constitute a quorum. Abstentions and broker non-votes will be included in determining the number of shares present at the meeting for the purpose of determining the presence of a quorum.

**Q: What constitutes a quorum for the Sterling special meeting?**

A: The presence at the Sterling special meeting, in person or by proxy, of holders of a majority of the outstanding shares of Sterling common stock entitled to vote at the special meeting will constitute a quorum. Abstentions and broker non-votes, if any, will be included in determining the number of shares present at the meeting for the purpose of determining the presence of a quorum.

**Q: What is the vote required to approve each proposal at the Umpqua special meeting?**

A: *Umpqua merger proposal:*

*Standard:* Approval of the Umpqua merger proposal requires the affirmative vote of holders of a majority of the votes entitled to be cast on the proposal.

*Effect of abstentions and broker non-votes:* If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy card or vote by telephone or internet or in person at the Umpqua special meeting or fail to instruct your bank or broker with respect to the Umpqua merger proposal, it will have the same effect as a vote "AGAINST" the proposal.

*Umpqua adjournment proposal:*

*Standard:* Approval of the Umpqua adjournment proposal requires the affirmative vote of holders of a majority of shares represented at the Umpqua special meeting.

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*Effect of abstentions and broker non-votes:* If you mark "ABSTAIN" on your proxy card, or fail to instruct your bank or broker how to vote, with respect to the Umpqua adjournment proposal, it will have the same effect as a vote "AGAINST" the proposal. If you are not a "street name" holder and fail to either submit a proxy card entirely or vote by telephone or internet or in person at the Umpqua special meeting, it will have no effect on such proposal.

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*Articles amendment proposal:*

*Standard:* The articles amendment proposal will be approved if the votes cast in favor of such proposal exceed the votes cast in opposition.

*Effect of abstentions and broker non-votes:* If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy card or vote by telephone or internet or in person at the Umpqua special meeting or fail to instruct your bank or broker how to vote with respect to the articles amendment proposal, it will have no effect on such proposal.

**Q:**

**What is the vote required to approve each proposal at the Sterling special meeting?**

*Sterling merger proposal:*

*Standard:* Approval of the Sterling merger proposal requires the affirmative vote of holders of two-thirds of the votes entitled to vote on the proposal. In connection with the merger agreement, funds associated with Warburg Pincus & Co. (which we refer to collectively as "Warburg Pincus") and funds associated with Thomas H. Lee Partners, L.P. (which we refer to collectively as "THL"), each of which as of the record date had the right to vote approximately [ ]% of the outstanding shares of Sterling common stock, agreed, subject to certain exceptions, to vote their shares of Sterling common stock in favor of the merger proposal. For further information, see "The Merger Investor Letter Agreements."

*Effect of abstentions and broker non-votes:* If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy card or vote by telephone or internet or in person at the Sterling special meeting or fail to instruct your bank or broker how to vote with respect to the Sterling merger proposal, it will have the same effect as a vote "AGAINST" the proposal.

*Sterling compensation proposal:*

*Standard:* The Sterling compensation proposal will be approved if the votes cast in favor of the proposal exceed the votes cast in opposition.

*Effect of abstentions and broker non-votes:* If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy card or vote by telephone or internet or in person at the Sterling special meeting or fail to instruct your bank or broker how to vote with respect to the Sterling compensation proposal, it will have no effect on such proposal.

*Sterling adjournment proposal:*

*Standard:* Approval of the Sterling adjournment proposal requires the affirmative vote of holders of a majority of shares represented at the Sterling special meeting.

*Effect of abstentions and broker non-votes:* If you mark "ABSTAIN" on your proxy card, or fail to instruct your bank or broker how to vote, with respect to the Sterling adjournment proposal, it will have the same effect as a vote "AGAINST" the proposal. If you are not a "street name" holder and fail to either submit a proxy card entirely or vote by telephone or internet or in person at the Sterling special meeting, it will have no effect on such proposal.

**Q:**

**What impact will my vote on the Sterling compensation proposal have on the amounts that executive officers of Umpqua may receive in connection with the merger?**

A: Umpqua's executive officers are not entitled to receive any compensation in connection with the merger.

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**Q: What impact will my vote have on the amounts that executive officers of Sterling may receive in connection with the merger?**

A: Certain of Sterling's executive officers are entitled, pursuant to the terms of their compensation arrangements, to receive certain payments in connection with the merger. If the merger is completed, Sterling or Umpqua is contractually obligated to make these payments to these executives under certain circumstances. Accordingly, even if the Sterling shareholders vote not to approve these payments, the compensation will be payable, subject to the terms and conditions of the arrangements. Sterling is seeking your approval of certain of these payments, on an advisory (non-binding) basis, in order to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and related SEC rules.

**Q: Why is my vote important?**

A: If you do not vote, it will be more difficult for Umpqua or Sterling to obtain the necessary quorum to hold their special meetings. In addition, your failure to submit a proxy or vote by telephone or internet or in person, or failure to instruct your bank or broker how to vote, or abstention will have the same effect as a vote "AGAINST" approval of the merger agreement. The merger agreement must be approved by the affirmative vote of holders of a majority of the votes entitled to be cast by Umpqua shareholders on the merger agreement and by the affirmative vote of holders of at least two-thirds of the votes entitled to be cast by Sterling shareholders on the merger agreement. In addition, the articles amendment proposal will be approved only if the votes cast by Umpqua shareholders in favor of the proposal exceed the votes cast in opposition. The Umpqua board of directors and the Sterling board of directors unanimously, respectively, recommend that you vote "FOR" the Umpqua merger proposal and "FOR" the articles amendment proposal, and "FOR" the Sterling merger proposal, respectively.

**Q: If my shares of common stock are held in "street name" by my bank or broker, will my bank or broker automatically vote my shares for me?**

A: No. Your bank or broker cannot vote your shares without instructions from you. You should instruct your bank or broker how to vote your shares in accordance with the instructions provided to you. Please check the voting form used by your bank or broker.

**Q: Are there any voting agreements in place with existing shareholders?**

A: Yes. In connection with the merger agreement, Warburg Pincus and THL, each of which as of the record date had the right to vote approximately [        ], or approximately [        ]%, of the outstanding shares of Sterling common stock, agreed, subject to certain exceptions, to vote their shares of Sterling common stock in favor of the merger. The obligations of Warburg Pincus and the obligations of THL terminate on the earlier of (1) the Sterling board of directors changing its recommendation regarding the merger, (2) the Sterling special meeting (including any adjournments thereof) concluding with a vote on the Sterling merger proposal having been taken, (3) the merger agreement being amended without Warburg Pincus' or THL's written consent, as applicable, (4) September 11, 2014 or the effective time of the merger or (5) termination of the merger agreement in accordance with its terms. For further information, see "The Merger Investor Letter Agreements."

**Q: How do I vote if I own shares through the Umpqua Bank 401(k) and Profit Sharing Plan or the Umpqua Supplemental Retirement/Deferred Compensation Plan?**

A: *Umpqua Bank 401(k) and Profit Sharing Plan:* You will be given the opportunity to instruct the trustee of the Umpqua Bank 401(k) and Profit Sharing Plan how to vote the shares that you hold in your account. To the extent that you do not timely give such instructions, the Advisory Committee will instruct the trustee to vote all unvoted shares held in the Umpqua Bank 401(k)

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and Profit Sharing Plan in the same proportion as the shares voted pursuant to the instructions of account holders.

*Umpqua Supplemental Retirement/Deferred Compensation Plan:* You will be given the opportunity to instruct the trustee of the Umpqua Supplemental Retirement/Deferred Compensation Plan how to vote the shares that you hold in your account. To the extent that you do not timely give such instructions, the Advisory Committee will instruct the trustee to vote all unvoted shares held in the Umpqua Supplemental Retirement/Deferred Compensation Plan as recommended by the Umpqua board of directors.

**Q:**  
**How do I vote if I own shares through the Sterling 401(k) Plan?**

**A:**  
You will be given the opportunity to instruct the trustee of the Sterling Savings Bank Employees Savings and Investment Plan & Trust 401(k) Plan (which we refer to as the "Sterling 401(k) Plan") how to vote the shares that you hold in your account. In accordance with the terms of the plan, if you fail to instruct the plan trustee how to vote your plan shares, the trustee will not vote your plan shares, except as required by law.

**Q:**  
**Can I attend the meeting and vote my shares in person?**

**A:**  
Yes. All shareholders of Umpqua and Sterling, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend their respective meetings. Holders of record of Umpqua and Sterling common stock can vote by telephone or internet or in person at the Umpqua special meeting and Sterling special meeting, respectively. If you are not a shareholder of record, you must obtain a proxy card, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the meetings. If you plan to attend your meeting, you must hold your shares in your own name or bring a copy of a bank or brokerage statement to the special meeting reflecting your stock ownership as of the record date. In addition, you must bring a form of personal photo identification with you in order to be admitted. Umpqua and Sterling reserve the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification.

**Q:**  
**Can I change my vote?**

**A:**  
*Umpqua shareholders:* Yes. If you are a holder of record of Umpqua common stock, you may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to Umpqua's corporate secretary, (3) attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting, or (4) voting by telephone or the internet at a later time. Attendance at the special meeting by itself will not automatically revoke your proxy. A revocation or later-dated proxy received by Umpqua after the vote will not affect the vote. Umpqua's corporate secretary's mailing address is: Corporate Secretary, Umpqua Holdings Corporation, P.O. Box 1560, Eugene, OR 97440. If you hold your shares in "street name" through a bank or broker, you should contact your bank or broker to revoke your proxy.

*Sterling shareholders:* Yes. If you are a holder of record of Sterling common stock, you may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to Sterling's corporate secretary, (3) attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting, or (4) voting by telephone or the internet at a later time. Attendance at the special meeting by itself will not automatically revoke your proxy. A revocation or later-dated proxy received by Sterling after the vote will not affect the vote. Sterling's corporate secretary's mailing address is: Corporate Secretary, Sterling Financial Corporation, 111 North Wall Street, Spokane,

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WA 99201. If you hold your shares in "street name" through a bank or broker, you should contact your bank or broker to revoke your proxy.

**Q: Will Umpqua be required to submit the proposal to approve the merger agreement to its shareholders even if Umpqua's board of directors has withdrawn, modified or qualified its recommendation?**

A: Yes. Unless the merger agreement is terminated before the Umpqua special meeting, Umpqua is required to submit the proposal to approve the merger agreement to its shareholders even if Umpqua's board of directors has withdrawn, modified or qualified its recommendation.

**Q: Will Sterling be required to submit the proposal to approve the merger agreement to its shareholders even if Sterling's board of directors has withdrawn, modified or qualified its recommendation?**

A: Yes. Unless the merger agreement is terminated before the Sterling special meeting, Sterling is required to submit the proposal to approve the merger agreement to its shareholders even if Sterling's board of directors has withdrawn, modified or qualified its recommendation.

**Q: What are the U.S. federal income tax consequences of the merger to Sterling shareholders?**

A: The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code (the "Code") and it is a condition to the respective obligations of Sterling and Umpqua to complete the merger that each of Sterling and Umpqua receives a legal opinion to that effect. Accordingly, a Sterling common shareholder generally will recognize gain, but not loss, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the Umpqua common stock received pursuant to the merger over that holder's adjusted tax basis in its shares of Sterling common stock surrendered) and (2) the amount of cash received pursuant to the merger. Further, a Sterling common shareholder generally will recognize gain or loss with respect to cash received instead of fractional shares of Umpqua common stock that the Sterling common shareholder would otherwise be entitled to receive. For further information, see "United States Federal Income Tax Consequences of the Merger."

*The U.S. federal income tax consequences described above may not apply to all holders of Sterling common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your independent tax advisor for a full understanding of the particular tax consequences of the merger to you.*

**Q: Are Sterling shareholders entitled to dissenters' rights?**

A: Yes. Sterling shareholders who do not vote in favor of the Sterling merger proposal and follow certain procedural steps will be entitled to dissenters' rights under chapter 23B.13 of the Washington Business Corporation Act (which we refer to as the "WBCA"), provided they take the steps required to perfect their rights under chapter 23B.13. For further information, see "The Merger Dissenters' Rights in the Merger." In addition, a copy of chapter 23B.13 of the WBCA is attached as Annex G to this joint proxy statement/prospectus.

**Q: If I am a Sterling shareholder, should I send in my Sterling stock certificates now?**

A: No. Sterling shareholders SHOULD NOT send in any stock certificates now. If the merger occurs, an exchange agent will send you instructions for exchanging Sterling stock certificates for the merger consideration under separate cover and the stock certificates should be sent at that time in accordance with those instructions. See "The Merger Agreement Conversion of Shares; Exchange of Certificates."

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**Q: What should I do if I hold my shares of Sterling common stock in book-entry form?**

A: You are not required to take any special additional action to receive the merger consideration if your shares of Sterling common stock are held in book-entry form. After the completion of the merger, shares of Sterling common stock held in book-entry form automatically will be exchanged for the merger consideration, including shares of Umpqua common stock in book-entry form, the cash portion of the merger consideration and any cash to be paid in exchange for fractional shares in the merger.

**Q: Whom may I contact if I cannot locate my Sterling stock certificate(s)?**

A: If you are unable to locate your original Sterling stock certificate(s), you should contact American Stock Transfer Company, Sterling's transfer agent, at (800) 676-0791.

**Q: What should I do if I receive more than one set of voting materials?**

A: Umpqua shareholders and Sterling shareholders may receive more than one set of voting materials, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold shares of Umpqua and/or Sterling common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold such shares. If you are a holder of record of Umpqua common stock or Sterling common stock and your shares are registered in more than one name, you will receive more than one proxy card. In addition, if you are a holder of both Umpqua common stock and Sterling common stock, you will receive one or more separate proxy cards or voting instruction cards for each company. Please complete, sign, date and return each proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this joint proxy statement/prospectus to ensure that you vote every share of Umpqua common stock and/or Sterling common stock that you own.

**Q: When do you expect to complete the merger?**

A: Umpqua and Sterling expect to complete the merger in the first half of 2014. However, neither Umpqua nor Sterling can assure you of when or if the merger will be completed. Umpqua and Sterling must first obtain the approval of Umpqua shareholders and Sterling shareholders for the merger, as well as obtain necessary regulatory approvals and satisfy certain other closing conditions.

**Q: What happens if the merger is not completed?**

A: If the merger is not completed, holders of Sterling common stock will not receive any consideration for their shares in connection with the merger. Instead, Sterling will remain an independent public company and its common stock will continue to be listed and traded on the NASDAQ Capital Market. In addition, if the merger agreement is terminated in certain circumstances, a termination fee may be required to be paid by either Umpqua or Sterling. See "The Merger Agreement Termination Fee" beginning on page [ ] for a discussion of the circumstances under which termination fees will be required to be paid.



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**Q: Whom should I call with questions?**

**A:** *Umpqua shareholders:* If you have any questions concerning the merger or this joint proxy statement/prospectus, would like additional copies of this joint proxy statement/prospectus or need help voting your shares of Umpqua common stock, please contact Michelle Bressman, Shareholder Relations Officer at (503) 268-6675, or Umpqua's proxy solicitor, AST Phoenix Advisors, at the following address or telephone number: 6201 15th Avenue, 3rd Floor, Brooklyn, New York 11219 or (212) 493-3914.

*Sterling shareholders:* If you have any questions concerning the merger or this joint proxy statement/prospectus, would like additional copies of this joint proxy statement/prospectus or need help voting your shares of Sterling common stock, please contact Sterling's Investor Relations Department at (509) 358-8097, or Sterling's proxy solicitor, AST Phoenix Advisors, at the following address or phone number: 6201 15th Avenue, 3rd Floor, Brooklyn, New York 11219 or (212) 493-3914.

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## SUMMARY

This summary highlights selected information from this joint proxy statement/prospectus. It may not contain all of the information that is important to you. We urge you to read carefully the entire joint proxy statement/prospectus, including the annexes, and the other documents to which we refer in order to fully understand the merger. See "Where You Can Find More Information." Each item in this summary refers to the page of this joint proxy statement/prospectus on which that subject is discussed in more detail.

**In the Merger, Sterling Common Shareholders Will Receive Cash and Shares of Umpqua Common Stock (page [ ])**

Umpqua and Sterling are proposing a strategic merger. If the merger is completed, Sterling common shareholders will receive 1.671 shares of Umpqua common stock and \$2.18 in cash, without interest, for each share of Sterling common stock they hold immediately prior to the effective time of the merger. Umpqua will not issue any fractional shares of Umpqua common stock in the merger. Sterling shareholders who would otherwise be entitled to a fraction of a share of Umpqua common stock upon the completion of the merger will instead receive, for the fraction of a share, an amount in cash based on the Umpqua closing price. *For example, if you hold 100 shares of Sterling common stock, you will receive 167 shares of Umpqua common stock and a cash payment instead of the additional 0.1 shares of Umpqua common stock that you otherwise would have received (100 shares × 1.671 = 167.1 shares) in addition to receiving \$218 in cash, representing the cash portion of the merger consideration (100 shares × \$2.18 = \$218).*

Umpqua common stock is listed on the NASDAQ Global Select Market under the symbol "UMPQ," and Sterling common stock is listed on the NASDAQ Capital Market under the symbol "STSA." The following table shows the closing sale prices of Umpqua common stock and Sterling common stock as reported on the NASDAQ Global Select Market and NASDAQ Capital Market, respectively, on August 30, 2013, the last trading day before the press reported that Sterling was seeking takeover bids, September 10, 2013, the last full trading day before the public announcement of the merger agreement, and on [ ], 2013, the last practicable trading day before the date of this joint proxy statement/prospectus. This table also shows the implied value of the merger consideration payable for each share of Sterling common stock, which we calculated by multiplying the closing price of Umpqua common stock on those dates by the exchange ratio of 1.671 and adding the cash portion of the merger consideration of \$2.18 per share.

	Umpqua Common Stock	Sterling Common Stock	Implied Value of Merger Consideration for One Share of Sterling Common Stock
August 30, 2013	\$ 16.24	\$ 24.20	\$ 29.32
September 10, 2013	\$ 17.19	\$ 27.14	\$ 30.90
[ ], 2013	\$ [ ]	\$ [ ]	\$ [ ]

The merger agreement governs the merger. The merger agreement is included in this joint proxy statement/prospectus as Annex A. All descriptions in this summary and elsewhere in this joint proxy statement/prospectus of the terms and conditions of the merger are qualified by reference to the merger agreement. Please read the merger agreement carefully for a more complete understanding of the merger.

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**Umpqua's Board of Directors Unanimously Recommends that Umpqua Shareholders Vote "FOR" the Umpqua Merger Proposal and the Other Proposals Presented at the Umpqua Special Meeting (page [ ])**

Umpqua's board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are in the best interests of Umpqua and its shareholders and has unanimously approved and adopted the merger agreement. Umpqua's board of directors unanimously recommends that Umpqua shareholders vote "FOR" the Umpqua merger proposal and "FOR" the other proposals presented at the Umpqua special meeting. For the factors considered by Umpqua's board of directors in reaching its decision to approve and adopt the merger agreement, see "The Merger Umpqua's Reasons for the Merger; Recommendation of Umpqua's Board of Directors."

**Sterling's Board of Directors Unanimously Recommends that Sterling Shareholders Vote "FOR" the Sterling Merger Proposal and the Other Proposals Presented at the Sterling Special Meeting (page [ ])**

Sterling's board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are in the best interests of Sterling and its shareholders and has unanimously approved and adopted the merger agreement. Sterling's board of directors unanimously recommends that Sterling shareholders vote "FOR" the Sterling merger proposal and "FOR" the other proposals presented at the Sterling special meeting. For the factors considered by Sterling's board of directors in reaching its decision to approve and adopt the merger agreement, see "The Merger Sterling's Reasons for the Merger; Recommendation of Sterling's Board of Directors".

**Opinion of Sterling's Financial Advisor (page [ ] and Annex D)**

*Opinion of Sandler O'Neill*

In connection with its consideration of the merger, on September 11, 2013, the Sterling board of directors received from Sandler O'Neill + Partners, L.P., Sterling's financial advisor (which we refer to as "Sandler O'Neill"), its oral opinion, which opinion was confirmed by delivery of a written opinion, dated September 11, 2013, to the effect that, as of such date and based upon and subject to the various factors, assumptions and limitations set forth in its opinion, the merger consideration in the merger was fair, from a financial point of view, to the holders of Sterling common stock. The full text of Sandler O'Neill's written opinion is attached as Annex D to this joint proxy statement/prospectus. You should read the entire opinion for a discussion of, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. **Sandler O'Neill's written opinion is addressed to the Sterling board of directors, is directed only to the merger consideration in the merger and does not constitute a recommendation to any Sterling shareholder as to how such shareholder should vote with respect to the merger or any other matter.**

For further information, see "The Merger Opinion of Sandler O'Neill."

**Opinion of Umpqua's Financial Advisor (page [ ] and Annex E)**

*Opinion of J.P. Morgan*

In connection with the merger, J.P. Morgan Securities LLC (which we refer to as "J.P. Morgan"), Umpqua's financial advisor, delivered to Umpqua's board of directors a written opinion, dated September 10, 2013, as to the fairness to Umpqua, from a financial point of view and as of the date of the opinion, of the merger consideration provided for in the merger. The full text of the written opinion, dated September 10, 2013, of J.P. Morgan, which sets forth, among other things, the

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assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached as Annex E to this joint proxy statement/prospectus. **J.P. Morgan's written opinion is addressed to the Umpqua board of directors, is directed only to the merger consideration in the merger and does not constitute a recommendation to any Umpqua shareholder as to how such shareholder should vote with respect to the merger or any other matter.**

For further information, see "The Merger Opinion of J.P. Morgan."

**What Holders of Sterling Stock Options and Restricted Stock Units Will Receive (page [ ] )**

*Stock Options.* At the effective time of the merger, each option to purchase shares of Sterling common stock outstanding immediately prior to the effective time (except for certain options with an exercise price significantly in excess of the value of the merger consideration, which Sterling will use commercially reasonable efforts to cancel prior to the effective time), will be converted into an option to purchase Umpqua common stock on the same terms and conditions as were applicable prior to the merger (taking into account that, except for new equity award compensation granted prior to the effective time of the merger, the consummation of the merger and its related transactions will constitute the first trigger under equity awards that provide for "double trigger" acceleration of vesting), except that (1) the number of shares of Umpqua common stock subject to the new option will be equal to the product of the number of shares of Sterling common stock subject to the existing option and the ratio that expresses the merger consideration solely in shares of Umpqua common stock, with the cash portion of the merger consideration converted into shares based on the Umpqua closing price (which we refer to as the "equity exchange ratio") (rounding fractional shares down to the nearest whole share), and (2) the exercise price per share of Umpqua common stock under the new option will be equal to the exercise price per share of Sterling common stock of the existing option divided by the equity exchange ratio (rounded up to the nearest whole cent).

*Restricted Stock Units.* At the effective time of the merger, each restricted stock unit in respect of Sterling common stock outstanding immediately prior to the effective time will be converted into a restricted stock unit with respect to a number of shares of Umpqua common stock equal to the product of the number of shares of Sterling common stock subject to the Sterling restricted stock unit and the equity exchange ratio, on the same terms and conditions as were applicable prior to the merger (taking into account that, except for new equity award compensation granted prior to the effective time of the merger, the consummation of the merger and its related transactions will constitute the first trigger under equity awards that provide for "double trigger" acceleration of vesting).

**Umpqua Will Hold its Special Meeting on [ ] (page [ ] )**

The special meeting of Umpqua shareholders will be held on [ ], at [ ] local time, at [ ]. At the special meeting, Umpqua shareholders will be asked to:

approve the Umpqua merger proposal;

approve the articles amendment proposal; and

approve the Umpqua adjournment proposal, if necessary or appropriate.

Only holders of record of Umpqua common stock at the close of business on [ ] will be entitled to vote at the special meeting. Each share of Umpqua common stock is entitled to one vote on each proposal to be considered at the Umpqua special meeting. As of the record date, there were [ ] shares of Umpqua common stock entitled to vote at the special meeting. As of the record date, the directors and executive officers of Umpqua and their affiliates beneficially owned and were entitled to vote approximately [ ] shares of Umpqua common stock representing approximately [ ]% of the shares of Umpqua common stock outstanding on that date.

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To approve the Umpqua merger proposal, a majority of the shares of Umpqua common stock outstanding and entitled to vote thereon must be voted in favor of such proposal. To approve the Umpqua adjournment proposal, a majority of the shares of Umpqua common stock represented at the special meeting must be voted in favor of the proposal. The articles amendment proposal will be approved if the votes cast in favor of the proposal at the Umpqua special meeting exceed the votes cast in opposition. If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy or vote by telephone or internet or in person at the Umpqua special meeting or fail to instruct your bank or broker how to vote with respect to the Umpqua merger proposal, it will have the same effect as a vote "AGAINST" the proposal. If you mark "ABSTAIN" on your proxy card, or fail to instruct your bank or broker how to vote, with respect to the Umpqua adjournment proposal, it will have the same effect as a vote "AGAINST" the proposal. If, however, you are not a "street name" holder and fail to either submit a proxy card entirely or vote by telephone or internet or in person at the Umpqua special meeting, it will have no effect on such proposal. If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy or vote by telephone or internet or in person at the Umpqua special meeting or fail to instruct your bank or broker how to vote with respect to the articles amendment proposal, it will have no effect on the proposal.

**Sterling Will Hold its Special Meeting on [ ] (page [ ])**

The special meeting of Sterling shareholders will be held on [ ], at [ ] local time, at [ ]. At the special meeting, Sterling shareholders will be asked to:

approve the Sterling merger proposal;

approve the Sterling compensation proposal; and

approve the Sterling adjournment proposal, if necessary or appropriate.

Only holders of record of Sterling common stock at the close of business on [ ] will be entitled to vote at the special meeting. Each share of Sterling common stock is entitled to one vote on each proposal to be considered at the Sterling special meeting. As of the record date, there were [ ] shares of Sterling common stock entitled to vote at the special meeting. As of the record date, and including shares owned by Warburg Pincus and shares owned by THL, the directors and executive officers of Sterling and their affiliates beneficially owned and were entitled to vote approximately [ ] shares of Sterling common stock representing approximately [ ]% of the shares of Sterling common stock outstanding on that date. Warburg Pincus and THL, each of which is associated with one of Sterling's directors and as of the record date had the right to vote approximately [ ], or approximately [ ]%, of the outstanding shares of Sterling common stock, have agreed, subject to certain exceptions, to vote their shares of Sterling common stock in favor of the Sterling merger proposal. For further information, see "The Merger Investor Letter Agreements."

To approve the Sterling merger proposal, two-thirds of the shares of Sterling common stock outstanding and entitled to vote thereon must be voted in favor of such proposal. The Sterling compensation proposal will be approved if the votes cast in favor of such proposal at the Sterling special meeting exceed the votes cast in opposition. To approve the Sterling adjournment proposal, a majority of the shares of Sterling common stock represented at the special meeting must be voted in favor of the proposal. If you mark "ABSTAIN" on your proxy card, fail to submit a proxy or vote by telephone or internet or in person at the Sterling special meeting or fail to instruct your bank or broker how to vote with respect to the Sterling merger proposal, it will have the same effect as a vote "AGAINST" the proposal. If you mark "ABSTAIN" on your proxy card, fail to submit a proxy or vote by telephone or internet or in person at the Sterling special meeting or fail to instruct your bank or broker how to vote with respect to the Sterling compensation proposal, it will have no effect on the proposal. If you mark "ABSTAIN" on your proxy card, or fail to instruct your bank or broker how to vote, with respect to the Sterling adjournment proposal, it will have the same effect as a vote

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"AGAINST" the proposal. If, however, you are not a "street name" holder and fail to submit a proxy card entirely or vote by telephone or internet or in person at the Sterling special meeting, it will have no effect on such proposal.

**The Merger Will Be Tax-Free to Holders of Sterling Common Stock as to the Shares of Umpqua Common Stock They Receive (page [ ])**

The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Code and it is a condition to the respective obligations of Sterling and Umpqua to complete the merger that each of Sterling and Umpqua receives a legal opinion to that effect. Accordingly, a Sterling common shareholder generally will recognize gain, but not loss, in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the Umpqua common stock received pursuant to the merger over that holder's adjusted tax basis in its shares of Sterling common stock surrendered) and (2) the amount of cash received pursuant to the merger. Further, a Sterling common shareholder generally will recognize gain or loss with respect to cash received instead of fractional shares of Umpqua common stock that the Sterling common shareholder would otherwise be entitled to receive.

For further information, see "United States Federal Income Tax Consequences of the Merger."

**The U.S. federal income tax consequences described above may not apply to all holders of Sterling common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your independent tax advisor for a full understanding of the particular tax consequences of the merger to you.**

**Interests of Sterling's Directors and Executive Officers in the Merger (page [ ])**

Sterling shareholders should be aware that some of Sterling's directors and executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of Sterling shareholders generally. Sterling's board of directors was aware of these interests and considered these interests, among other matters, when making its decision to adopt the merger agreement, and in recommending that Sterling shareholders vote in favor of approving the merger agreement.

These interests include the following:

Pursuant to the merger agreement, each option to purchase shares of Sterling common stock outstanding immediately prior to the effective time (except for certain options with an exercise price significantly in excess of the value of the merger consideration, which Sterling will use commercially reasonable efforts to cancel prior to the effective time) will be converted into an option to purchase Umpqua common stock and each restricted stock unit in respect of Sterling common stock will be converted into a restricted stock unit in respect of Umpqua common stock (in each case, taking into account that, except for new equity award compensation granted prior to the effective time of the merger, the consummation of the merger and its related transactions will constitute the first trigger under equity awards that provide for "double trigger" acceleration of vesting).

Umpqua has entered into employment agreements with five executive officers of Sterling, to be effective as of and subject to the occurrence of the effective time of the merger.

Two Sterling executive officers are eligible for benefits under the Sterling Financial Corporation Change in Control Plan.

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The Chairman of Sterling's board of directors is entitled to a cash payment and accelerated vesting of certain stock options under an existing letter agreement if he does not serve on the Umpqua board of directors following the merger.

Prior to the effective time of the merger, the compensation and governance committee of Sterling's board of directors may grant (1) up to \$5.7 million of equity award compensation in the ordinary course of business, consistent with past practice, and (2) up to \$2 million of equity award compensation on terms and conditions determined by Sterling's compensation and governance committee. A substantial portion of the \$2 million equity pool may be granted to Sterling's named executive officers who will continue employment with Umpqua following the merger, with the balance granted to other key Sterling executives who will continue employment with Umpqua following the merger. As of the date hereof, the compensation and governance committee has not made any grants or taken formal action with respect to the \$2 million equity pool. The merger shall not be considered a change in control under the terms of new equity awards granted prior to the effective time of the merger.

For a more complete description of these interests, see "The Merger Interests of Sterling's Directors and Executive Officers in the Merger."

**Sterling Shareholders Who Do Not Vote in Favor of the Merger Agreement May Be Entitled To Assert Dissenters' Rights (page [ ])**

Sterling shareholders who do not vote in favor of the approval of the merger agreement and follow certain procedural steps will be entitled to dissenters' rights under chapter 23B.13 of the WBCA, provided they take the steps required to perfect their rights under 23B.13 of the WBCA. For more information, see "The Merger Dissenters' Rights in the Merger."

**Conditions that Must Be Satisfied or Waived for the Merger To Occur (page [ ])**

Currently, Sterling and Umpqua expect to complete the merger in the first half of 2014. As more fully described in this joint proxy statement/prospectus and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include (1) approval of the Sterling merger proposal by Sterling's shareholders and approval of the Umpqua merger proposal and the articles amendment proposal by Umpqua's shareholders, (2) authorization for listing on the NASDAQ Global Select Market of the shares of Umpqua common stock to be issued in the merger, (3) the receipt of required regulatory approvals, (4) effectiveness of the registration statement of which this joint proxy statement/prospectus is a part, (5) the absence of any order, injunction or other legal restraint preventing the completion of the merger or making the completion of the merger illegal, (6) subject to the materiality standards provided in the merger agreement, the accuracy of the representations and warranties of Umpqua and Sterling, (7) performance in all material respects by each of Umpqua and Sterling of its obligations under the merger agreement and (8) receipt by each of Umpqua and Sterling of an opinion from its counsel as to certain tax matters.

Neither Sterling nor Umpqua can be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

**Non-Solicitation (page [ ])**

As more fully described in this joint proxy statement/prospectus and in the merger agreement, and subject to the exceptions summarized below, each of Sterling and Umpqua has agreed not to (1) solicit, initiate, knowingly encourage or knowingly facilitate, or take any other action designed to facilitate, any inquiries or proposals regarding an acquisition proposal, (2) participate in any discussions or

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negotiations regarding an alternative transaction or acquisition proposal or (3) enter into any agreement regarding any alternative transaction or acquisition proposal.

However, each of Sterling or Umpqua, before shareholder approval of the merger agreement and, in the case of Umpqua, before shareholder approval of the articles amendment, is permitted to, following receipt of an acquisition proposal that is unsolicited and that the applicable board of directors determines is, or could reasonably be expected to result in, a superior proposal, (1) furnish information with respect to it and its subsidiaries to the party making the acquisition proposal and its representatives and financing sources under the terms of a confidentiality agreement no less restrictive than the one between the parties, and (2) participate in discussions and negotiations regarding the acquisition proposal.

Each of Sterling and Umpqua is permitted to take the actions described above only if its board of directors determines in good faith, after receiving the advice of outside counsel, that the failure to take such action would be inconsistent with its fiduciary duties under applicable law.

In addition, each of Sterling and Umpqua has agreed not to release any third party from, and to enforce, the confidentiality and standstill provisions of any agreement that it is party to as of the date of the merger agreement.

**Termination of the Merger Agreement (page [    ])**

The merger agreement can be terminated at any time prior to completion of the merger in the following circumstances:

by mutual consent of Umpqua and Sterling, if authorized by the board of directors of each;

by either Umpqua or Sterling if any governmental entity that must grant a requisite regulatory approval has (1) denied approval of any of the material transactions contemplated by the merger agreement and such denial has become final and nonappealable or any governmental entity of competent jurisdiction has issued a final nonappealable order permanently enjoining or otherwise prohibiting or making illegal the consummation of any of the material transactions contemplated by the merger agreement or (2) granted the requisite regulatory approval but such approval contains or results in the imposition of a materially burdensome regulatory condition (as later defined) with no meaningful possibility that such condition will be revised before the first anniversary of the date of the merger agreement (which we refer to as the "termination date"), unless the failure to obtain a requisite regulatory approval or to obtain such approval without a materially burdensome regulatory condition is due to the failure of the party seeking to terminate the merger agreement to perform or observe its covenants and agreements under the merger agreement;

by either Umpqua or Sterling if the merger has not been completed on or before the termination date, unless the failure of the merger to be completed by such date is due to the failure of the party seeking to terminate the merger agreement to perform or observe its covenants and agreements under the merger agreement;

by either Umpqua or Sterling if there is a breach of any of the covenants or agreements or any of the representations or warranties set forth in the merger agreement on the part of the other party which either individually or in the aggregate would constitute the failure of a closing condition of the terminating party and which is either not reasonably capable of being cured or not cured within the earlier of the termination date or the date 30 days following written notice to the party committing such breach (in each case, provided that the terminating party is not then in breach of any representation, warranty, covenant or other agreement contained in the merger agreement in a manner that would constitute the failure of a closing condition);



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by either Umpqua or Sterling if (1) the Umpqua special meeting has concluded without the approval of the Umpqua merger proposal and the articles amendment proposal or (2) the Sterling special meeting has concluded without the approval of the Sterling merger proposal (in each case, provided that the terminating party has complied with its obligations with respect to holding its special meeting and recommendation of the merger);

by Sterling, before approval of the Umpqua merger proposal and the articles amendment proposal, if the board of directors of Umpqua (1) fails to recommend that Umpqua shareholders approve the Umpqua merger proposal and the articles amendment proposal, fails to include such recommendation in this joint proxy statement/prospectus, withdraws or modifies such recommendation in a manner adverse to Sterling or, in the case of a tender or exchange offer, fails to recommend rejection of such offer within 10 business days after the commencement of the offer, or (2) materially breaches certain obligations, including with respect to the non-solicitation of acquisition proposals or the calling a meeting of its shareholders and recommending that they approve the merger agreement; or

by Umpqua, before approval of the Sterling merger proposal, if the board of directors of Sterling (1) fails to recommend that Sterling shareholders approve the Sterling merger proposal, fails to include such recommendation in this joint proxy statement/prospectus, withdraws or modifies such recommendation in a manner adverse to Umpqua or, in the case of a tender or exchange offer, fails to recommend rejection of such offer within 10 business days after the commencement of the offer, or (2) materially breaches certain obligations, including with respect to the non-solicitation of acquisition proposals or the calling a meeting of its shareholders and recommending that they approve the merger agreement.

**Termination Fee (page [ ] )**

If the merger agreement is terminated under certain circumstances involving alternative acquisition proposals, including circumstances involving changes in the recommendation of Sterling's or Umpqua's respective boards of directors, Sterling or Umpqua may be required to pay to the other party a termination fee equal to \$75 million. These termination fees could discourage other companies from seeking to acquire or merge with Sterling or Umpqua.

**Amendment to Umpqua's Articles of Incorporation (page [ ] and Annex F)**

In connection with the merger, Umpqua's restated articles of incorporation will be amended at the effective time of the merger to increase the number of authorized shares of no par value common stock from 200,000,000 to 400,000,000 (which we refer to as the "articles amendment"), which is necessary for Umpqua to have enough authorized shares to issue the stock portion of the merger consideration.

**Regulatory Approvals Required for the Merger (page [ ] )**

Subject to the terms of the merger agreement, both Sterling and Umpqua have agreed to use their reasonable best efforts to obtain all regulatory approvals necessary or advisable to complete the transactions contemplated by the merger agreement. These approvals include approvals from, among others, the Board of Governors of the Federal Reserve System (which we refer to as the "Federal Reserve Board"), the Federal Deposit Insurance Corporation (which we refer to as the "FDIC") and the Director of the Oregon Department of Consumer and Business Services (which we refer to as the "Oregon Director"). A notification to the Washington Department of Financial Institutions (which we refer to as the "Washington DFI") is also required. Umpqua and Sterling have filed applications and notifications to obtain the required regulatory approvals.

Although neither Sterling nor Umpqua knows of any reason why these regulatory approvals cannot be obtained in a timely manner, Sterling and Umpqua cannot be certain when or if they will be obtained.

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**The Rights of Sterling Shareholders Will Change as a Result of the Merger (page [    ])**

The rights of Sterling shareholders will change as a result of the merger due to differences in Umpqua's and Sterling's governing documents and states of incorporation. The rights of Sterling shareholders are governed by Washington law and by Sterling's articles of incorporation and bylaws, each as amended to date. Upon the completion of the merger, Sterling shareholders will become shareholders of Umpqua, as the continuing legal entity in the merger, and the rights of Sterling shareholders will therefore be governed by Oregon law and Umpqua's articles of incorporation and bylaws.

See "Comparison of Shareholders' Rights" for a description of the material differences in shareholders' rights under each of the Umpqua and Sterling governing documents.

**Information About the Companies (page [    ])**

*Umpqua Holdings Corporation*

Umpqua Holdings Corporation, an Oregon corporation, is a bank holding company with two principal operating subsidiaries, Umpqua Bank and Umpqua Investments, Inc. With headquarters in Roseburg, Oregon, Umpqua Bank provides a wide range of banking, wealth management, mortgage and other financial services to corporate, institutional and individual customers. Umpqua Investments is a registered broker-dealer and investment advisor with offices in Portland, Lake Oswego, and Medford, Oregon and products and services offered through Umpqua Bank stores. Umpqua Investments offers a full range of investment products and services including stocks, fixed income securities, mutual funds, annuities, options, retirement planning, money management services and life insurance. At September 30, 2013, Umpqua had, on a consolidated basis, assets of \$11.6 billion, deposits of \$9.1 billion and shareholders' equity of \$1.7 billion.

Umpqua's stock is traded on the NASDAQ Global Select Market under the symbol "UMPQ."

The principal executive offices of Umpqua are located at One SW Columbia Street, Suite 1200, Portland, Oregon 97258, and its telephone number at that location is (503) 727-4100. Additional information about Umpqua and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. See "Where You Can Find More Information," beginning on page [    ].

*Sterling Financial Corporation*

Sterling Financial Corporation, with headquarters in Spokane, Washington, is organized under the laws of Washington State as the bank holding company for Sterling Savings Bank. Sterling Savings Bank is a Washington state-chartered commercial bank that does business as Sterling Bank in Washington, Oregon and Idaho and as Argent Bank in California. Sterling Savings Bank offers retail and commercial banking products and services, mortgage lending and wealth management to individuals, small businesses, commercial organizations and corporations. At September 30, 2013, Sterling had, on a consolidated basis, assets of \$10.0 billion, deposits of \$6.9 billion and shareholders' equity of \$1.2 billion.

Sterling's stock is traded on the NASDAQ Capital Market under the symbol "STSA."

The principal executive offices of Sterling are located at 111 North Wall Street, Spokane, Washington 99201, and its telephone number at that location is (509) 358-8097. Additional information about Sterling and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. See "Where You Can Find More Information," beginning on page [    ].

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**Litigation Relating to the Merger (page [ ])**

Sterling, its directors and Umpqua are named as defendants in three lawsuits pending in the Superior Court of Washington in and for Spokane County, which have been consolidated under the caption *In re Sterling Financial Corporation Merger Litigation*, Lead No. 13-2-03848-4. The consolidated litigation generally seeks, among other things, an injunction against consummation of the merger, rescission of the merger if it is effected, damages in an unspecified amount, and the payment of plaintiffs' attorneys fees and costs. The defendants believe that the lawsuits are without merit. See "The Merger Litigation Relating to the Merger" beginning on page [ ].

**Risk Factors (page [ ])**

You should consider all the information contained in or incorporated by reference into this joint proxy statement/prospectus in deciding how to vote for the proposals presented in the joint proxy statement/prospectus. In particular, you should consider the factors described under "Risk Factors."

Table of Contents**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF UMPQUA**

The following selected consolidated financial information for the fiscal years ended December 31, 2008 through December 31, 2012 is derived from audited consolidated financial statements of Umpqua. The consolidated financial information as of and for the nine months ended September 30, 2013 and 2012 is derived from unaudited consolidated financial statements and, in the opinion of Umpqua's management, reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of these data for those dates. The results of operations for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 31, 2013. You should not assume the results of operations for any past periods indicate results for any future period. You should read this information in conjunction with Umpqua's consolidated financial statements and related notes thereto included in Umpqua's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, and in Umpqua's Quarterly Report on Form 10-Q for the nine months ended September 30, 2013, which are incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information."

	At or For the Nine Months Ended September 30,		Years Ended December 31,				2008
	2013	2012	2012	2011	2010	2009	
(in thousands, except per share data)							
<b>Income Statement Financial Trends</b>							
Interest income	\$ 324,308	\$ 343,344	\$ 456,085	\$ 501,753	\$ 488,596	\$ 423,732	\$ 442,546
Interest expense	29,417	37,937	48,849	73,301	93,812	103,024	152,239
Net interest income	294,891	305,407	407,236	428,452	394,784	320,708	290,307
Provision for non-covered loan and lease losses	12,989	16,883	21,796	46,220	113,668	209,124	107,678
(Recapture of) provision for covered loan and lease losses	(4,744)	4,302	7,405	16,141	5,151		
Non-interest income	94,656	89,842	136,829	84,118	75,904	73,516	107,118
Non-interest expense	262,100	261,268	357,314	338,611	311,063	267,178	215,588
Goodwill impairment						111,952	982
Merger related expenses	7,197	338	2,338	360	6,675	273	
Income (loss) before provision for (benefit from) income taxes	112,005	112,458	155,212	111,238	34,131	(194,303)	73,177
Provision for (benefit from) income taxes	38,914	38,525	53,321	36,742	5,805	(40,937)	22,133
Net income (loss)	73,091	73,933	101,891	74,496	28,326	(153,366)	51,044
Preferred stock dividends					12,192	12,866	1,620
Dividends and undistributed earnings allocated to participating securities	576	499	682	356	67	30	154
Net earnings (loss) available to common shareholders	\$ 72,515	\$ 73,434	\$ 101,209	\$ 74,140	\$ 16,067	\$ (166,262)	\$ 49,270
<b>Period End</b>							
Assets	\$ 11,569,297	\$ 11,528,964	\$ 11,795,443	\$ 11,562,858	\$ 11,668,710	\$ 9,381,372	\$ 8,597,550
Earning assets	10,195,187	10,265,806	10,465,505	10,263,923	10,374,131	8,344,203	7,491,498
Non-covered loans and leases(1)	7,228,904	6,248,425	6,681,080	5,888,098	5,658,987	5,999,267	6,131,374
Covered loans, net of allowance	397,083	515,045	477,078	622,451	785,898		
Deposits	9,067,240	9,099,929	9,379,275	9,236,690	9,433,805	7,440,434	6,588,935
Term debt	252,017	254,123	253,605	255,676	262,760	76,274	206,531
Junior subordinated debentures, at fair value	86,718	84,538	85,081	82,905	80,688	85,666	92,520
Junior subordinated debentures, at amortized cost	101,979	102,302	110,985	102,544	102,866	103,188	103,655
Common shareholders' equity	1,725,995	1,714,093	1,724,039	1,672,413	1,642,574	1,362,182	1,284,830
Total shareholders' equity	1,725,995	1,714,093	1,724,039	1,672,413	1,642,574	1,566,517	1,487,008
Common shares outstanding	111,929	111,915	111,890	112,165	114,537	86,786	60,146
<b>Average</b>							
Assets	\$ 11,468,348	\$ 11,453,844	\$ 11,499,499	\$ 11,600,435	\$ 10,830,486	\$ 8,975,178	\$ 8,342,005

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Earning assets	10,201,559	10,210,094	10,252,167	10,332,242	9,567,341	7,925,014	7,215,001
Non-covered loans and leases(1)	6,883,504	6,046,101	6,153,116	5,723,771	5,783,452	6,103,666	6,118,540
Covered loans	429,909	572,481	554,078	707,026	681,569		
Deposits	9,038,527	9,096,862	9,124,619	9,301,978	8,607,980	7,010,739	6,459,576
Term debt	252,826	254,862	254,601	257,496	261,170	129,814	194,312
Junior subordinated debentures	189,457	185,819	187,139	184,115	184,134	190,491	226,349

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	At or For the Nine Months Ended September 30,		Years Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(in thousands, except per share data)						
Common shareholders' equity	1,727,229	1,694,706	1,701,403	1,671,893	1,589,393	1,315,953	1,254,730
Total shareholders' equity	1,727,229	1,694,706	1,701,403	1,671,893	1,657,544	1,519,119	1,281,220
Basic common shares outstanding	111,934	111,928	111,935	114,220	107,922	70,399	60,084
Diluted common shares outstanding	112,154	112,159	112,151	114,409	108,153	70,399	60,424
<b>Per Common Share Data</b>							
Basic earnings (loss)	\$ 0.65	\$ 0.66	\$ 0.90	\$ 0.65	\$ 0.15	\$ (2.36)	\$ 0.82
Diluted earnings (loss)	0.65	0.65	0.90	0.65	0.15	(2.36)	0.82
Book value	15.42	15.32	15.41	14.91	14.34	15.70	21.36
Cash dividends declared	0.45	0.25	0.34	0.24	0.20	0.20	0.62
<b>Performance Ratios</b>							
Return on average assets(2)	0.85%	0.86%	0.88%	0.64%	0.15%	-1.85%	0.59%
Return on average common shareholders' equity(3)	5.61%	5.79%	5.95%	4.43%	1.01%	-12.63%	3.93%
Efficiency ratio(4),(5)	68.52%	65.61%	65.54%	65.58%	66.90%	95.34%	54.08%
Average common shareholders' equity to average assets	15.06%	14.80%	14.80%	14.41%	14.68%	14.66%	15.04%
Leverage ratio(6)	10.96%	11.36%	11.44%	10.91%	10.56%	12.79%	12.38%
Net interest margin (fully tax equivalent)(7)	3.91%	4.04%	4.02%	4.19%	4.17%	4.09%	4.07%
Non-interest revenue to total net revenue(8)	24.30%	22.73%	25.15%	16.41%	16.13%	18.65%	26.95%
Dividend payout ratio(9)	69.23%	37.87%	37.78%	36.92%	133.33%	-8.47%	75.61%
<b>Asset Quality</b>							
Non-covered, non-performing loans and leases	\$ 44,741	\$ 80,333	\$ 70,968	\$ 91,383	\$ 145,248	\$ 199,027	\$ 133,366
Non-covered, non-performing assets	62,990	99,597	88,106	125,558	178,039	223,593	161,264
Allowance for non-covered loan and lease losses	84,694	84,759	85,391	92,968	101,921	107,657	95,865
Net non-covered charge-offs	13,686	25,092	29,373	55,173	119,404	197,332	96,717
Non-covered, non-performing loans and leases to non-covered loans and leases	0.62%	1.29%	1.06%	1.55%	2.57%	3.32%	2.18%
Non-covered, non-performing assets to total assets	0.54%	0.86%	0.75%	1.09%	1.53%	2.38%	1.88%
Allowance for non-covered loan and lease losses to total non-covered loans and leases	1.17%	1.36%	1.28%	1.58%	1.80%	1.79%	1.56%
Allowance for non-covered credit losses to non-covered loans and leases	1.19%	1.40%	1.30%	1.59%	1.82%	1.81%	1.58%

- (1) Excludes loans held for sale.
- (2) Net earnings (loss) available to common shareholders divided by average assets.
- (3) Net earnings (loss) available to common shareholders divided by average common shareholders' equity.
- (4) Non-interest expense divided by the sum of net interest income (fully tax equivalent) and non-interest income.
- (5) The efficiency ratio calculation includes goodwill impairment charges of \$112.0 million and \$1.0 million in 2009 and 2008, respectively. Goodwill impairment losses are a non-cash expense that have no direct effect on Umpqua's or Umpqua Bank's liquidity or capital ratios.
- (6) Tier 1 capital divided by leverage assets. Leverage assets are defined as quarterly average total assets, net of goodwill, intangibles and certain other items as required by the Federal Reserve.
- (7) Net interest margin (fully tax equivalent) is calculated by dividing net interest income (fully tax equivalent) by average interest earnings assets.
- (8)

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Non-interest revenue divided by the sum of non-interest revenue and net interest income

(9)

Dividends declared per common share divided by basic earnings per common share.

Table of Contents**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF STERLING**

The following selected consolidated financial information for the fiscal years ended December 31, 2008 through December 31, 2012 is derived from audited consolidated financial statements of Sterling. The consolidated financial information as of and for the nine months ended September 30, 2013 and 2012 are derived from unaudited consolidated financial statements and, in the opinion of Sterling's management, reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of these data for those dates. The results of operations for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2013. You should not assume the results of operations for any past periods indicate results for any future period. You should read this information in conjunction with Sterling's consolidated financial statements and related notes thereto included in Sterling's Annual Report on Form 10-K for the year ended December 31, 2012, and in Sterling's Quarterly Report on Form 10-Q for the nine months ended September 30, 2013, which are incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information."

	At or For the Nine Months Ended September 30,		Years Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
(in thousands, except per share amounts)							
<b>Income Statement Data:</b>							
Interest income	\$ 281,218	\$ 294,946	\$ 389,200	\$ 404,292	\$ 445,133	\$ 599,347	\$ 715,062
Interest expense	41,362	66,375	84,522	109,097	161,106	255,370	355,510
Net interest income	239,856	228,571	304,678	295,195	284,027	343,977	359,552
Provision for credit losses		10,000	10,000	30,000	250,229	681,371	333,597
Net interest income (loss) after provision for credit losses	239,856	218,571	294,678	265,195	33,798	(337,394)	25,955
Noninterest income	111,459	123,026	154,253	126,328	136,965	123,814	91,895
Noninterest expense before impairment charge	248,941	265,664	355,253	352,390	395,045	369,974	305,517
Goodwill impairment						227,558	223,765
Total noninterest expense	248,941	265,664	355,253	352,390	395,045	597,532	529,282
Income (loss) before income taxes	102,374	75,933	93,678	39,133	(224,282)	(811,112)	(411,432)
Income tax (provision) benefit(1)	(30,887)	288,842	292,043			(26,982)	75,898
Net income (loss)	71,487	364,775	385,721	39,133	(224,282)	(838,094)	(335,534)
Preferred stock dividend					(11,598)	(17,369)	(1,208)
Other shareholder allocations(2)					(520,263)		
Net income (loss) applicable to common shareholders	\$ 71,487	\$ 364,775	\$ 385,721	\$ 39,133	\$ (756,143)	\$ (855,463)	\$ (336,742)
<b>Earnings (loss) per common share:</b>							
Basic(3)	\$ 1.15	\$ 5.87	\$ 6.21	\$ 0.63	\$ (53.05)	\$ (1,087.41)	\$ (429.70)
Diluted(3)	1.13	5.81	6.14	0.63	(53.05)	(1,087.41)	(429.70)
Dividends declared per common share(3)	\$ 0.75	\$ 0.15	\$ 0.80	\$ 0.00	\$ 0.00	\$ 0.00	\$ 19.80
<b>Weighted average shares outstanding:</b>							
Basic(3)	62,280,542	62,110,498	62,122,862	61,955,659	14,253,869	786,701	783,662
Diluted(3)	63,271,060	62,745,177	62,772,079	62,231,208	14,253,869	786,701	783,662
<b>Other Data:</b>							
Book value per common share(3)	\$ 19.51	\$ 20.14	\$ 19.58	\$ 14.16	\$ 12.45	\$ 36.80	\$ 1,075.14
	\$ 18.66	\$ 19.44	\$ 18.91	\$ 13.96	\$ 12.17	\$ 9.21	\$ 752.98



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Tangible book value per common share(3)							
Return on average assets	1.00%	5.18%	4.10%	0.42%	(2.21)%	(6.81)%	(2.65)%
Return on average common equity	7.8%	45.5%	35.8%	4.8%	(297.2)%	(129.8)%	(28.8)%

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	At or For the Nine Months Ended September 30,		Years Ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
	(in thousands, except per share amounts)						
Dividend payout ratio	65%	3%	13%	0%	0%	0%	*
Shareholders' equity to total assets	12.2%	13.2%	13.2%	9.6%	8.1%	3.0%	8.9%
Tangible common equity to tangible assets(4)	11.7%	12.8%	12.8%	9.4%	8.0%	0.1%	4.7%
Efficiency ratio(5)	68.7%	71.5%	71.1%	74.7%	81.9%	69.1%	61.7%
Tax equivalent net interest margin	3.66%	3.46%	3.46%	3.29%	2.83%	2.92%	3.08%
Nonperforming assets to total assets	1.36%	2.73%	2.28%	4.01%	8.83%	9.08%	4.77%
Employees (full-time equivalents)	2,564	2,527	2,532	2,496	2,498	2,641	2,481
Depository branches	169	183	174	175	178	178	178
<b>Balance Sheet Data:</b>							
Total assets	\$ 9,984,336	\$ 9,472,437	\$ 9,236,910	\$ 9,193,237	\$ 9,493,169	\$ 10,877,423	\$ 12,790,716
Loans receivable, net	7,024,326	5,990,365	6,101,749	5,341,179	5,379,081	7,344,199	8,807,094
Investments and MBS available for sale	1,498,377	2,049,961	1,513,157	2,547,876	2,825,010	2,160,325	2,639,290
Investments held to maturity	175	1,716	206	1,747	13,464	17,646	175,830
Deposits	6,854,442	6,739,910	6,436,117	6,485,818	6,911,007	7,775,190	8,350,407
FHLB advances	1,027,807	155,401	605,330	405,609	407,211	1,337,167	1,726,549
Securities sold under repurchase agreements and funds purchased	534,669	942,547	586,867	1,055,763	1,032,512	1,049,146	1,163,023
Other borrowings	245,298	245,293	245,294	245,290	245,285	248,281	248,276
Shareholders' equity	1,215,881	1,251,487	1,217,923	878,557	770,767	323,249	1,141,036
<b>Regulatory Capital Ratios:</b>							
Sterling:							
Tier 1 leverage ratio	11.8%	12.7%	12.1%	11.4%	10.1%	3.5%	9.2%
Tier 1 risk-based capital ratio	15.4%	17.6%	17.5%	17.8%	16.2%	4.9%	11.7%
Total risk-based capital ratio	16.7%	18.9%	18.7%	19.1%	17.5%	7.9%	13.0%
Tier 1 common capital ratio	12.2%	13.9%	13.6%	13.8%	12.4%	3.6%	9.3%
Sterling Bank:							
Tier 1 leverage ratio	11.6%	12.6%	12.0%	11.1%	9.8%	4.2%	8.3%
Tier 1 risk-based capital ratio	15.1%	17.5%	17.2%	17.4%	15.7%	5.9%	10.6%
Total risk-based capital ratio	16.3%	18.8%	18.5%	18.7%	17.0%	7.3%	11.8%

\*  
Not meaningful.

- (1) The income tax benefit during 2012 was from the release of a deferred tax asset valuation allowance.
- (2) The August 26, 2010 conversion of Sterling's Series C preferred stock into common stock resulted in an increase in income available to common shareholders. The October 22, 2010 conversion of Sterling's Series B and D preferred stock into common stock resulted in a decrease in income available to common shareholders.
- (3) Reflects the 1-for-66 reverse stock split in November 2010.
- (4) Common shareholders' equity less goodwill and other intangible assets, divided by assets, less goodwill and other intangible assets.
- (5) The efficiency ratio is noninterest expense, excluding OREO and amortization of core deposit intangibles, divided by net interest income (tax equivalent) plus noninterest income, excluding gain on sales of securities, other-than-temporary impairment losses on securities, charge on prepayment of debt and net gain on MT branch divestiture.

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed combined financial information and explanatory notes show the impact on the historical financial positions and results of operations of Umpqua and Sterling and have been prepared to illustrate the effects of the merger involving Umpqua and Sterling under the acquisition method of accounting with Umpqua treated as the acquirer. The following unaudited pro forma condensed combined income statement and explanatory notes also separately show the impact on Umpqua's historical results of operations of its acquisition of Financial Pacific Holding Corp. ("FPHC"), and its subsidiary, Financial Pacific Leasing, Inc. ("FinPac Leasing"), and its subsidiaries, Financial Pacific Funding, Inc. ("FPF"), Financial Pacific Funding II, Inc. ("FPF II") and Financial Pacific Funding III, Inc. ("FPF III"). As part of the same transaction, Umpqua Holdings Corporation acquired two related entities, FPC Leasing Corporation ("FPC") and Financial Pacific Reinsurance Co, Ltd. ("FPR"). Prior to acquisition, all of the entities were consolidated as Financial Pacific Holdings LLC, and Subsidiaries ("FPH, LLC"). FPHC, FinPac Leasing, FPF, FPF II, FPF III, FPC and FPR are collectively referred to herein as "FinPac." The acquisition of FinPac occurred on July 1, 2013 (which we refer to as the "FinPac acquisition"). Under the acquisition method of accounting, the assets and liabilities of Sterling, as of the effective date of the merger, will be recorded by Umpqua at their respective fair values and the excess of the merger consideration over the fair value of Sterling's net assets will be allocated to goodwill. The unaudited pro forma condensed combined balance sheet as of September 30, 2013 is presented as if the merger with Sterling had occurred on September 30, 2013. The unaudited pro forma condensed combined income statements for the fiscal year ended December 31, 2012 and the nine months ended September 30, 2013 are presented as if the merger and the FinPac acquisition had occurred on January 1, 2012. The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the merger and the FinPac acquisition and, with respect to the income statements only, expected to have a continuing impact on consolidated results of operations.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not necessarily indicate the financial results of the combined companies had the companies actually been combined at the beginning of the period presented. The adjustments included in these unaudited pro forma condensed combined financial statements are preliminary and may be revised. The unaudited pro forma condensed combined financial information also does not consider the impact of any potential revenue enhancements, anticipated cost savings and expense efficiencies, or asset dispositions, among other factors.

As explained in more detail in the accompanying notes to the unaudited pro forma condensed combined financial information, the pro forma allocation of purchase price reflected in the unaudited pro forma condensed combined financial information is subject to adjustment and may vary from the actual purchase price allocation that will be recorded at the time the merger is completed. Adjustments may include, but not be limited to, changes in (1) Sterling's balance sheet through the effective time of the merger; (2) the aggregate value of merger consideration paid if the price of Umpqua's stock varies from the assumed \$16.22 per share, which represents the closing price of Umpqua common stock on September 30, 2013; (3) total merger related expenses if consummation and/or implementation costs vary from currently estimated amounts; and (4) the underlying values of assets and liabilities if market conditions differ from current assumptions.

The unaudited pro forma condensed combined financial information is provided for informational purposes only. The unaudited pro forma condensed combined financial information is not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the merger and the FinPac acquisition been completed as of the dates indicated or that may be achieved in the future. The preparation of the unaudited pro forma condensed combined financial information and

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related adjustments required management to make certain assumptions and estimates. The unaudited pro forma condensed combined financial statements should be read together with:

The accompanying notes to the unaudited pro forma condensed combined financial information;

Umpqua's separate audited historical consolidated financial statements and accompanying notes as of and for the year ended December 31, 2012, included in Umpqua's Annual Report on Form 10-K for the year ended December 31, 2012;

Sterling's separate audited historical consolidated financial statements and accompanying notes as of and for the year ended December 31, 2012 included in Sterling's Annual Report on Form 10-K for the year ended December 31, 2012;

Umpqua's separate unaudited historical consolidated financial statements and accompanying notes as of and for the nine months ended September 30, 2013 included in Umpqua's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013;

Sterling's separate unaudited historical consolidated financial statements and accompanying notes as of and for the nine months ended September 30, 2013 included in Sterling's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013;

FinPac's separate audited historical consolidated financial statements and accompanying notes as of and for the year ended December 31, 2012 and separate unaudited historical condensed consolidated financial statements as of and for the six months ended June 30, 2013, along with the unaudited pro forma condensed consolidated financial information of Umpqua as of June 30, 2013 and for the year ended December 31, 2012 and the six months ended June 30, 2013, giving effect to the acquisition of FinPac, included in Umpqua's Current Report on Form 8-K/A filed on September 11, 2013. FPH, LLC was the sole equity holder of FinPac. There are no differences in the operations, assets, liabilities, and total equity of FPH, LLC and FinPac. The only balance sheet differences between FPH, LLC and FinPac are within the components of total equity between the entities due to the legal structure of the entities with equity holders of FPH, LLC having different classes of membership units and FinPac's equity holder having common stock along with differences in the classification of dividend payments to the respective equity owners; and

other information pertaining to Umpqua and Sterling contained in or incorporated by reference into this joint proxy statement/prospectus. See "Selected Consolidated Historical Financial Data of Umpqua" and "Selected Consolidated Historical Financial Data of Sterling" included elsewhere in this joint proxy statement/prospectus.

### Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2013

	Umpqua Historical	Sterling Historical	Pro Forma Merger Adjustments	Notes	Pro Forma Combined
<b>Assets</b>					
Cash and due from banks	\$ 193,188	\$ 119,690	\$		\$ 312,878
Restricted cash		6,651			6,651
Interest bearing deposits	503,369	223,338	(352,487)	A	374,220
Temporary investments	534				534
<b>Total cash and cash equivalents</b>	<b>697,091</b>	<b>349,679</b>	<b>(352,487)</b>		<b>694,283</b>
<b>Investment securities, trading</b>	<b>4,012</b>				<b>4,012</b>
	1,910,082	1,498,377			3,408,459

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Investment securities, available for  
sale

Investment securities, held to maturity	5,766	175	5,941
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	Umpqua Historical	Sterling Historical	Pro Forma Merger Adjustments	Notes	Pro Forma Combined
Loans held for sale	113,993	245,783			359,776
Non-covered loans and leases	7,228,904	7,163,024	(395,679)	<b>B</b>	13,996,249
Less: allowance for noncovered loan and lease losses	(84,694)	(138,698)	138,698	<b>C</b>	(84,694)
Non-covered loans and leases, net	7,144,210	7,024,326	(256,981)		13,911,555
Covered loans and leases, net of allowance	397,083				397,083
Restricted equity securities	31,444	95,159			126,603
Premises and equipment, net	173,876	100,370	(2,575)	<b>D</b>	271,671
Mortgage servicing rights	41,853	57,030	5,000	<b>E</b>	103,883
Goodwill	764,627	36,633	722,911	<b>F</b>	1,524,171
Other intangible assets, net	13,467	16,154	47,740	<b>G</b>	77,361
Non-covered other real estate owned	18,249	17,464	(3,493)	<b>H</b>	32,220
Covered other real estate owned	2,980				2,980
FDIC indemnification asset	29,427				29,427
Bank owned life insurance	96,276	189,906			286,182
Deferred tax asset	20,341	282,561	18,569	<b>I</b>	321,471
Accrued interest receivable	24,760	29,614			54,374
Other assets	79,760	41,105			120,865
Total assets	\$ 11,569,297	\$ 9,984,336	\$ 178,684		\$ 21,732,317
<b>Liabilities</b>					
Non-interest bearing demand deposits	\$ 2,421,008	\$ 1,818,194	\$ (55,157)	<b>J</b>	\$ 4,184,045
Interest bearing deposits	6,646,232	5,036,248	(150,738)	<b>J</b>	11,531,742
Total deposits	9,067,240	6,854,442	(205,895)		15,715,787
Securities sold under agreements to repurchase customer	215,310	34,669			249,979
Securities sold under agreements to repurchase broker/dealer		500,000			500,000
Term debt	252,017	1,027,807	5,000	<b>K</b>	1,284,824
Junior subordinated debentures, at fair value	86,718		154,298	<b>L</b>	241,016
Junior subordinated debentures, at amortized cost	101,979	245,298	(245,298)	<b>M</b>	101,979
Other liabilities	120,038	106,239			226,277
Total liabilities	9,843,302	8,768,455	(291,895)		18,319,862
<b>Shareholders' equity</b>					
Preferred stock					
Common stock	1,513,225	1,972,021	(233,561)	<b>N</b>	3,251,685
Surplus					
Retained earnings/accumulated deficit	209,597	(786,059)	734,059	<b>O</b>	157,597
Accumulated other comprehensive income	3,173	29,919	(29,919)	<b>P</b>	3,173
Total shareholders' equity	1,725,995	1,215,881	470,579		3,412,455
Total liabilities and shareholders' equity	\$ 11,569,297	\$ 9,984,336	\$ 178,684		\$ 21,732,317

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**Unaudited Pro Forma Condensed Combined Statement of Income for the  
Nine Months Ended September 30, 2013**

	Umpqua Historical	FPH, LLC Historical to 6/30/2013	FinPac Pro Forma Merger Adjustments to 9/30/2013	Notes	Sterling Historical	Sterling Pro Forma Merger Adjustments	Notes	Pro Forma Combined
<b>Interest Income:</b>								
Non-covered loans and leases	\$ 250,685	\$ 29,033	\$ (4,789)	Q	\$ 251,722	\$ 8,045	Q	\$ 534,696
Covered loans	41,167							41,167
Interest and dividends on investment securities	31,519				29,088			60,607
Temporary investments and interest bearing deposits	937				408	(563)	R	782
Total interest income	324,308	29,033	(4,789)		281,218	7,482		637,252
<b>Interest Expense:</b>								
Deposits	16,587				18,386	3,164	S	38,137
Federal funds purchased and securities sold under agreement to repurchase	99				14,243			14,342
Term debt	6,916	3,507			4,355	(1,857)	T	12,921
Junior subordinated debentures	5,815				4,378			10,193
Total interest expense	29,417	3,507			41,362	1,307		75,593
<b>Net interest income</b>	<b>294,891</b>	<b>25,526</b>	<b>(4,789)</b>		<b>239,856</b>	<b>6,175</b>		<b>561,659</b>
<b>Provision for credit losses non-covered (Recapture of) provision for credit losses covered</b>	<b>12,989</b>	<b>3,272</b>		<b>U</b>		<b>(2,100)</b>	<b>U</b>	<b>14,161</b>
<b>Net interest income after provision for (recapture of) credit losses</b>	<b>286,646</b>	<b>22,254</b>	<b>(4,789)</b>		<b>239,856</b>	<b>8,275</b>		<b>552,242</b>
<b>Non-interest income:</b>								
Service charges on deposit accounts	22,844				42,129	(10,259)	V	54,714
Brokerage commissions and fees	11,152				2,999			14,151
Mortgage banking revenue, net	62,928				50,468			113,396
Gain on sale of investment securities, net	18							18
Other than temporary impairment losses on investment securities								
Portion of other-than-temporary impairment losses transferred from OCI								
Loss on junior subordinated debentures carried at fair value	(1,643)					(2,890)	W	(4,533)
Bargain purchase gain on acquisition					7,544			7,544
Gain (loss) on other assets	169				915			1,084
Charge on prepayment of debt								
Gain on other loan sales	2,744				2,354			5,098
Bank owned life insurance	2,432				4,621			7,053
Change in FDIC indemnification asset	(19,841)							(19,841)
Other income	13,853	1,312			429			15,594
Total non-interest income	94,656	1,312			111,459	(13,149)		194,278
<b>Non-interest expense:</b>								
Salaries and employee benefits	157,271	3,790	477	X	135,297	(98)	X	296,737
Net occupancy and equipment	45,813	810			31,239			77,862

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Communications	8,802	156		26,412		35,370
Marketing	3,753			6,025		9,778
Supplies	2,120			1,385		3,505
Services	18,339	1,382		12,030		31,751
FDIC assessments	5,032			4,693		9,725
Net (gain) loss on non-covered OREO	(303)			6,456		6,153
Net loss on covered OREO	154					154
Intangible amortization	3,595	354		5,046	5,859	14,854
Merger related expense	7,197			7,200		14,397
Other expenses	17,524	2,104	(758) <b>Z</b>	13,158	1,420 <b>Z</b>	33,448
Total non-interest expense	269,297	8,596	(281)	248,941	7,181	533,734
Income before provision for income taxes	112,005	14,970	(4,508)	102,374	(12,055)	212,786
Provision for income taxes	38,914	5,835	(1,578) <b>AA</b>	30,887	(4,219) <b>AA</b>	69,839
<b>Net income</b>	<b>\$ 73,091</b>	<b>\$ 9,135</b>	<b>\$ (2,930)</b>	<b>\$ 71,487</b>	<b>\$ (7,836)</b>	<b>\$ 142,947</b>
Earnings per common share:						
Basic	\$ 0.65	\$		\$ 1.15		\$ 0.66
Diluted	\$ 0.65	\$		\$ 1.13		\$ 0.65
Weighted average number of common shares outstanding:						
Basic	111,934			62,281	41,790 <b>AB</b>	216,005
Diluted	112,154			63,271	44,368 <b>AC</b>	219,793



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**Unaudited Pro Forma Condensed Combined Statement of Income for the Year Ended  
December 31, 2012**

	Umpqua Historical	FPH, LLC Historical	FinPac Pro Forma Merger Adjustments	Notes	Sterling Historical	Sterling Pro Forma Merger Adjustments	Notes	Pro Forma Combined
<b>Interest Income:</b>								
Non-covered loans and leases	\$ 313,294	\$ 58,210	\$ (5,332)	Q	\$ 331,514	\$ 11,652	Q	\$ 709,338
Covered loans	73,518							73,518
Interest and dividends on investment securities	68,345				56,931			125,276
Temporary investments and interest bearing deposits	928				755	(751)	R	932
Total interest income	456,085	58,210	(5,332)		389,200	10,901		909,064
<b>Interest Expense:</b>								
Deposits	31,133				37,697	13,657	S	82,487
Federal funds purchased and securities sold under agreement to repurchase	288				36,034			36,322
Term debt	9,279	7,401			4,254	(2,476)	T	18,458
Junior subordinated debentures	8,149				6,537			14,686
Total interest expense	48,849	7,401			84,522	11,181		151,953
<b>Net interest income</b>	<b>407,236</b>	<b>50,809</b>	<b>(5,332)</b>		<b>304,678</b>	<b>(280)</b>		<b>757,111</b>
<b>Provision for credit losses non-covered (Recapture of) provision for credit losses covered</b>	21,796	7,291		U	10,000	(2,500)	U	36,587
	7,405							7,405
<b>Net interest income after provision for (recapture of) credit losses</b>	<b>378,035</b>	<b>43,518</b>	<b>(5,332)</b>		<b>294,678</b>	<b>2,220</b>		<b>713,119</b>
<b>Non-interest income:</b>								
Service charges on deposit accounts	28,299				51,761	(13,642)	V	66,418
Brokerage commissions and fees	12,967				4,012			16,979
Mortgage banking revenue, net	84,216				97,292			181,508
Gain on sale of investment securities, net	4,023				23,835			27,858
Other than temporary impairment losses on investment securities	(51)							(51)
Portion of other-than-temporary impairment losses transferred from OCI	(104)				(6,819)			(6,923)
Loss on junior subordinated debentures carried at fair value	(2,203)					(3,853)	W	(6,056)
Bargain purchase gain on acquisition								
Gain (loss) on other assets	465				6,515			6,980
Charge on prepayment of debt					(35,342)			(35,342)
Gain on other loan sales					4,372			4,372
Bank owned life insurance	2,708				8,625			11,333
Change in FDIC indemnification asset	(15,234)							(15,234)
Other income	21,743	4,132			2			25,877
Total non-interest income	136,829	4,132			154,253	(17,495)		277,719
<b>Non-interest expense:</b>								
Salaries and employee benefits	200,946	7,527	544	X	189,025	(403)	X	397,639
Net occupancy and equipment	55,081	1,481			41,538			98,100
Communications	11,573	319			37,531			49,423
Marketing	5,064				12,688			17,752

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Supplies	2,506			2,642		5,148
Services	25,823	2,806		16,691		45,320
FDIC assessments	7,308			7,493		14,801
Net (gain) loss on non-covered OREO	9,245			11,829		21,074
Net loss on covered OREO	3,410					3,410
Intangible amortization	4,816	708		6,780	8,601 Y	20,905
Merger related expense	2,338			11,976		14,314
Other expenses	31,542	3,260	(1,780) Z	17,060	1,446 Z	51,528
<b>Total non-interest expense</b>	<b>359,652</b>	<b>16,101</b>	<b>(1,236)</b>	<b>355,253</b>	<b>9,644</b>	<b>739,414</b>
<b>Income before provision for income taxes</b>	<b>155,212</b>	<b>31,549</b>	<b>(4,096)</b>	<b>93,678</b>	<b>(24,919)</b>	<b>251,424</b>
Provision for (benefit from) income taxes	53,321	12,192	(1,434) AA	(292,043)	(8,722) AA	236,686
<b>Net income</b>	<b>\$ 101,891</b>	<b>\$ 19,357</b>	<b>\$ (2,662)</b>	<b>\$ 385,721</b>	<b>\$ (16,197)</b>	<b>\$ 488,110</b>
Earnings per common share:						
Basic	\$ 0.90	\$		\$ 6.21		\$ 2.26
Diluted	\$ 0.90	\$		\$ 6.14		\$ 2.22
Weighted average number of common shares outstanding:						
Basic	111,935			62,123	41,684 AB	215,742
Diluted	112,151			62,772	44,603 AC	219,526

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**Notes to Unaudited Pro Forma Condensed Combined Financial Information**

**Note 1 Basis of Presentation**

The unaudited pro forma condensed combined financial information and explanatory notes have been prepared to illustrate the effects of the merger involving Umpqua and Sterling under the acquisition method of accounting with Umpqua treated as the acquirer. The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not necessarily indicate the financial results of the combined companies had the companies actually been combined at the beginning of each period presented, nor does it necessarily indicate the results of operations in future periods or the future financial position of the combined entities. Under the acquisition method of accounting, the assets and liabilities of Sterling, as of the effective date of the merger, will be recorded by Umpqua at their respective fair values and the excess of the merger consideration over the fair value of Sterling's net assets will be allocated to goodwill.

The merger, which is currently expected to be completed in the first half of 2014, provides for Sterling common shareholders to receive 1.671 shares of Umpqua common stock and \$2.18 in cash for each share of Sterling common stock they hold immediately prior to the merger. The value of the per share merger consideration would be approximately \$30.90 based upon the closing price of Umpqua common stock on the date of merger announcement multiplied by the exchange ratio of 1.671 and adding the cash portion of the merger consideration of \$2.18 per share. The pro forma allocation of purchase price reflected in the unaudited pro forma condensed combined financial information is subject to adjustment and may vary from the actual purchase price allocation that will be recorded at the time the merger is completed. Adjustments may include, but not be limited to, changes in (i) Sterling's balance sheet through the effective time of the merger; (ii) the aggregate value of merger consideration paid if the price of Umpqua's stock varies from the assumed \$16.22 per share, which represents the closing share price of Umpqua common stock on September 30, 2013; (iii) total merger related expenses if consummation and/or implementation costs vary from currently estimated amounts; and (iv) the underlying values of assets and liabilities if market conditions differ from current assumptions.

The accounting policies of both Umpqua and Sterling are in the process of being reviewed in detail. Upon completion of such review, conforming adjustments or financial statement reclassification may be determined.

**Note 2 Estimated Merger and Integration Costs**

In connection with the merger, the plan to integrate Umpqua's and Sterling's operations is still being developed. Over the next several months, the specific details of these plans will continue to be refined. Umpqua and Sterling are currently in the process of assessing the two companies' personnel, benefit plans, premises, equipment, computer systems, supply chain methodologies, and service contracts to determine where they may take advantage of redundancies or where it will be beneficial or necessary to convert to one system. Certain decisions arising from these assessments may involve involuntary termination of Sterling's personnel, vacating leased premises, changing information systems, canceling service contracts and selling or otherwise disposing of certain owned premises, furniture and equipment. Umpqua expects to incur merger-related expenses including system conversion costs, employee retention and severance agreements, communications to customers, among others. To the extent there are costs associated with these actions, the costs will be recorded based on the nature and timing of these related integration actions. Most acquisition and restructuring costs are recognized separately from a business combination and generally will be expensed as incurred. We estimate total merger related cost to be approximately \$80 million. We have incurred \$8.6 million of merger expense through September 30, 2013, and anticipate the majority of the remainder to be incurred in 2014.

Table of Contents**Note 3 Estimated Annual Cost Savings**

Umpqua expects to realize \$87 million in annual pre-tax cost savings following the merger, which management expects to be phased-in over a two-year period, but there is no assurance that the anticipated cost savings will be realized on the anticipated time schedule or at all. These cost savings are not reflected in the presented pro forma financial information.

**Note 4 Divestiture of Sterling Branches**

Due to competitive considerations of the merger in accordance with regulatory guidelines, Sterling branches in several banking markets will be divested in conjunction with the merger in order to obtain regulatory approval. These amounts are reflected in the pro forma adjustments below. However, other asset dispositions not required as further discussed in Note 2 are not included in pro forma adjustments.

**Note 5 Preliminary Purchase Accounting Allocation**

The unaudited pro forma condensed combined financial information reflects the issuance of approximately 104,128,134 shares of Umpqua common stock and other purchase consideration totaling approximately \$1.7 billion as well as cash consideration of approximately \$135.8 million. The total purchase consideration includes an estimate of the fair value of the replacement stock options, warrants, and restricted stock units that is attributable to the pre-combination service period. The merger will be accounted for using the acquisition method of accounting; accordingly Umpqua will recognize Sterling's assets (including identifiable intangible assets) and liabilities at their respective estimated fair values as of the merger date. Accordingly, the pro forma purchase consideration and the assets acquired and the liabilities assumed based on their estimated fair values are summarized in the following table.

	September 30, 2013 (in thousands)
Fair value consideration paid to Sterling shareholders	
Cash paid	\$ 135,846
Fair value of common shares issued and exchanged	1,738,460
Total pro forma purchase price	\$ 1,874,306
Fair value of assets acquired:	
Cash and cash equivalents	\$ 185,038
Investment securities	1,498,552
Non-covered loans and leases, net	7,013,128
Premises and equipment, net	97,795
Mortgage servicing rights	62,030
Other intangible assets, net	63,894
Non-covered other real estate owned	13,971
Bank owned life insurance	189,906
Deferred tax asset	301,130
Accrued interest receivable	29,614
Other assets	136,264
Total assets acquired	\$ 9,591,322
Fair value of liabilities assumed:	
Deposits	\$ 6,648,547
Securities sold under agreements to repurchase	534,669
Term debt	1,032,807
Junior subordinated debentures	154,298
Other liabilities	106,239
Total liabilities assumed	\$ 8,476,560
Net assets acquired	\$ 1,114,762

Preliminary pro forma goodwill

\$ 759,544

Table of Contents**Note 6 Pro Forma Adjustments**

The following pro forma adjustments have been reflected in the unaudited pro forma condensed combined financial information. All adjustments are based on current assumptions and valuations, which are subject to change.

**Balance Sheet****(amounts in thousands)**

<b>A</b>	Adjustments to cash and cash equivalents		
	To reflect cash used to purchase Sterling	\$	(135,846)
	To reflect cash paid for merger expenses		(52,000)
	To reflect cash paid for divestiture of Sterling branches		(164,641)
		\$	(352,487)
<b>B</b>	Adjustments to non-covered loans and leases		
	To reflect estimated fair value at merger date. The adjustment to loans is primarily related to credit deterioration in the acquired loan portfolio. The credit adjustment to loans is calculated as 3.5% of gross loans. During Umpqua's due diligence on Sterling, Umpqua reviewed loan information across collateral types and geographic distributions. Umpqua applied traditional loan examination methodologies to arrive at the fair value adjustment. The rate adjustment to loans reflects estimated fair value at merger date based on current market rates for similar assets and will be accreted to income using the effective yield method over the contractual lives of the loans, which is approximately ten years.	\$	(302,000)
	To reflect loans sold with divestiture of Sterling branches at merger date.		(93,679)
		\$	(395,679)
<b>C</b>	Adjustment to allowance for non-covered loan and lease losses		
	To remove Sterling allowance at merger date as the credit risk is contemplated in the fair value adjustment in Adjustment B above.	\$	138,698
<b>D</b>	Adjustment to premises and equipment, net		
	To reflect divestiture of Sterling branches at merger date.	\$	(2,575)
<b>E</b>	Adjustment to mortgage servicing rights		
	To reflect estimated fair value at merger date based on current market rates for similar assets.	\$	5,000
<b>F</b>	Adjustments to goodwill		
	To remove Sterling goodwill at merger date	\$	(36,633)
	To reflect the goodwill associated with the merger		759,544
		\$	722,911
<b>G</b>	Adjustments to other intangible assets, net		
	To remove Sterling other intangible assets, net	\$	(16,154)
	To record the estimated fair value of acquired identifiable intangible assets, calculated as 1.25% of Sterling core deposits. The acquired core deposit intangible will be amortized over ten years using a sum-of-the-years-digits method.		63,894
		\$	47,740
<b>H</b>	Adjustment to non-covered other real estate owned		
	To record the estimated fair value of acquired non-covered other real estate owned.	\$	(3,493)

Table of Contents**Balance Sheet****(amounts in thousands)**

<b>I</b>	Adjustments to deferred tax asset	
	To reflect deferred tax asset created in the merger, which is calculated as follows:	
	Adjustments to non-covered loans and leases	\$ 302,000
	Adjustment to allowance for non-covered loan and lease losses	(138,698)
	Adjustment to mortgage servicing rights	(5,000)
	Adjustments to other intangible assets, net	(47,740)
	Adjustment to non-covered other real estate owned	3,493
	Adjustments to deposits	25,000
	Adjustments to term debt	5,000
	Adjustment to junior subordinated debentures	(91,000)
	<b>Subtotal for fair value adjustments</b>	<b>\$ 53,055</b>
	Calculated deferred tax asset at Umpqua's estimated statutory tax rate of 35%	\$ 18,569
<b>J</b>	Adjustments to deposits	
	To reflect estimated fair value at merger date based on current market rates for similar products. This adjustment will be accreted to interest expense over the estimated lives of the deposits, which is approximately three years.	\$ 25,000
	To reflect deposits sold with divestiture of Sterling branches at merger date.	
	Non-interest bearing demand deposits	(55,157)
	Interest bearing deposits	(175,738)
		\$ (205,895)
<b>K</b>	Adjustment to term debt	
	To reflect estimated fair value at merger date based on current market rates and spreads for similar borrowings. This estimated premium will be accreted to interest expense over the remaining contractual life of such borrowings, which is approximately three years.	\$ 5,000
<b>L</b>	Adjustment to junior subordinated debentures, at fair value	
	To reclassify junior subordinated debentures, at amortized cost to junior subordinated debentures, at fair value. Junior subordinated debentures acquired will be held at fair value.	\$ 245,298
	To reflect estimated fair value at merger date based on third party valuation.	(91,000)
		\$ 154,298
<b>M</b>	Adjustment to junior subordinated debentures, at amortized cost	
	To reclassify junior subordinated debentures, at amortized cost to junior subordinated debentures, at fair value. Junior subordinated debentures acquired will be held at fair value.	\$ (245,298)
<b>N</b>	Adjustments to common stock	
	To eliminate historical Sterling common stock	\$ (1,972,021)
	To reflect the issuance and exchange of Umpqua common stock to Sterling shareholders	1,738,460
		\$ (233,561)
<b>O</b>	Adjustment to retained earnings/accumulated deficit	
	To eliminate historical Sterling accumulated deficit	\$ 786,059
	To adjust for after tax merger expenses	(52,000)
		\$ 734,059
<b>P</b>	Adjustment to accumulated other comprehensive income	
	To eliminate historical Sterling accumulated other comprehensive income	\$ (29,919)





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Income Statements (amounts in thousands)		Nine Months Ended September 30, 2013	Year Ended December 31, 2012
<b>Q</b>	Adjustments to non-covered loans and leases interest income		
	FinPac		
	To reflect adjusted interest income from leases due to the estimated loss of income from the write-off of FinPac's loan mark and the amortization of the new interest rate mark and the accretion of the acquisition accounting adjustment relating to the credit mark. The amortization period will be the contractual lives of the leases, which is approximately four years, and will be amortized into income using the effective yield method.	\$ (4,789)	\$ (5,332)
	Sterling		
	To reflect accretion of loan rate discount resulting from non-covered loans and leases fair value pro forma Adjustment B using effective yield methodology over the estimated lives of the acquired loan portfolio, which is approximately ten years.	\$ 6,932	\$ 11,068
	To reclassify miscellaneous loan fees from service charges on deposit accounts to non-covered loans and leases interest income to conform with consolidated presentation.	4,444	5,967
	To reflect non-covered loans and leases interest income on branches divested at merger date.	(3,331)	(5,383)
		\$ 8,045	\$ 11,652
<b>R</b>	Adjustments to interest income on temporary investments and interest bearing deposits		
	Sterling		
	To reflect adjusted interest income on temporary investments and interest bearing cash due to cash paid for purchase and divestiture of Sterling branches.	\$ (563)	\$ (751)
<b>S</b>	Adjustments to interest expense on deposits		
	Sterling		
	To reflect amortization of deposit premium resulting from deposit fair value pro forma Adjustment J based on weighted average life of time deposits being approximately three years.	\$ 3,718	\$ 14,864
	To reflect interest expense on branches divested at merger date.	(554)	(1,207)
		\$ 3,164	\$ 13,657
<b>T</b>	Adjustments to interest expense on term debt		
	Sterling		
	To reflect amortization of term debt premium resulting from term debt fair value pro forma Adjustment K based on weighted average life of borrowings of 15.25 months.	\$ (1,857)	\$ (2,476)

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Income Statements (amounts in thousands)	Nine Months Ended September 30, 2013	Year Ended December 31, 2012
U Adjustments to provision for credit losses non-covered		
FinPac		
With acquired leases recorded at fair value, Umpqua would expect a reduction in the historical provision for loan and lease losses from FinPac, however no adjustment to the historical amount of FinPac provision for loan and lease losses is reflected in this pro forma financial information.		
Sterling		
To reclassify reserve for unfunded commitments from non-covered provision for credit losses to other expenses to conform with consolidated presentation.	\$ (2,100)	\$ (2,500)
With acquired loans recorded at fair value, Umpqua would expect a reduction in the provision for loan losses from Sterling, however no adjustment to the historical amount of Sterling provision for loan losses is reflected in this pro forma financial information.		
V Adjustments to service charges on deposit accounts		
Sterling		
To reflect service charges on deposit accounts on branches divested at merger date.	\$ (1,765)	\$ (2,275)
To reclassify miscellaneous loan fees from service charges on deposit accounts to non-covered loans and leases interest income to conform with consolidated presentation.	(4,444)	(5,967)
To reflect lower service charges on deposit accounts as a result of passing \$10 billion asset threshold.	(4,050)	(5,400)
	\$ (10,259)	\$ (13,642)
W Adjustment to loss on junior subordinated debentures carried at fair value		
Sterling		
To reflect change in fair value of junior subordinated debenture discount resulting from junior subordinated debenture fair value pro forma Adjustment L based on remaining average life of junior subordinated debentures of 23.6 years.	\$ (2,890)	\$ (3,853)

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Income Statements (amounts in thousands)		Nine Months Ended September 30, 2013	Year Ended December 31, 2012
X	Adjustments to salaries and employee benefits		
	FinPac		
	To reflect additional compensation expense related to restricted stock granted to FinPac management.	\$ 615	\$ 820
	To remove Financial Pacific Holdings LLC salaries and employee benefits	(308)	(276)
	To reclassify private equity compensation expense from other expense	170	
		\$ 477	\$ 544
	Sterling		
	To reflect salaries and employee benefits related to branches divested at merger date.	\$ (1,737)	\$ (2,588)
	To reflect additional compensation expense related to restricted stock granted to Sterling management and retention bonuses of top five retained executives.	1,639	2,185
		\$ (98)	\$ (403)
Y	Adjustments to amortization of intangibles		
	Sterling		
	To reflect amortization of acquired intangible assets based on amortization period of ten years and using the sum-of-the-years-digits method of amortization	\$ 5,859	\$ 8,601
Z	Adjustments to other expenses		
	FinPac		
	To remove management fees.	\$ (567)	\$ (1,219)
	To remove director compensation and travel fees.	(21)	(64)
	To remove Financial Pacific Holdings LLC other expenses		(497)
	To reclassify private equity compensation expense to salaries and employee benefits	(170)	
		\$ (758)	\$ (1,780)
	Sterling		
	To reclassify reserve for unfunded commitments from non-covered provision for credit losses to other expenses to conform with consolidated presentation.	\$ 2,100	\$ 2,500
	To reflect other expenses related to branches divested at merger date.	(680)	(1,054)
		\$ 1,420	\$ 1,446

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<b>Income Statements</b>		<b>Nine Months Ended</b>	<b>Year Ended</b>
<b>(amounts in thousands)</b>		<b>September 30, 2013</b>	<b>December 31, 2012</b>
<b>AA</b>	<b>Adjustments to income tax provision (benefit)</b>		
	FinPac		
	To reflect the income tax effect of pro forma adjustments at Umpqua's estimated statutory tax rate of 35%	\$ (1,578)	\$ (1,434)
	Sterling		
	To reflect the income tax effect of pro forma adjustments at Umpqua's estimated statutory tax rate of 35%	\$ (4,219)	\$ (8,722)
<b>AB</b>	<b>Adjustments to weighted average number of common shares outstanding Basic</b>		
	Sterling		
	To reflect acquisition of Sterling common shares.	(62,281)	(62,123)
	To reflect issuance of Umpqua common stock as Sterling shareholders will receive 1.671 shares of Umpqua common stock for each share of Sterling common stock they hold immediately prior to the merger.	104,071	103,807
		41,790	41,684
<b>AC</b>	<b>Adjustments to weighted average number of common shares outstanding Diluted</b>		
	Sterling		
	To reflect acquisition of Sterling common shares.	(63,271)	(62,772)
	To reflect issuance of Umpqua common stock as Sterling shareholders will receive 1.671 shares of Umpqua common stock for each share of Sterling common stock they hold immediately prior to the merger.	107,639	107,375
		44,368	44,603

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**COMPARATIVE PER SHARE DATA**

**(Unaudited)**

Presented below are unaudited per share basic and diluted earnings, cash dividends and book value for (1) Umpqua and Sterling on a historical basis, (2) Umpqua and FinPac on a pro forma combined basis and (3) Umpqua and Sterling on a pro forma combined and pro forma equivalent basis, in each case as of and for the fiscal year ended December 31, 2012 and as of and for the nine months ended September 30, 2013. The information presented below should be read together with the historical consolidated financial statements of Umpqua, FinPac and Sterling, including the related notes incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information."

The unaudited pro forma and pro forma per equivalent share information gives effect to the merger and the FinPac acquisition as if the merger and the FinPac acquisition had been effective on December 31, 2012 or September 30, 2013 in the case of the book value data, and as if the merger had been effective as of January 1, 2012 in the case of the earnings per share and the cash dividends data. The unaudited pro forma data combines separately the historical results of Sterling and FinPac into Umpqua's consolidated statement of income. While certain adjustments were made for the estimated impact of fair value adjustments and other acquisition-related activity, they are not indicative of what would have occurred had these acquisitions taken place on January 1, 2012.

The unaudited pro forma adjustments are based upon available information and certain assumptions that Umpqua and Sterling management believe are reasonable. The unaudited pro forma data, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the merger or the FinPac acquisition or consider any potential impacts of current market conditions or the merger or the FinPac acquisition on revenues, expense efficiencies, asset dispositions, among other factors, nor the impact of possible business model changes. As a result, unaudited pro forma data is presented for illustrative purposes only and does not represent an attempt to predict or suggest future results. Upon completion of the merger, the operating results of Sterling will be reflected in the consolidated financial statements of Umpqua on a prospective basis.

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	Umpqua	Pro Forma Combined Umpqua and FinPac	Sterling Historical	Umpqua Pro Forma Combined	Sterling Pro Forma Per Equivalent Sterling Share(1)
<b>Basic Earnings</b>					
Nine months ended September 30, 2013	\$ 0.65	\$ 0.71	\$ 1.15	\$ 0.66	\$ 1.11
Year ended December 31, 2012	\$ 0.90	\$ 1.06	\$ 6.21	\$ 2.26	\$ 3.78
<b>Diluted Earnings</b>					
Nine months ended September 30, 2013	\$ 0.65	\$ 0.71	\$ 1.13	\$ 0.65	\$ 1.09
Year ended December 31, 2012	\$ 0.90	\$ 1.06	\$ 6.14	\$ 2.22	\$ 3.72
<b>Cash Dividends Paid(2)</b>					
Nine months ended September 30, 2013	\$ 0.45	\$ 0.45	\$ 0.75	\$ 0.45	\$ 0.75
Year ended December 31, 2012	\$ 0.34	\$ 0.34	\$ 0.80	\$ 0.34	\$ 0.57
<b>Book Value</b>					
September 30, 2013	\$ 15.42	\$ 15.48	\$ 19.51	\$ 15.80	\$ 26.40
December 31, 2012	\$ 15.41	\$ 15.57	\$ 19.58	\$ 15.59	\$ 26.04

(1) Computed by multiplying the Umpqua pro forma combined amounts by the exchange ratio of 1.671.

(2) Pro forma combined cash dividends paid are based only upon Umpqua's historical amounts

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**RISK FACTORS**

*In addition to general investment risks and the other information contained in or incorporated by reference into this joint proxy statement/prospectus, including the matters addressed under the section "Cautionary Statement Regarding Forward-Looking Statements," you should carefully consider the following risk factors in deciding how to vote on the proposals presented in this joint proxy statement/prospectus. You should also consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information."*

***Because the market price of Umpqua common stock will fluctuate, the value of the merger consideration to be received by Sterling shareholders is uncertain.***

Upon completion of the merger, each share of Sterling common stock (except for specified shares of Sterling common stock held by Sterling or Umpqua and any dissenting shares) will be converted into 1.671 shares of Umpqua common stock and \$2.18 in cash, without interest. The market value of the shares of Umpqua common stock to be received as part of the merger consideration will vary from the closing price of Umpqua common stock on the date Umpqua and Sterling announced the merger, on the date that this joint proxy statement/prospectus is mailed to Sterling shareholders, on the date of the special meeting of the Sterling shareholders and on the date the merger is completed and thereafter. Any change in the market price of Umpqua common stock prior to the completion of the merger will affect the market value of the merger consideration that Sterling shareholders will receive upon completion of the merger, and there will be no adjustment to the merger consideration for changes in the market price of either shares of Umpqua common stock or shares of Sterling common stock. Stock price changes may result from a variety of factors that are beyond the control of Umpqua and Sterling, including, but not limited to, general market and economic conditions, changes in our respective businesses, operations and prospects and regulatory considerations. Therefore, at the time of the Sterling special meeting you will not know the precise market value of the consideration Sterling shareholders will receive at the effective time of the merger. You should obtain current market quotations for shares of Umpqua common stock and for shares of Sterling common stock.

***The market price of Umpqua common stock after the merger may be affected by factors different from those affecting the shares of Sterling or Umpqua currently.***

Upon completion of the merger, holders of Sterling common stock will become holders of Umpqua common stock. Umpqua's business differs in important respects from that of Sterling, and, accordingly, the results of operations of the combined company and the market price of Umpqua common stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of Umpqua and Sterling. For a discussion of the businesses of Umpqua and Sterling and of some important factors to consider in connection with those businesses, see the documents incorporated by reference in this joint proxy statement/prospectus and referred to under "Where You Can Find More Information."

***Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger.***

Before the merger and the bank merger may be completed, Umpqua and Sterling must obtain approvals from the Federal Reserve Board, the FDIC and the Oregon Director, and file a notification to the Washington DFI. Other approvals, waivers or consents from regulators may also be required. In determining whether to grant these approvals the regulators consider a variety of factors, including the regulatory standing of each party and the factors described under "The Merger Regulatory Approvals Required for the Merger." An adverse development in either party's regulatory standing or these factors could result in an inability to obtain approval or delay its receipt. These regulators may impose

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conditions on the completion of the merger or the bank merger or require changes to the terms of the merger or the bank merger. Such conditions or changes could have the effect of delaying or preventing completion of the merger or the bank merger or imposing additional costs on or limiting the revenues of the combined company following the merger and the bank merger, any of which might have an adverse effect on the combined company following the merger. See "The Merger Regulatory Approvals Required for the Merger."

***Combining the two companies may be more difficult, costly or time consuming than expected and the anticipated benefits and cost savings of the merger may not be realized.***

Umpqua and Sterling have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger, including anticipated benefits and cost savings, will depend, in part, on Umpqua's ability to successfully combine and integrate the businesses of Umpqua and Sterling in a manner that permits growth opportunities and does not materially disrupt the existing customer relations nor result in decreased revenues due to loss of customers. It is possible that the integration process could result in the loss of key employees, the disruption of either company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits and cost savings of the merger. The loss of key employees could adversely affect Umpqua's ability to successfully conduct its business, which could have an adverse effect on Umpqua's financial results and the value of its common stock. If Umpqua experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be business disruptions that cause Umpqua and/or Sterling to lose customers or cause customers to remove their accounts from Umpqua and/or Sterling and move their business to competing financial institutions. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Umpqua and Sterling during this transition period and for an undetermined period after completion of the merger on the combined company. In addition, the actual cost savings of the merger could be less than anticipated.

***The fairness opinions obtained by Umpqua and Sterling from their respective financial advisors will not reflect changes in circumstances between the date of the signing of the merger agreement and the completion of the merger.***

Umpqua has obtained a fairness opinion dated September 10, 2013 from J.P. Morgan and Sterling has obtained a fairness opinion dated September 11, 2013 from Sandler O'Neill, and such opinions have not been updated as of the date of this document and will not be updated at the time of the completion of the merger. Changes in the operations and prospects of Umpqua or Sterling, general market and economic conditions and other factors that may be beyond the control of Umpqua and Sterling, and on which the fairness opinions were based, may alter the value of Umpqua or Sterling or the prices of shares of Umpqua common stock or Sterling common stock by the time the merger is completed. The fairness opinions do not address the fairness of the merger consideration, from a financial point of view, at the time the merger is completed or as of any other date than the date of the opinions. The fairness opinions that Sterling and Umpqua received from their respective financial advisors are attached as Annex D and Annex E to this joint proxy statement/prospectus. For a description of the opinions, see "The Merger Opinion of Sandler O'Neill" and "The Merger Opinion of J.P. Morgan." For a description of the other factors considered by Umpqua's board of directors in determining to approve the merger, see "The Merger Umpqua's Reasons for the Merger; Recommendation of Umpqua's Board of Directors." For a description of the other factors considered by Sterling's board of directors in determining to approve the merger, see "The Merger Sterling's Reasons for the Merger; Recommendation of Sterling's Board of Directors."



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***The unaudited pro forma condensed combined financial statements included in this document are preliminary and the actual financial condition and results of operations after the merger may differ materially.***

The unaudited pro forma condensed combined financial statements in this document are presented for illustrative purposes only and are not necessarily indicative of what Umpqua's actual financial condition or results of operations would have been had the merger been completed on the dates indicated. The unaudited pro forma condensed combined financial statements reflect adjustments, which are based upon assumptions and preliminary estimates, to record the Sterling identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this document is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of Sterling as of the date of the completion of the merger. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this document. For more information, see "Unaudited Pro Forma Condensed Combined Financial Statements" beginning on page [    ].

***Certain of Sterling's directors and executive officers have interests in the merger that may differ from the interests of Sterling's shareholders.***

Sterling's shareholders should be aware that some of Sterling's directors and executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of Sterling's shareholders generally. These interests and arrangements may create potential conflicts of interest. Sterling's board of directors was aware of these interests and considered these interests, among other matters, when making its decision to approve the merger agreement, and in recommending that Sterling's shareholders vote in favor of approving the merger agreement.

These interests include the following:

Pursuant to the merger agreement, each option to purchase shares of Sterling common stock outstanding immediately prior to the effective time (except for certain options with an exercise price significantly in excess of the value of the merger consideration, which Sterling will use commercially reasonable efforts to cancel prior to the effective time) will be converted into an option to purchase Umpqua common stock and each restricted stock unit in respect of Sterling common stock will be converted into a restricted stock unit in respect of Umpqua common stock (in each case, taking into account that, except for new equity award compensation granted prior to the effective time of the merger, the consummation of the merger and its related transactions will constitute the first trigger under equity awards that provide for "double trigger" acceleration of vesting).

Umpqua has entered into employment agreements with five executive officers of Sterling, to be effective as of and subject to the occurrence of the effective time of the merger.

Two Sterling executive officers are eligible for benefits under the Sterling Financial Corporation Change in Control Plan.

The Chairman of Sterling's board of directors is entitled to a cash payment and accelerated vesting of certain stock options under an existing letter agreement if he does not serve on the Umpqua board of directors following the merger.

Prior to the effective time of the merger, the compensation and governance committee of Sterling's board of directors may grant (1) up to \$5.7 million of equity award compensation in the ordinary course of business, consistent with past practice, and (2) up to \$2 million of equity award compensation on terms and conditions determined by Sterling's compensation and governance committee. A substantial portion of the \$2 million equity pool may be granted to Sterling's named executive officers who will continue employment with Umpqua following the merger, with the balance granted to other key Sterling executives who will continue employment

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with Umpqua following the merger. As of the date hereof, the compensation and governance committee has not made any grants or taken formal action with respect to the \$2 million equity pool. The merger shall not be considered a change in control under the terms of new equity awards granted prior to the effective time of the merger.

For a more complete description of these interests, see "The Merger Interests of Sterling's Directors and Executive Officers in the Merger."

***Termination of the merger agreement could negatively impact Umpqua or Sterling.***

If the merger agreement is terminated, there may be various consequences. For example, Umpqua's or Sterling's businesses may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. Additionally, if the merger agreement is terminated, the market price of Umpqua's or Sterling's common stock could decline to the extent that the current market prices reflect a market assumption that the merger will be completed. If the merger agreement is terminated under certain circumstances, Umpqua or Sterling may be required to pay to the other party a termination fee of \$75 million.

***Umpqua and Sterling will be subject to business uncertainties and contractual restrictions on their respective operations while the merger is pending.***

Both Umpqua and Sterling will be subject to business uncertainties and contractual restrictions on their respective operations while the merger is pending. For instance, uncertainty about the effect of the merger on employees and customers may have an adverse effect on Umpqua or Sterling. These uncertainties may impair Umpqua's or Sterling's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with Umpqua or Sterling to seek to change existing business relationships with Umpqua or Sterling. Retention of certain employees by Umpqua or Sterling may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with Umpqua or Sterling. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with Umpqua or Sterling, Umpqua's business or Sterling's business could be harmed. In addition, subject to certain exceptions, each of Umpqua and Sterling has agreed to operate its business in the ordinary course, and to comply with certain other operational restrictions, prior to closing. See "The Merger Agreement Covenants and Agreements" for a description of the restrictive covenants applicable to Umpqua and Sterling.

***If the merger is not completed, Umpqua and Sterling will have incurred substantial expenses without realizing the expected benefits of the merger.***

Each of Umpqua and Sterling has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement, as well as the costs and expenses of filing, printing and mailing this joint proxy statement/prospectus and all filing and other fees paid to the SEC in connection with the merger. If the merger is not completed, Umpqua and Sterling would have to recognize these expenses without realizing the expected benefits of the merger.

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***The merger agreement limits Umpqua's and Sterling's ability to pursue acquisition proposals and requires each company to pay a termination fee of \$75 million under certain circumstances relating to acquisition proposals. These and other provisions of the merger agreement, of Umpqua's and Sterling's articles of incorporation and bylaws and of Oregon and Washington law may deter potential acquirers.***

The merger agreement prohibits Umpqua and Sterling from soliciting, initiating, knowingly encouraging or knowingly facilitating certain third-party acquisition proposals. See "The Merger Agreement Agreement Not to Solicit Other Offers". The merger agreement also provides that Umpqua or Sterling must pay a termination fee in the amount of \$75 million in the event that the merger agreement is terminated under certain circumstances, including, in certain circumstances, a termination resulting from such party's failure to abide by certain obligations not to solicit acquisition proposals. See "The Merger Agreement Termination Fee." Further, the merger agreement also prohibits each of Sterling and Umpqua from waiving confidentiality and standstill provisions in its favor in existing agreements with third parties. These provisions may discourage or prohibit, as applicable, a potential competing acquirer that might have an interest in acquiring all or a significant part of Sterling or Umpqua from considering or proposing such an acquisition. Additionally, Umpqua's restated articles of incorporation authorize the board of directors, when evaluating a merger, tender offer or exchange offer, sale of substantially all assets or similar transaction to consider the effects on Umpqua's employees, customers, suppliers and communities as well as its shareholders. This provision can be amended only by the affirmative vote of at least 75% of outstanding shares. In addition, under both Oregon and Washington law, certain business combinations involving Umpqua or Sterling with their large shareholders are restricted without the approval of the board of directors of Umpqua or Sterling, respectively. See "Comparison of Shareholders' Rights Anti-Takeover Provisions and Other Shareholder Protections."

These provisions and agreements, and other provisions of Umpqua's or Sterling's articles of incorporation or bylaws or of the Oregon Business Corporation Act (which we refer to as the "OBCA") or WBCA, could make it more difficult for a third-party to acquire control of Umpqua or Sterling or may discourage a potential competing acquirer.

***The shares of Umpqua common stock to be received by Sterling shareholders as a result of the merger will have different rights from the shares of Sterling common stock.***

Upon completion of the merger, Sterling shareholders will become Umpqua shareholders and their rights as shareholders will be governed by the OBCA and the Umpqua articles of incorporation and bylaws. The rights associated with Sterling common stock are different from the rights associated with Umpqua common stock. Please see "Comparison of Shareholders' Rights" beginning on page [ ] for a discussion of the different rights associated with Umpqua common stock.

***Holders of Sterling and Umpqua common stock will have a reduced ownership and voting interest after the merger and will exercise less influence over management.***

Holders of Sterling and Umpqua common stock currently have the right to vote in the election of the board of directors and on other matters affecting Sterling and Umpqua, respectively. Upon the completion of the merger, each Sterling shareholder who receives shares of Umpqua common stock will become a shareholder of Umpqua with a percentage ownership of Umpqua that is smaller than such shareholder's percentage ownership of Sterling. It is currently expected that the former shareholders of Sterling as a group will receive shares in the merger constituting approximately [ ]% of the outstanding shares of Umpqua common stock immediately after the merger. As a result, current shareholders of Umpqua as a group will own approximately [ ]% of the outstanding shares of Umpqua common stock immediately after the merger. Because of this, Sterling shareholders may have less influence on the management and policies of Umpqua than they now have on the management and

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policies of Sterling, and current Umpqua shareholders may have less influence than they now have on the management and policies of Umpqua.

***Pending litigation against Sterling and Umpqua could result in an injunction preventing the completion of the merger or a judgment resulting in the payment of damages.***

In connection with the merger, purported Sterling shareholders have filed putative shareholder class action lawsuits against Sterling, the members of the Sterling board of directors and Umpqua. Among other remedies, the plaintiffs seek to enjoin the merger. The outcome of any such litigation is uncertain. If the cases are not resolved, these lawsuits could prevent or delay completion of the merger and result in substantial costs to Umpqua and Sterling, including any costs associated with the indemnification of directors and officers. Plaintiffs may file additional lawsuits against Umpqua, Sterling and/or the directors and officers of either company in connection with the merger. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger is completed may adversely affect Umpqua's business, financial condition, results of operations and cash flows. See "The Merger Litigation Relating to the Merger" beginning on page [    ].

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Some of the statements contained or incorporated by reference in this joint proxy statement/prospectus are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 giving Umpqua's or Sterling's expectations or predictions of future financial or business performance or conditions. Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "intend," "target," "estimate," "plan," "project," "continue," "positions," "prospects" or "potential," by future conditional verbs such as "will," "would," "should," "could" or "may," or by variations of such words or by similar expressions. Such forward-looking statements include, but are not limited to, statements about the benefits of the business combination transaction involving Sterling and Umpqua, including future financial and operating results, the combined company's plans, objectives, expectations, strategies and intentions and other statements that are not historical facts. These forward-looking statements are subject to numerous assumptions, risks and uncertainties which change over time. In addition to factors previously disclosed in Umpqua's and Sterling's reports filed with the SEC, the following factors, among others, could cause actual results to differ materially from forward-looking statements: ability to obtain regulatory approvals and meet other closing conditions to the merger, including approval by Umpqua and Sterling shareholders, on the expected terms and schedule; delay in closing the merger; difficulties and delays in integrating the Umpqua and Sterling businesses or fully realizing cost savings and other benefits; business disruption following the proposed transaction; diversion of management time on issues relating to the merger and the bank merger; changes in asset quality and credit risk; the inability to sustain revenue and earnings growth; changes in interest rates and capital markets; inflation; customer borrowing, repayment, investment and deposit practices; customer disintermediation; the introduction, withdrawal, success and timing of business initiatives; competitive conditions; economic conditions; changes in Umpqua's stock price before closing, including as a result of the financial performance of Sterling prior to closing; the reaction to the transaction of the companies' customers, employees and counterparties; the impact, extent and timing of technological changes, capital management activities, and other actions of the Federal Reserve Board, the FDIC, the Oregon Director or the Washington DFI and legislative and regulatory actions and reforms; and failure to consummate or delay in consummating the merger for any other reason.

For any forward-looking statements made in this joint proxy statement/prospectus or in any documents incorporated by reference into this joint proxy statement/prospectus, Umpqua and Sterling claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this joint proxy statement/prospectus or the date of the applicable document incorporated by reference in this joint proxy statement/prospectus. Umpqua and Sterling do not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this joint proxy statement/prospectus and attributable to Umpqua, Sterling or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this joint proxy statement/prospectus.

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**THE STERLING SPECIAL MEETING**

This section contains information for Sterling shareholders about the special meeting that Sterling has called to allow its shareholders to consider and vote on the merger agreement and other related matters. Sterling is mailing this joint proxy statement/prospectus to Sterling shareholders, on or about [ ]. This joint proxy statement/prospectus is accompanied by a notice of the special meeting of Sterling shareholders and a form of proxy card that Sterling's board of directors is soliciting for use at the special meeting and at any adjournments or postponements of the special meeting. References to "you" and "your" in this section are to Sterling shareholders.

**Date, Time and Place of Meeting**

The special meeting of Sterling shareholders will be held at [ ] at [ ], local time, on [ ], 2013.

**Matters to Be Considered**

At the Sterling special meeting, Sterling shareholders will be asked to consider and vote upon the following matters:

a proposal to approve the merger agreement;

a proposal to approve, on an advisory (non-binding) basis, the compensation that is tied to or based on the merger and that will or may be paid to Sterling's named executive officers in connection with the merger (which we refer to as the "Sterling compensation proposal"); and

a proposal to adjourn the Sterling special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Sterling merger proposal.

**Recommendation of Sterling's Board of Directors**

Sterling's board of directors has determined that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of Sterling and its shareholders, has unanimously approved and adopted the merger agreement and unanimously recommends that you vote "**FOR**" the Sterling merger proposal, "**FOR**" the Sterling compensation proposal and "**FOR**" the Sterling adjournment proposal, if necessary or appropriate. See "The Merger - Sterling's Reasons for the Merger; Recommendation of Sterling's Board of Directors" for a more detailed discussion of Sterling's board of directors' recommendation.

**Record Date and Quorum**

The Sterling board of directors has fixed the close of business on [ ], as the record date for determining the holders of Sterling common stock entitled to receive notice of and to vote at the Sterling special meeting.

As of the Sterling record date, there were [ ] shares of Sterling common stock outstanding and entitled to vote at the Sterling special meeting held by approximately [ ] holders of record. Each share of Sterling common stock entitles the holder to one vote at the Sterling special meeting on each proposal to be considered at the Sterling special meeting.

The representation (in person or by proxy) of at least a majority of the shares of Sterling common stock entitled to vote at the Sterling special meeting will constitute a quorum for the transaction of business. All shares of Sterling common stock, whether present in person or represented by proxy, including abstentions and broker non-votes, if any, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the Sterling special meeting.



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**Required Vote; Treatment of Abstentions and Failure to Vote**

To approve the Sterling merger proposal, two-thirds of the shares of Sterling common stock outstanding and entitled to vote thereon must be voted in favor of such proposal. To approve the Sterling adjournment proposal, a majority of the shares of Sterling common stock represented at the special meeting must be voted in favor of the proposal. The Sterling compensation proposal will be approved if the votes cast in favor of such proposal at the Sterling special meeting exceed the votes cast in opposition. If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy or vote by telephone or internet or in person at the Sterling special meeting or fail to instruct your bank or broker how to vote with respect to the Sterling merger proposal, it will have the same effect as a vote "AGAINST" the proposal. If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy or vote by telephone or internet or in person at the Sterling special meeting or fail to instruct your bank or broker how to vote with respect to the Sterling compensation proposal, it will have no effect on the proposal. If you mark "ABSTAIN" on your proxy card, or fail to instruct your bank or broker how to vote, with respect to the Sterling adjournment proposal, it will have the same effect as a vote "AGAINST" the proposal. If you are not a "street name" holder and fail to either submit a proxy card entirely or vote by telephone or internet or in person at the Sterling special meeting, it will have no effect on the adjournment proposal.

**Shares Held by Officers and Directors**

As of the record date, there were [ ] shares of Sterling common stock entitled to vote at the special meeting. Also as of the record date, and excluding shares owned by Warburg Pincus and THL, the directors and executive officers of Sterling and their affiliates beneficially owned and were entitled to vote approximately [ ] shares of Sterling common stock, representing approximately [ ]% of the shares of Sterling common stock outstanding on that date. Sterling currently expects that Sterling's directors and executive officers will vote their shares in favor of the Sterling merger proposal, the Sterling compensation proposal and the Sterling adjournment proposal, although none of them has entered into any agreements obligating them to do so. As of the record date, Umpqua beneficially held [ ] shares of Sterling common stock and Umpqua's directors and executive officers beneficially held [ ] shares of Sterling common stock.

In addition, Warburg Pincus and THL, each of which is associated with one of Sterling's directors and as of the record date had the right to vote approximately [ ], or approximately [ ]%, of the outstanding shares of Sterling common stock, have agreed, subject to certain exceptions, to vote their shares of Sterling common stock in favor of the Sterling merger proposal. For further information, see "The Merger Investor Letter Agreements."

**Voting on Proxies; Incomplete Proxies**

A Sterling shareholder may vote by proxy or in person at the Sterling special meeting. If you hold your shares of Sterling common stock in your name as a shareholder of record, to submit a proxy, you, as a Sterling shareholder, may use one of the following methods:

Through the internet: by visiting the website indicated on the proxy card and following the instructions. You are encouraged to vote through the internet.

By telephone: by calling the toll-free number indicated on the proxy card and following the recorded instructions.

By mail: by completing and returning the proxy card in the enclosed envelope. The envelope requires no additional postage if mailed in the United States.

Sterling requests that Sterling shareholders vote through the internet, by telephone or by completing and signing the accompanying proxy card and returning it to Sterling as soon as possible in



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the enclosed postage-paid envelope. When the accompanying proxy card is returned properly executed, the shares of Sterling stock represented by it will be voted at the Sterling special meeting in accordance with the instructions contained on the proxy card. If any proxy card is returned without indication as to how to vote, the shares of Sterling common stock represented by the proxy card will be voted as recommended by the Sterling board of directors.

If a Sterling shareholder's shares are held in "street name" by a broker, bank or other nominee, the shareholder should check the voting form used by that firm to determine how to vote, including whether it may vote by the internet or telephone.

Every Sterling shareholder's vote is important. Accordingly, each Sterling shareholder should sign, date and return the enclosed proxy card, or vote via the internet or by telephone, whether or not the Sterling shareholder plans to attend the Sterling special meeting in person. Sending in your proxy card or voting by the internet or telephone will not prevent you from voting your shares personally at the meeting, since you may revoke your proxy at any time before it is voted.

**Shares Held in "Street Name"; Broker Non-Votes**

Under stock exchange rules, banks, brokers and other nominees who hold shares of Sterling common stock in "street name" for a beneficial owner of those shares typically have the authority to vote in their discretion on "routine" proposals when they have not received instructions from beneficial owners. However, banks, brokers and other nominees are not allowed to exercise their voting discretion with respect to the approval of matters determined to be "non-routine," without specific instructions from the beneficial owner. Sterling expects that all proposals to be voted on at the Sterling special meeting will be "non-routine" matters. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the Sterling special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal. If your broker, bank or other nominee holds your shares of Sterling common stock in "street name," your broker, bank or other nominee will vote your shares of Sterling common stock only if you provide instructions on how to vote by complying with the voter instruction form sent to you by your broker, bank or other nominee with this joint proxy statement/prospectus.

**Revocability of Proxies and Changes to a Sterling Shareholder's Vote**

If you hold stock in your name as a shareholder of record, you may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to Sterling's corporate secretary, (3) attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting or (4) voting by telephone or the internet at a later time.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, but the mere presence (without notifying Sterling's corporate secretary) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Written notices of revocation and other communications about revoking your proxy card should be addressed to:

Sterling Financial Corporation  
111 North Wall Street  
Spokane, WA 99201  
Attention: Corporate Secretary

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If your shares are held in "street name" by a bank or broker, you should follow the instructions of your bank or broker regarding the revocation of proxies.

**Participants in the Sterling 401(k) Plan**

If you hold shares indirectly in the Sterling 401(k) Plan, you have the right to direct the plan trustee how to vote the shares that you hold in your account. In accordance with the terms of the plan, if you fail to instruct the plan trustee how to vote your plan shares, the trustee will not vote your plan shares, except as required by law.

**Solicitation of Proxies**

Sterling is soliciting your proxy in conjunction with the merger. Sterling will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, Sterling will request that banks, brokers and other record holders send proxies and proxy material to the beneficial owners of Sterling common stock and secure their voting instructions. Sterling will reimburse the record holders for their reasonable expenses in taking those actions. If necessary, Sterling may use its directors and several of its regular employees, who will not be specially compensated, to solicit proxies from the Sterling shareholders, either personally or by telephone, facsimile, letter or electronic means. Sterling has also made arrangements with AST Phoenix Advisors to assist it in soliciting proxies and has agreed to pay AST Phoenix Advisors approximately \$[ ] plus reasonable expenses for these services.

**Attending the Meeting**

Subject to space availability, all Sterling shareholders as of the record date, or their duly appointed proxies, may attend the Sterling special meeting. Since seating is limited, admission to the Sterling special meeting will be on a first-come, first-served basis. Registration and seating will begin at [ ], local time.

If you hold your shares of Sterling common stock in your name as a shareholder of record and you wish to attend the Sterling special meeting, please bring your proxy card and evidence of your stock ownership, such as your most recent account statement, to the Sterling special meeting. You should also bring valid picture identification. We encourage you to register your vote through the internet or by telephone whenever possible. When a shareholder submits a proxy through the internet or by telephone, his or her proxy is recorded immediately. If you attend the meeting, you may also submit your vote in person. Any votes that you previously submitted whether through the internet, by telephone or by mail will be superseded by any vote that you cast at the Sterling special meeting.

If your shares of Sterling common stock are held in "street name" in a stock brokerage account or by a bank or nominee and you wish to attend the Sterling special meeting, you need to bring a copy of a bank or brokerage statement to the Sterling special meeting reflecting your stock ownership as of the record date. You should also bring valid picture identification.

**Delivery of Proxy Materials**

As permitted by applicable law, only one copy of this joint proxy statement/prospectus is being delivered to shareholders residing at the same address, unless such shareholders have notified Sterling of their desire to receive multiple copies of the joint proxy statement/prospectus.

Sterling will promptly deliver, upon oral or written request, a separate copy of the joint proxy statement/prospectus to any shareholder residing at an address to which only one copy of such document was mailed. Requests for additional copies should be directed to Investor Relations, at 111 North Wall Street, Spokane, WA 99201 or by telephone at (509) 358-8097.

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**Assistance**

If you need assistance in completing your proxy card, have questions regarding Sterling's special meeting, or voting by mail, telephone or the internet or would like additional copies of this joint proxy statement/prospectus, please contact Investor Relations at 111 North Wall Street, Spokane, WA 99201 or Sterling's proxy solicitor, AST Phoenix Advisors, at the following address or phone number: 6201 15th Avenue, 3rd Floor, Brooklyn, New York 11219 or (212) 493-3914.

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**THE UMPQUA SPECIAL MEETING**

This section contains information for Umpqua shareholders about the special meeting that Umpqua has called to allow its shareholders to consider and vote on the merger agreement and other related matters. Umpqua is mailing this joint proxy statement/prospectus to Umpqua shareholders, on or about [ ]. This joint proxy statement/prospectus is accompanied by a notice of the special meeting of Umpqua shareholders and a form of proxy card that Umpqua's board of directors is soliciting for use at the special meeting and at any adjournments or postponements of the special meeting. Reference to "you" and "your" in this section are to Umpqua shareholders.

**Date, Time and Place of Meeting**

The special meeting of Umpqua shareholders will be held on [ ] at [ ], at [ ] local time.

**Matters to Be Considered**

At the special meeting of shareholders, you will be asked to consider and vote upon the following matters:

a proposal to approve the merger agreement;

a proposal to amend the Restated Articles of Incorporation of Umpqua to increase the number of authorized shares of no par value common stock to 400,000,000; and

a proposal to adjourn the Umpqua special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Umpqua merger proposal and the articles amendment proposal.

**Recommendation of Umpqua's Board of Directors**

Umpqua's board of directors has determined that the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of Umpqua and its shareholders, has unanimously approved and adopted the merger agreement and unanimously recommends that you vote "**FOR**" the Umpqua merger proposal, "**FOR**" the articles amendment proposal and "**FOR**" the Umpqua adjournment proposal, if necessary or appropriate. See "The Merger Umpqua's Reasons for the Merger; Recommendation of Umpqua's Board of Directors" for a more detailed discussion of Umpqua's board of directors' recommendation.

**Record Date and Quorum**

The Umpqua board of directors has fixed the close of business on [ ], as the record date for determining the holders of Umpqua common stock entitled to receive notice of and to vote at the Umpqua special meeting.

As of the Umpqua record date, there were [ ] shares of Umpqua common stock outstanding and entitled to vote at the Umpqua special meeting held by approximately [ ] holders of record. Each share of Umpqua common stock entitles the holder to one vote at the Umpqua special meeting on each proposal to be considered at the Umpqua special meeting.

The representation (in person or by proxy) of a majority of the shares of Umpqua common stock entitled to vote at the special meeting will constitute a quorum for the transaction of business. All shares of Umpqua common stock present in person or represented by proxy, including abstentions and broker non-votes, if any, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the Umpqua special meeting.



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**Required Vote; Treatment of Abstentions and Failure to Vote**

To approve the Umpqua merger proposal, a majority of the shares of Umpqua common stock outstanding and entitled to vote thereon must be voted in favor of such proposal. To approve the Umpqua adjournment proposal, a majority of the shares of Umpqua common stock represented at the special meeting must be voted in favor of the proposal. The articles amendment proposal will be approved if the votes cast in favor of the proposal at the Umpqua special meeting exceed the votes cast in opposition. If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy or vote by telephone or internet or in person at the Umpqua special meeting or fail to instruct your bank or broker how to vote with respect to the Umpqua merger proposal, it will have the same effect as a vote "AGAINST" the proposal. If you mark "ABSTAIN" on your proxy card, or fail to instruct your bank or broker how to vote, with respect to the Umpqua adjournment proposal, it will have the same effect as a vote "AGAINST" the proposal. If you are not a "street name" holder and fail to either submit a proxy card entirely or vote by telephone or internet in person at the Umpqua special meeting, it will have no effect on the adjournment proposal. If you mark "ABSTAIN" on your proxy card, fail to either submit a proxy or vote by telephone or internet or in person at the Umpqua special meeting or fail to instruct your bank or broker how to vote with respect to the articles amendment proposal, it will have no effect on the proposal.

**Shares Held by Officers and Directors**

As of the record date, there were [ ] shares of Umpqua common stock entitled to vote at the special meeting. Also as of the record date, the directors and executive officers of Umpqua and their affiliates beneficially owned and were entitled to vote approximately [ ] shares of Umpqua common stock representing approximately [ ]% of the shares of Umpqua common stock outstanding on that date. Umpqua currently expects that Umpqua's directors and executive officers will vote their shares in favor of each of the proposals to be considered and voted upon at the Umpqua special meeting, although none of them has entered into any agreements obligating them to do so. As of the record date, Sterling beneficially held [ ] shares of Umpqua common stock and Sterling's directors and executive officers beneficially held [ ] shares of Umpqua common stock.

**Voting of Proxies; Incomplete Proxies**

An Umpqua shareholder may vote by proxy or in person at the Umpqua special meeting. If you hold your shares of Umpqua common stock in your name as a shareholder of record, to submit a proxy, you, as an Umpqua shareholder, may use one of the following methods:

Through the internet: by visiting the website indicated on their proxy card and following the instructions. You are encouraged to vote through the internet.

By telephone: by calling the toll-free number indicated on their proxy card and following the recorded instructions.

By mail: by completing and returning the proxy card in the enclosed envelope. The envelope requires no additional postage if mailed in the United States.

Umpqua requests that Umpqua shareholders vote through the internet, by telephone or by completing and signing the accompanying proxy card and returning it to Umpqua as soon as possible in the enclosed postage-paid envelope. When the accompanying proxy card is returned properly executed, the shares of Umpqua stock represented by it will be voted at the Umpqua special meeting in accordance with the instructions contained on the proxy card. If any proxy card is returned without indication as to how to vote, the shares of Umpqua common stock represented by the proxy card will be voted as recommended by the Umpqua board of directors.

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If an Umpqua shareholder's shares are held in "street name" by a broker, bank or other nominee, the shareholder should check the voting form used by that firm to determine how to vote, including whether it may vote by the internet or telephone.

Every Umpqua shareholder's vote is important. Accordingly, each Umpqua shareholder should sign, date and return the enclosed proxy card, or vote via the internet or by telephone, whether or not the Umpqua shareholder plans to attend the Umpqua special meeting in person. Sending in your proxy card or voting by the internet or telephone will not prevent you from voting your shares personally at the meeting, since you may revoke your proxy at any time before it is voted.

**Shares Held in "Street Name"; Broker Non-Votes**

Under stock exchange rules, banks, brokers and other nominees who hold shares of Umpqua common stock in "street name" for a beneficial owner of those shares typically have the authority to vote in their discretion on "routine" proposals when they have not received instructions from beneficial owners. However, banks, brokers and other nominees are not allowed to exercise their voting discretion with respect to the approval of matters determined to be "non-routine," without specific instructions from the beneficial owner. Umpqua expects that all proposals to be voted on at the Umpqua special meeting will be "non-routine" matters. Broker non-votes are shares held by a broker, bank or other nominee that are represented at the Umpqua special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of such shares to vote on the particular proposal and the broker does not have discretionary voting power on such proposal. If your broker, bank or other nominee holds your shares of Umpqua common stock in "street name," your broker, bank or other nominee will vote your shares of Umpqua common stock only if you provide instructions on how to vote by complying with the voter instruction form sent to you by your broker, bank or other nominee with this joint proxy statement/prospectus.

**Revocability of Proxies and Changes to an Umpqua Shareholder's Vote**

If you hold stock in your name as a shareholder of record, you may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to Umpqua's corporate secretary, (3) attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting or (4) voting by telephone or the internet at a later time.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, but the mere presence (without notifying Umpqua's corporate secretary) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Written notices of revocation and other communications about revoking your proxy card should be addressed to:

Umpqua Holdings Corporation  
P.O. Box 1560  
Eugene, OR 97440  
Attention: Corporate Secretary

If your shares are held in "street name" by a bank or broker, you should follow the instructions of your bank or broker regarding the revocation of proxies.

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**Participants in the Umpqua Bank 401(k) and Profit Sharing Plan or the Umpqua Supplemental Retirement/Deferred Compensation Plan**

*Umpqua Bank 401(k) and Profit Sharing Plan:* You will be given the opportunity to instruct the trustee of the Umpqua Bank 401(k) and Profit Sharing Plan how to vote the shares that you hold in your account. To the extent that you do not timely give such instructions, the Advisory Committee will instruct the trustee to vote all unvoted shares held in the Umpqua Bank 401(k) and Profit Sharing Plan in the same proportion as the shares voted pursuant to the instructions of account holders.

*Umpqua Supplemental Retirement/Deferred Compensation Plan:* You will be given the opportunity to instruct the trustee of the Umpqua Supplemental Retirement/Deferred Compensation Plan how to vote the shares that you hold in your account. To the extent that you do not timely give such instructions, the Advisory Committee will instruct the trustee to vote all unvoted shares held in the Umpqua Supplemental Retirement/Deferred Compensation Plan as recommended by the board of directors.

**Solicitation of Proxies**

Umpqua is soliciting your proxy in conjunction with the merger. Umpqua will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, Umpqua will request that banks, brokers and other record holders send proxies and proxy material to the beneficial owners of Umpqua common stock and secure their voting instructions. Umpqua will reimburse the record holders for their reasonable expenses in taking those actions. If necessary, Umpqua may use its directors and several of its regular employees, who will not be specially compensated, to solicit proxies from the Umpqua shareholders, either personally or by telephone, facsimile, letter or electronic means. Umpqua has also made arrangements with AST Phoenix Advisors to assist it in soliciting proxies and has agreed to pay AST Phoenix Advisors approximately \$[ ] plus reasonable expenses for these services.

**Attending the Meeting**

Subject to space availability, all Umpqua shareholders as of the record date, or their duly appointed proxies, may attend the Umpqua special meeting. Since seating is limited, admission to the Umpqua special meeting will be on a first-come, first-served basis. Registration and seating will begin at [ ], local time.

If you hold your shares of Umpqua common stock in your name as a shareholder of record and you wish to attend the Umpqua special meeting, please bring your proxy card and evidence of your stock ownership, such as your most recent account statement, to the Umpqua special meeting. You should also bring valid picture identification. We encourage you to register your vote through the internet or by telephone whenever possible. When a shareholder submits a proxy through the internet or by telephone, his or her proxy is recorded immediately. If you attend the meeting, you may also submit your vote in person. Any votes that you previously submitted whether through the internet, by telephone or by mail will be superseded by any vote that you cast at the Umpqua special meeting.

If your shares of Umpqua common stock are held in "street name" in a stock brokerage account or by a bank or nominee and you wish to attend the Umpqua special meeting, you need to bring a copy of a bank or brokerage statement to the Umpqua special meeting reflecting your stock ownership as of the record date. You should also bring valid picture identification.

**Delivery of Proxy Materials**

As permitted by applicable law, only one copy of this joint proxy statement/prospectus is being delivered to shareholders residing at the same address, unless such shareholders have notified Umpqua of their desire to receive multiple copies of the joint proxy statement/prospectus.



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Umpqua will promptly deliver, upon oral or written request, a separate copy of the joint proxy statement/prospectus to any shareholder residing at an address to which only one copy of such document was mailed. Requests for additional copies should be directed to Investor Relations, at 20085 N.W. Tanasbourne Drive, Hillsboro, OR 97124 or by telephone at (503) 268-6675.

**Assistance**

If you need assistance in completing your proxy card, have any questions regarding Umpqua's special meeting, or voting by mail, telephone or the internet or would like additional copies of this joint proxy statement/prospectus, please contact Investor Relations at 20085 N.W. Tanasbourne Drive, Hillsboro, OR 97124 or by telephone at (503) 268-6675, or Umpqua's proxy solicitor, AST Phoenix Advisors, at the following address or phone number: 6201 15th Avenue, 3rd Floor, Brooklyn, NY 11219 or (212) 493-3914.

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**INFORMATION ABOUT UMPQUA**

Umpqua Holdings Corporation, an Oregon corporation, is a bank holding company with two principal operating subsidiaries, Umpqua Bank and Umpqua Investments, Inc. With headquarters in Roseburg, Oregon, Umpqua Bank provides a wide range of banking, wealth management, mortgage and other financial services to corporate, institutional and individual customers. Umpqua Investments is a registered broker-dealer and investment advisor with offices in Portland, Lake Oswego, and Medford, Oregon and products and services offered through Umpqua Bank Stores. Umpqua Investments offers a full range of investment products and services including stocks, fixed income securities, mutual funds, annuities, options, retirement planning, money management services and life insurance. At September 30, 2013, Umpqua had, on a consolidated basis, assets of \$11.6 billion, deposits of \$9.1 billion and shareholders' equity of \$1.7 billion.

Umpqua's stock is traded on the NASDAQ Global Select Market under the symbol "UMPQ."

The principal executive offices of Umpqua are located at One SW Columbia Street, Suite 1200, Portland, Oregon 97258, and its telephone number at that location is (503) 727-4100. Additional information about Umpqua and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. See "Where You Can Find More Information," beginning on page [    ].

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**INFORMATION ABOUT STERLING**

Sterling Financial Corporation, with headquarters in Spokane, Washington, is organized under the laws of Washington State as the bank holding company for Sterling Savings Bank. Sterling Savings Bank is a Washington state-chartered commercial bank that does business as Sterling Bank in Washington, Oregon and Idaho and as Argent Bank in California. Sterling Savings Bank offers retail and commercial banking products and services, mortgage lending and wealth management to individuals, small businesses, commercial organizations and corporations. At September 30, 2013, Sterling had, on a consolidated basis, assets of \$10.0 billion, deposits of \$6.9 billion and shareholders' equity of \$1.2 billion.

Sterling's stock is traded on the NASDAQ Capital Market under the symbol "STSA."

The principal executive offices of Sterling are located at 111 North Wall Street, Spokane, Washington 99201, and its telephone number at that location is (509) 358-8097. Additional information about Sterling and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. See "Where You Can Find More Information," beginning on page [    ].

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**THE MERGER**

*The following discussion contains certain information about the merger. The discussion is subject, and qualified in its entirety by reference, to the merger agreement attached as Annex A to this joint proxy statement/prospectus and incorporated herein by reference. We urge you to read carefully this entire joint proxy statement/prospectus, including the merger agreement attached as Annex A, for a more complete understanding of the merger.*

**Terms of the Merger**

Each of Umpqua's and Sterling's respective boards of directors has approved and adopted the merger agreement. The merger agreement provides for the merger of Sterling with and into Umpqua, with Umpqua continuing as the surviving corporation. Umpqua's restated articles of incorporation will be amended at the effective time of the merger to increase the number of authorized shares of Umpqua no par value common stock to 400,000,000. Immediately following the completion of the merger, Sterling's wholly owned bank subsidiary, Sterling Savings Bank, will merge with and into Umpqua's wholly owned bank subsidiary, Umpqua Bank. Umpqua Bank will be the surviving bank in the bank merger.

In the merger, each share of Sterling common stock, no par value per share, issued and outstanding immediately prior to the effective time of the merger, except for specified shares of Sterling common stock held by Sterling or Umpqua and any dissenting shares, will be converted into the right to receive 1.671 shares of Umpqua common stock, no par value per share, and \$2.18 in cash, without interest. No fractional shares of Umpqua common stock will be issued in connection with the merger, and holders of Sterling common stock that would otherwise receive a fractional share will be entitled to receive cash in lieu thereof. Sterling shareholders and Umpqua shareholders are being asked to approve the merger agreement. See "The Merger Agreement" for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to the completion of the merger and the provisions for terminating or amending the merger agreement.

**Background of the Merger**

As part of their ongoing consideration and evaluation of their respective long-term prospects and strategies, each of Sterling's and Umpqua's board of directors and senior management have regularly reviewed and assessed their respective business strategies and objectives, including potential strategic opportunities, all with the goal of enhancing value for their respective shareholders. These potential strategic opportunities, from time to time, have included, among other things, the consideration of potential business combination transactions. The strategic considerations have focused on, among other things, the business and regulatory environment facing financial institutions generally and Sterling and Umpqua, respectively, in particular, as well as conditions and ongoing consolidation in the financial services industry.

Beginning in November 2012, Raymond P. Davis, President and Chief Executive Officer of Umpqua, and J. Gregory Seibly, President and Chief Executive Officer of Sterling, met to discuss, among other things, the financial services industry and the businesses of their respective companies. During these discussions, Mr. Davis indicated that Umpqua was interested in discussing a potential strategic business combination with Sterling, although no specific terms of a potential strategic business combination were discussed. Mr. Seibly reviewed these conversations with members of the board of directors of Sterling (the "Sterling Board"). In mid-November, Umpqua and Sterling entered into a confidentiality agreement, and began exchanging certain non-public information concerning their respective businesses.

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During late 2012, Mr. Davis, Mr. Seibly and the respective Chief Financial Officers of Umpqua and Sterling had several preliminary discussions regarding their respective businesses, the potential strategic fit of those businesses, and the potential merits of a strategic business combination of Umpqua and Sterling. During this time period Mr. Seibly updated, and received guidance from, members of the Sterling Board with respect to the discussions involving Umpqua including at a meeting of the Sterling Board on December 12, 2012. At the conclusion of this meeting, the Sterling Board authorized Mr. Seibly to continue discussions with Umpqua. During this time period, Mr. Davis updated the board of directors of Umpqua (the "Umpqua Board") with respect to the status of discussions with Umpqua and the Umpqua Board authorized him to continue discussions and to make a proposal to Sterling.

In late December 2012, Messrs. Seibly and Davis met in person to discuss the terms of a potential strategic business combination transaction and following that meeting, Umpqua sent Sterling a preliminary draft proposal. Umpqua proposed, among other things, a stock-for-stock transaction in which each company would be valued based on its trading value, with no premium being attributed to the value of the Sterling common stock; that the combined company would operate under the Umpqua name and would be headquartered in Portland, Oregon; that Mr. Davis would serve as Chief Executive Officer of the combined company; and that the board of directors of the combined company would consist of thirteen directors, comprised of six independent directors from each of Umpqua and Sterling plus Mr. Davis.

Mr. Seibly discussed the proposal with members of the Sterling Board on several occasions throughout the remainder of December 2012 and January 2013 and Messrs. Davis and Seibly and the respective Chief Financial Officers of Umpqua and Sterling continued their preliminary discussions and diligence during this time period. At a meeting of the Sterling Board on January 24, 2013, Mr. Seibly updated the Sterling Board regarding the continuing discussions with Umpqua. The Sterling Board discussed that, given the possibility that discussions with Umpqua could become more serious, it was important to have a coordinated plan for communications between the two companies. Given, among other things, Mr. Seibly's familiarity with Sterling's business and the financial services industry, and the fact that Mr. Davis had been leading the discussions on behalf of Umpqua, the Sterling Board concluded that it was in the best interests of Sterling's shareholders for Mr. Seibly to be the spokesperson on behalf of the Sterling Board in connection with continued discussions with Umpqua. The Sterling Board emphasized that any discussions or negotiations with Umpqua would only be carried out at the direction, and subject to the supervision, of the Sterling Board.

In mid-January 2013, the Umpqua Board held a meeting where Mr. Davis updated the directors on the status of negotiations with Sterling and due diligence efforts. The Umpqua Board discussed the strategic rationale of a transaction with Sterling and the potential terms thereof and authorized Mr. Davis and other members of management to continue due diligence and discussions with Sterling.

In late January and early February 2013, Sterling had discussions with a number of investment banks regarding their potential service as financial advisor to Sterling in connection with Sterling's consideration of a potential strategic business combination. In connection therewith, Mr. Seibly consulted with a group of Sterling directors, consisting of Leslie S. Biller, Chairman of the Sterling Board, David A. Coulter, Scott L. Jaeckel and Robert H. Hartheimer, which, with Mr. Seibly, had previously been designated by the Sterling Board to serve as a working group (the "Sterling M&A Working Group") with respect to merger and acquisition matters from time to time. The members of the Sterling M&A Working Group had been selected based on the directors' respective experience in the financial services industry, experience with mergers and acquisition transactions, and availability. Following the discussions with the investment banks, on February 9, 2013, the Sterling Board authorized the retention of Sandler O'Neill + Partners, L.P. ("Sandler O'Neill") as its financial advisor in connection with the potential transaction. Also in early 2013, Sterling retained Davis Polk & Wardwell LLP ("Davis Polk") as its legal advisor in connection with the potential transaction.

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On February 9, 2013, the Sterling Board held a meeting to discuss Umpqua's December 2012 proposal and the discussions between Sterling and Umpqua to date. Representatives of Davis Polk reviewed the fiduciary duties of Sterling's directors in connection with their consideration of a potential transaction. Representatives of Sandler O'Neill reviewed certain financial analyses and data regarding Sterling and Umpqua, various preliminary valuation observations, and various process considerations. The Sterling Board discussed the opportunities and risks associated with a transaction with Umpqua. During this discussion, the Sterling Board noted the importance of ensuring an appropriate balance of executives of Sterling in the management of the combined company whose familiarity with Sterling's business would help minimize integration risk, which in turn would maximize the opportunity for Sterling's shareholders to participate in the synergies of the transaction as continuing shareholders of the combined company.

Over the several weeks that followed, representatives of Umpqua and Sterling continued preliminary discussions regarding a potential transaction and its economic and other material terms. Also during this time the Boards of each company were regularly updated on status of discussions, including at multiple formal meetings.

On February 22, 2013 and following the negotiations that had taken place over the prior weeks, Sterling and Umpqua agreed to proceed forward with negotiations on the basis that in the contemplated transaction the common stock of Sterling would be attributed an 11% premium, Mr. Davis would be the Chief Executive Officer of the combined company and the board of the combined company would be comprised of six independent Umpqua directors, six independent Sterling directors and Mr. Davis. Umpqua stated, however, that its willingness to proceed forward on these terms was subject to the parties agreeing to a 30-day mutual exclusivity period.

On February 24, 2013, Umpqua and Sterling entered into a new confidentiality agreement, which included a mutual 30-day exclusivity requirement that would expire on March 26, 2013.

At meetings of the Sterling Board on February 27 and 28, 2013, the directors discussed the status of negotiations, due diligence with Umpqua, and whether to seek a "collar" with respect to the price of the Umpqua common stock in a definitive merger agreement. The Sterling Board concluded that a collar was not in the best interests of Sterling's shareholders given its view that the market reaction to the announcement of a merger of Sterling and Umpqua was likely to be positive and thus a collar could limit the benefit to Sterling's shareholders of an increase in the price of Umpqua common stock.

On February 27, 2013, the Sterling Board had an introductory meeting with Mr. Davis to discuss Umpqua's business and operations, as well as certain aspects of the potential transaction with Umpqua.

During the weeks of March 4 and March 11, Umpqua's outside legal advisor, Wachtell, Lipton, Rosen & Katz ("Wachtell Lipton") sent Sterling proposed draft investor support agreements with each of Warburg and THL, regarding Warburg and THL's support of the transaction and proposed amendments to certain terms of their existing investment agreements with Sterling, and an initial proposed draft merger agreement.

At a meeting on March 7, 2013, the Sterling Board discussed the proposed transaction and the status of negotiations with Umpqua.

During the week of March 11, 2013, representatives of Sterling and Umpqua met to conduct diligence and discuss the potential combination of Sterling and Umpqua. During this time, representatives of Warburg and THL separately conducted diligence and met with representatives of Sterling and Umpqua to discuss the potential combination.

At meetings of the Sterling Board held on March 11 and 12, 2013, the Sterling Board and its advisors reviewed the discussions that had occurred between Sterling and Umpqua since the last Sterling Board meeting, as well as the progress of the parties' respective due diligence.

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Following those meetings, Messrs. Davis and Seibly discussed the status of negotiations with respect to a potential transaction between Umpqua and Sterling. At that meeting, Mr. Davis suggested that, in view of the upcoming end of the first quarter, it may be appropriate for discussions to be put on hold pending the release of Sterling's first quarter earnings results.

At a meeting of the Sterling Board on the following day, March 14, 2013, Mr. Seibly reported his conversation with Mr. Davis to the other directors. The Sterling Board and senior management discussed with its financial and legal advisors the negotiations between Umpqua and Sterling, including the draft merger agreement proposed by Umpqua. The Sterling Board determined, based on Umpqua's proposal to suspend discussions pending the release of Sterling's first quarter earnings results, it would be advisable to suspend discussions with Umpqua, without foreclosing the possibility of restarting discussions at a later date.

During the meeting of the Sterling Board on April 29 and 30, 2013, the Sterling Board discussed the prior discussions with Umpqua and also discussed the potential value of a combination of Sterling and Umpqua.

In mid-July, Mr. Seibly and a representative of a financial institution (which we refer to as Party A), discussed the possibility of a strategic combination between Sterling and Party A.

In late July and early August 2013, Mr. Davis, with the authorization of the Umpqua Board, separately approached representatives of Warburg, representatives of THL and Mr. Seibly about the possibility of Umpqua reengaging with Sterling regarding a potential transaction.

At a meeting of the Sterling Board held on August 6 and 7, 2013, Mr. Seibly informed the Sterling Board of the renewed indication of interest from Umpqua, as well as communications with other potentially interested parties, including Party A. The Sterling Board considered each of these indications of interest and possible alternatives, including, among other things, continuing to do business as a standalone entity, and the potential benefits and risks to Sterling's shareholders of each such alternative. The Sterling Board determined to conduct a focused market check, with the assistance of Sandler O'Neill, to gauge the interest in a potential strategic transaction.

On August 8, 2013, Messrs. Seibly and Davis discussed the possibility of re-engaging in discussions concerning a potential strategic transaction between Sterling and Umpqua. During this conversation, Mr. Davis indicated that Umpqua would be interested in pursuing a transaction that attributed a 15% premium to the market price of the Sterling common stock, with a board of directors for the combined company consisting of four independent members of Sterling's existing board of directors, eight independent members of Umpqua's existing board of directors and Mr. Davis. Messrs. Seibly and Davis continued discussions periodically over the next couple weeks, including meeting in person on two occasions to discuss the potential terms of a transaction and Sterling's requests for enhancements thereto.

On August 14, 2013, Mr. Davis provided Mr. Seibly with a proposal regarding post-transaction employment arrangements with Mr. Seibly and certain other Sterling senior executives. Neither Mr. Seibly nor any of the other Sterling executives engaged in discussions with Umpqua concerning these arrangements until after the key economic terms of the transaction had been agreed upon by Sterling and Umpqua on August 27, 2013.

On August 19, 2013, Sterling entered into a confidentiality agreement with Party A in order to facilitate due diligence and discussions, which commenced thereafter.

On August 21, 2013, the Sterling Board held a meeting, in which representatives of Sterling senior management and Sterling's financial and legal advisors participated, to review the status of the analysis of and discussions with the financial institutions identified by the Sterling Board at its August 7, 2013 meeting as representing the most likely parties with both the financial capability and strategic interest in pursuing a potential strategic transaction with Sterling. Representatives of Davis Polk reviewed with

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the Sterling Board the fiduciary duties of the Sterling directors applicable to their consideration of the proposed transaction. The Sterling Board reviewed the discussions to date with potentially interested parties, including Party A. The Sterling Board then considered Umpqua's recent proposal for a strategic business combination transaction and reviewed the financial and strategic merits and considerations relating to such a transaction. The Sterling Board discussed that the most recent proposal from Umpqua accorded a higher premium to Sterling common stock as well as a more balanced management team for the combined company. Sandler O'Neill also discussed with the Sterling Board the market's reaction to recent similar transactions, which generally had been positive toward the stock of the acquirer. The Sterling Board considered the fact that, as the proposed merger consideration consisted almost entirely of Umpqua stock, the value of such consideration could potentially increase at the time of, and following, the announcement of a transaction. Following discussion, the Sterling Board decided to adjourn its discussion until August 26, 2013, and directed management to continue discussions with Umpqua and other potentially interested parties, including Party A.

On August 25, 2013, Party A informed Sterling that Party A was withdrawing from discussions.

On August 26, 2013, the Sterling Board held a meeting, at which the directors and representatives of senior management, Davis Polk and Sandler O'Neill reviewed the discussions with Umpqua and other potentially interested parties and the risks associated with such other potentially interested parties. The Board was also informed that Party A had decided not to proceed with discussions. Sandler O'Neill reviewed certain financial aspects of the proposed transaction with Umpqua. The Sterling Board noted that Umpqua had substantially completed its due diligence and was ready to move forward quickly. The Sterling Board discussed, among other things, the indicative premium offered by Umpqua; the likelihood of Umpqua increasing its offer; the fact that Umpqua's offer contemplated merger consideration consisting of substantially all Umpqua common stock, therefore giving Sterling shareholders the potential opportunity to benefit from additional appreciation as holders of stock of the combined entity; the risk of Umpqua discontinuing its discussions with Sterling if Sterling did not move forward with Umpqua quickly; the strategic rationale of the proposed transaction with Umpqua and, given the relative sizes of Sterling and Umpqua, the likelihood of the price of Umpqua common stock increasing on announcement of the proposed transaction, thereby increasing the premium received by holders of Sterling common stock; and the willingness of Warburg and THL to support the transaction with Umpqua. The Sterling Board also discussed inquiries from and discussions with other potentially interested parties regarding potential transactions that Sterling and its representatives had received and held during the early months of 2013 and again in the late summer of 2013, including a verbal non-binding indication of interest for a potential acquisition of Sterling for \$30 to \$31 per share in cash, subject to due diligence. The Sterling Board concluded that it was in the best interests of Sterling's shareholders not to continue discussions with parties other than Umpqua and instead to seek improvements in the financial and governance terms from Umpqua and to continue negotiations with Umpqua with a view to enter into a definitive merger agreement. The Sterling Board also delegated to the Sterling M&A Working Group the authority to formulate the recommended terms of a counteroffer and advance the negotiations with Umpqua, but the Sterling Board did not delegate to the Sterling M&A Working Group the authority to approve a transaction.

Later on August 26, 2013, at the direction of the Sterling M&A Working Group, Mr. Seibly conveyed to Mr. Davis Sterling's request for improved transaction terms, including an increase in the aggregate merger consideration to \$31, an increase in the cash portion of the merger consideration relative to the stock portion, and a board of directors for the combined company that included eight existing Umpqua directors and five existing Sterling directors (as opposed to Umpqua's proposal of nine existing Umpqua directors and four existing Sterling directors). In response, later that same day, Umpqua made a revised proposal, pursuant to which Sterling shareholders would receive 1.671 shares of Umpqua common stock and \$2.18 in cash for each share of Sterling common stock, but Sterling would not receive additional board representation on the board of directors of the combined company.



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Based on the respective closing prices of the Sterling common stock and the Umpqua common stock that day, the total consideration offered by Umpqua was valued at \$30.47 per share of Sterling common stock, representing a premium of approximately 18% to the market price of the Sterling common stock. In delivering its revised proposal, Umpqua stated that it was unwilling to make any further changes to the proposed merger consideration or to change the composition of the board of the combined company, and further stated that its offer was conditioned on the parties entering into a mutual 30-day exclusivity period.

On August 27, 2013, the Sterling Board held a meeting to discuss Umpqua's revised proposal, in which representatives of management, Sandler O'Neill and Davis Polk participated. The Sterling Board determined that it was in the best interests of Sterling's shareholders to move forward with the negotiations with Umpqua and, as required by Umpqua as a condition to doing so, to enter into an amendment to the parties' existing confidentiality agreement providing for a 30-day mutual exclusivity period expiring on September 26, 2013. Later on August 27, 2013, the parties executed an amendment to their existing confidentiality agreement and the parties commenced their respective confirmatory due diligence investigations.

In the ensuing days, Sterling and Umpqua and their respective advisors continued to negotiate the terms of the proposed transaction agreements, including a definitive merger agreement and investor letter agreements for Warburg and THL. During this time, the Sterling Board and the Sterling M&A Working Group each held several meetings, in which representatives of management, Sandler O'Neill and Davis Polk participated, to discuss the negotiations between Sterling and Umpqua and to receive updates with respect to Sterling's due diligence investigation.

Beginning on August 30, 2013, Umpqua, Mr. Seibly and the other Sterling senior executives engaged in discussions and negotiations regarding the employment arrangements with the combined company of Mr. Seibly and certain other Sterling senior executives.

On August 30, 2013 after market close, the press reported that Sterling was seeking takeover bids and had recently held talks with at least two potential bidders. On September 3, 2013, the following trading day, Sterling's stock price closed at \$26.42 per share, up approximately 9% from the closing price on August 30, 2013. Following this news report, through the execution of the merger agreement on September 11, 2013, Sterling did not receive any further inquiries or proposals from any parties other than Umpqua.

Over the next week, outside legal advisors of Umpqua and Sterling exchanged several drafts of the draft merger agreement and related transaction documents.

At meetings on September 4, 2013, September 6, 2013 and September 9, 2013, the Sterling Board reviewed the status of negotiations with Umpqua and various related matters, including updates with respect to Sterling's due diligence.

Later on September 9, 2013, the press reported during trading hours that Umpqua was in talks to acquire Sterling for approximately \$1.8 billion. Sterling's and Umpqua's stock prices closed at \$27.72 and \$17.11, respectively, up approximately 4% and approximately 5%, respectively, from their closing prices on September 6, 2013.

In the following days, Umpqua and Sterling and their advisors, and representatives of Warburg and THL, continued their negotiation of the merger agreement and related transaction documents.

On September 10, 2013, the Umpqua Board held a meeting to consider the terms of the proposed transaction with Sterling. Prior to the meeting, the directors received copies of the draft merger agreement and of the other draft transaction documents and a summary of the terms thereof from Wachtell Lipton, as well as a presentation prepared by its financial advisor, J.P. Morgan. At the meeting, members of Umpqua management reported on the status of due diligence and negotiations with Sterling. Representatives of J.P. Morgan reviewed J.P. Morgan's financial analysis of the proposed

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transaction, including discussing the various financial methodologies used in its analysis. Representatives of J.P. Morgan then delivered its oral opinion (which was subsequently confirmed in writing by delivery of J.P. Morgan's written opinion dated September 10, 2013) that, as of the date of the Umpqua Board meeting and based upon and subject to the various factors, assumptions and limitations set forth in its written opinion, the merger consideration to be paid by Umpqua in connection with the merger was fair, from a financial point of view, to Umpqua. The full text of the written opinion of J.P. Morgan dated September 10, 2013, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex E to this joint proxy statement/prospectus. At the meeting, a representative of Wachtell Lipton reviewed with the Umpqua Board its fiduciary duties and reviewed the key terms of the merger agreement and related agreements (including investor letter agreements with each of Warburg and THL), as described elsewhere in this joint proxy statement/prospectus, based on the discussion materials that had previously been provided to the Umpqua Board, including a summary of the deal protection provisions, the provisions relating to governance of the combined company, and the provisions relating to employee matters.

After considering the proposed terms of the merger agreement and the various presentations of its financial and legal advisors, and taking into consideration the matters discussed during that meeting and prior meetings of the Umpqua Board, including the factors described under "*Recommendation of the Umpqua Board of Directors and Umpqua's Reasons for the Transaction*", the Umpqua Board unanimously determined that a merger with Sterling was consistent with Umpqua's business strategies and in the best interests of Umpqua and Umpqua's shareholders and the directors voted unanimously to approve and adopt the merger agreement and the transactions contemplated thereby and recommended that Umpqua shareholders approve the merger agreement.

On September 11, 2013, the Sterling Board held a meeting to consider the terms of the proposed transaction with Umpqua. Prior to the meeting, the directors received copies of the draft merger agreement and of the other draft transaction documents and a summary of the terms thereof, as well as presentation materials prepared by Sandler O'Neill and Davis Polk. At the meeting, a representative of Davis Polk reviewed with the Sterling Board its fiduciary duties. Mr. Seibly then reported on the status of negotiations with Umpqua, reviewed with the Sterling Board the strategic rationale of the proposed transaction, and provided an overview of certain terms of the proposed transaction. Representatives of Sandler O'Neill reviewed Sandler O'Neill's financial analysis of the proposed transaction, including discussing the various financial methodologies used in its analysis. Representatives of Sandler O'Neill then delivered the oral opinion of Sandler O'Neill (which was subsequently confirmed in writing) that, based upon and subject to the various assumptions and limitations in its written opinion, it was of the opinion, as of the date of the Sterling Board meeting, that the merger consideration was fair, from a financial point of view, to the holders of Sterling common stock. The full text of the written opinion of Sandler O'Neill dated September 11, 2013, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D to this joint proxy statement/prospectus. Subsequently, representatives of Davis Polk reviewed the key terms of the merger agreement and related agreements (including the employment and services agreements to be entered into with certain key executive officers of Sterling, which had previously been reviewed by the Sterling Compensation Committee), as described elsewhere in this joint proxy statement/prospectus, based on the discussion materials that had previously been provided to the Sterling Board, including a summary of the deal protection provisions, the provisions relating to governance of the combined company, and the provisions relating to employee matters.

After considering the proposed terms of the merger agreement and the various presentations of its financial and legal advisors, and taking into consideration the matters discussed during that meeting and prior meetings of the Sterling Board, including the factors described under "*Recommendation of the Sterling Board of Directors and Sterling's Reasons for the Transaction*", the Sterling Board unanimously determined that a merger with Umpqua was in the best interests of Sterling's shareholders

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and the directors voted unanimously to approve the merger agreement and the transactions contemplated thereby and recommended that Sterling shareholders adopt the merger agreement.

Subsequently, the merger agreement and related agreements were executed and delivered and the transaction was announced on the evening of September 11, 2013, in a press release issued jointly by Umpqua and Sterling.

**Sterling's Reasons for the Merger; Recommendation of Sterling's Board of Directors**

**After careful consideration, the Sterling Board, at a meeting held on September 11, 2013, unanimously determined that the merger agreement is in the best interests of Sterling and its shareholders. Accordingly, the Sterling Board approved and adopted the merger agreement and unanimously recommends that Sterling shareholders vote "FOR" the approval of the merger proposal, "FOR" the approval of the Sterling compensation proposal and "FOR" the approval of the Sterling adjournment proposal.**

In reaching its decision to approve and adopt the merger agreement and recommend that Sterling shareholders approve the merger agreement, the Sterling Board consulted with Sterling's management, received advice from its legal and financial advisors, and considered a number of factors, including the following material factors:

its knowledge of Sterling's business, operations, financial condition, asset quality, earnings and prospects, and of Umpqua's business, operations, financial condition, asset quality, earnings and prospects, taking into account the presentations made by Sterling senior management, the results of Sterling's due diligence review of Umpqua, and information provided by Sterling's financial advisor;

its knowledge of the current environment in the financial services industry, including national, regional and local economic conditions and the interest rate environment, continued consolidation, the uncertainties in the regulatory climate for financial institutions, increased operating costs resulting from regulatory initiatives and compliance mandates, increasing competition, the current environment for community banks, particularly in the Pacific Northwest and California, and current financial market conditions and the likely effects of these factors on the two companies' potential growth, development, productivity and strategic options, and the historical market prices of Sterling and Umpqua common stock;

its belief that combining the two companies would create a larger and more diversified financial institution that is both better equipped to respond to economic and industry developments and better positioned to develop and build on its existing market position in the Pacific Northwest and California;

the complementary aspects of Sterling's and Umpqua's businesses, including customer focus, geographic coverage, business orientation and compatibility of the companies' cultures and management and operating styles, and the potential expense-saving and revenue-enhancing opportunities in connection with the merger and the related potential impact on the combined company's earnings;

the fact that the merger consideration consists substantially of Umpqua common stock, giving former Sterling shareholders the opportunity to participate as Umpqua shareholders in the benefits of the combination and the future performance of the combined company generally;

Umpqua's successful track record, including, among other things, with respect to the integration of acquisitions;

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the belief of Sterling's senior management that the management teams and employees of Sterling and Umpqua possess complementary skills and expertise and the potential advantages of a larger institution when pursuing, or seeking to retain, talent;

the continued representation of certain of Sterling's management, including Sterling's current President and Chief Executive Officer, Chief Operating Officer, Executive Vice President and Vice Chairman, and Executive Vice President and General Counsel, on the management team of the combined entity and the Sterling Board's belief that this representation would reduce the integration risk in the combination;

its assessment of the likelihood that the merger would be completed in a timely manner and that the management team of the combined company would be able to successfully integrate and operate the businesses of the combined company after the merger;

the results of discussions with the parties that the Sterling Board believed, after consultation with its financial advisor, were the only other parties likely to have the strategic interest and financial capability to pursue a potential strategic transaction with Sterling;

the fact that the Sterling Board is permitted to change its recommendation that the Sterling shareholders approve the merger agreement in certain circumstances;

the fact (1) that Party A (the only party other than Umpqua with which Sterling had entered into a confidentiality agreement) decided not to submit a proposal for a business combination with Sterling and (2) that during the pendency of Sterling's exclusivity agreement with Umpqua, and even after press reports that Sterling was seeking takeover bids, Sterling did not receive any inquiries from any third parties regarding a potential business combination;

the fact that Warburg Pincus and THL, each of which as of the record date had the right to vote approximately [ ]% of the outstanding shares of Sterling common stock, agreed, subject to certain exceptions, to vote their shares of Sterling common stock in favor of the merger proposal, thereby providing further evidence as to the favorability of the merger proposal for all Sterling shareholders, as Warburg Pincus and THL are receiving the same merger consideration as other shareholders and at no time did Warburg Pincus or THL show interest in pursuing greater or different consideration. For further information, see "The Merger Investor Letter Agreements";

the financial analyses presented by Sandler O'Neill to the Sterling Board, and the opinion delivered to Sterling by Sandler O'Neill to the effect that, as of the date of the opinion, and subject to and based on the qualifications and assumptions set forth in the opinion, the consideration to be received by the holders of common stock of Sterling in the merger was fair, from a financial point of view, to such shareholders;

the Sterling Board's belief that the merger consideration exceeds Sterling's likely value in the absence of a merger, including its potential for future growth, which belief was based on a number of factors, including:

the risks and uncertainties associated with maintaining Sterling's performance as a standalone company; and

the Sterling Board's analysis of other strategic alternatives available to Sterling;

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the financial terms of the merger, including the fact that, based on the closing price on the Nasdaq Global Select Market of Umpqua common stock on September 10, 2013 (the last

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trading day prior to the meeting of the Sterling Board at which the merger was approved), the per-share merger consideration as of such date represented an approximate premium of:

27.7% over the closing price of Sterling shares on the Nasdaq Capital Market as of August 30, 2013 (the last trading day prior to press reports that Sterling was seeking takeover bids);

13.9% over the closing price of Sterling shares on the Nasdaq Capital Market as of September 10, 2013;

17.6% over the average closing price of Sterling shares for the 30-day trading period ended September 10, 2013;

58.0% over the lowest price of Sterling shares for the 52-week trading period ended September 10, 2013;

3.8% over the highest price of Sterling shares for the 52-week trading period ended September 10, 2013;

the greater market capitalization and anticipated trading liquidity of Umpqua common stock after the transaction in the event Sterling shareholders desired to sell the shares of Umpqua common stock to be received by them upon completion of the merger;

the fact that Sterling shareholders who do not vote to adopt the merger agreement and who follow certain prescribed procedures are entitled to appraisal rights under applicable law; and

the expectation that the merger of Sterling with and into Umpqua, with Umpqua continuing as the surviving corporation, would qualify as a "reorganization" for United States federal income tax purposes.

The terms of the merger agreement, including the fixed exchange ratio, expected tax treatment, reciprocal deal protection and termination fee provisions (including the reciprocal prohibition on each party from releasing any third party from, and the obligation on each party to enforce, the confidentiality and standstill provisions of any agreement entered into by such party as of the date of the merger agreement) and the reciprocal restrictions on the conduct of the business of both companies between the date of the merger agreement and the date of consummation of the merger, which it reviewed with its outside financial and legal advisors, which terms are described more fully under "The Merger Agreement";

the need to obtain approval by shareholders of Sterling and Umpqua, as well as regulatory approvals, in order to complete the transaction and the risk that those or other conditions will not be satisfied;

the risks associated with the operations of the combined company including the challenges both of integrating Sterling's businesses, operations and employees with those of Umpqua and of achieving the anticipated cost savings;

the potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger;

the fact that some of the directors and executive officers of Sterling have interests in the merger and have arrangements that are different from or in addition to those of Sterling shareholders generally.

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The foregoing discussion of the factors considered by the Sterling Board is not intended to be exhaustive, but rather a summary of the material factors considered by the Sterling Board. In reaching its decision to approve and adopt the merger agreement, including the merger and the other transactions contemplated by the merger agreement, the Sterling Board did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to

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different factors. The Sterling Board considered the various factors as a whole, including discussions with, and questioning of, Sterling management and Sterling's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

The foregoing discussion of the information and factors considered by the Sterling Board is forward-looking in nature. This information should be read in light of the factors described under the section entitled "Cautionary Statement Regarding Forward-Looking Statements" beginning on page [ ] of this joint proxy statement/prospectus.

**Opinion of Sandler O'Neill**

By letter dated February 8, 2013, as subsequently amended, Sterling retained Sandler O'Neill & Partners, L.P., or Sandler O'Neill, to act as financial advisor to Sterling's board of directors in connection with a possible business combination transaction. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions. Sterling selected Sandler O'Neill to act as Sterling's advisor in connection with a possible business combination based on its qualifications, expertise, reputation and experience in mergers and acquisitions involving financial institutions and because of its familiarity with, and performance in prior engagements for, Sterling.

Sandler O'Neill acted as financial advisor to the Sterling board of directors in connection with the proposed transaction and participated in certain of the negotiations leading to the execution of the merger agreement. At the September 11, 2013 meeting at which Sterling's board of directors considered and approved the merger agreement, Sandler O'Neill delivered to the board its oral opinion, which was subsequently confirmed in writing, that, as of such date, the merger consideration was fair to the holders of Sterling common stock from a financial point of view. **The full text of Sandler O'Neill's opinion is attached as Annex D to this joint proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of Sterling common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

**Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to Sterling's board and is directed only to the fairness of the merger consideration to the holders of Sterling common stock from a financial point of view. It does not address the underlying business decision of Sterling to engage in the merger or any other aspect of the merger and is not a recommendation to any holder of Sterling common stock as to how such holder of Sterling common stock should vote at the special meeting with respect to the merger or any other matter.** Sandler O'Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in connection with the merger by Sterling's officers, directors, or employees, or any class of such persons, relative to the merger consideration to be received in the merger by any other shareholders of Sterling.

In connection with rendering its opinion on September 11, 2013, Sandler O'Neill reviewed and considered, among other things:

the merger agreement;

certain publicly available financial statements and other historical financial information of Sterling that Sandler O'Neill deemed relevant;

certain financial statements of Umpqua that Sandler O'Neill deemed relevant;



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median publicly available analyst earnings estimates for Sterling for the years ending December 31, 2013 through December 31, 2014 and a long-term earnings growth rate for the years thereafter as provided by senior management of Sterling;

median publicly available analyst earnings estimates for Umpqua for the years ending December 31, 2013 through December 31, 2015 and a long-term earnings growth rate for the years thereafter as provided by senior management of Umpqua;

certain estimated transaction costs, purchase accounting adjustments, expected cost savings and other synergies which were provided by Umpqua;

a comparison of certain financial and other information, including relevant stock trading information, for Sterling and Umpqua with similar publicly available information for certain other commercial banks, the securities of which are publicly traded;

the terms and structures of other recent mergers and acquisition transactions in the commercial banking sector;

the current market environment generally and in the commercial banking sector in particular; and

such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

Sandler O'Neill also discussed with certain members of the senior management of Sterling the business, financial condition, results of operations and prospects of Sterling and held similar discussions with the senior management of Umpqua regarding the business, financial condition, results of operations and prospects of Umpqua.

In performing its reviews and analyses and in rendering its opinion, Sandler O'Neill relied upon the accuracy and completeness of all of the financial and other information that was available to Sandler O'Neill from public sources, that was provided to Sandler O'Neill by Sterling or Umpqua or their respective representatives or that was otherwise reviewed by Sandler O'Neill and Sandler O'Neill assumed such accuracy and completeness for purposes of rendering its opinion. Sandler O'Neill further relied on the assurances of the senior management of each of Sterling and Umpqua that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading in a material respect. Sandler O'Neill was not asked to undertake, and did not undertake, an independent verification of any of such information and Sandler O'Neill assumes no responsibility or liability for the accuracy or completeness thereof. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Sterling or Umpqua or any of their respective subsidiaries. Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of Sterling, Umpqua or the combined entity after the merger and Sandler O'Neill did not review any individual credit files relating to Sterling and Umpqua. Sandler O'Neill assumed that the respective allowances for loan losses for Sterling and Umpqua are adequate to cover such losses.

Sandler O'Neill used median publicly available earnings estimates for Sterling and Umpqua and an estimated long-term growth rate as provided by the respective senior managements of Sterling and Umpqua. Sandler O'Neill also received and used in its analyses certain projections of transaction costs, purchase accounting adjustments, expected cost savings and other synergies which were provided by Umpqua. With respect to those projections, estimates and judgments, the respective managements of Sterling and Umpqua confirmed to Sandler O'Neill that those projections, estimates and judgments reflected the best currently available estimates and judgments of those respective managements of the future financial performance of Sterling and Umpqua, respectively, and Sandler O'Neill assumed that such performance would be achieved. Sandler O'Neill expresses no opinion as to such estimates or the assumptions on which they are based. Sandler O'Neill assumed that there had been no material change

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in the respective assets, financial condition, results of operations, business or prospects of Sterling and Umpqua since the date of the most recent financial data made available to Sandler O'Neill. Sandler O'Neill also assumed in all respects material to its analysis that Sterling and Umpqua would remain as a going concern for all the periods relevant to its analyses. Sandler O'Neill expressed no opinion as to any of the legal, accounting and tax matters relating to the merger and any other transaction contemplated in connection therewith.

Sandler O'Neill's opinion was necessarily based on financial, economic, regulatory, market and other conditions as in effect on, and the information made available to Sandler O'Neill as of, the date of its opinion. Events occurring after the date thereof could materially affect its opinion. Sandler O'Neill has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date of its opinion. Sandler O'Neill expressed no opinion as to the trading values at which the common stock of Sterling or Umpqua may trade at any time or what the value of Umpqua common stock will be once it is actually received by the holders of Sterling common stock.

In rendering its September 11, 2013 opinion, Sandler O'Neill performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler O'Neill, but it is not a complete description of all the analyses underlying Sandler O'Neill's opinion. The summary includes information presented in tabular format. **In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses.** The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler O'Neill believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler O'Neill's comparative analyses described below is identical to Sterling or Umpqua and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Sterling and Umpqua and the companies to which they are being compared.

In performing its analyses, Sandler O'Neill also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be accurately predicted and are beyond the control of Sterling, Umpqua and Sandler O'Neill. The analysis performed by Sandler O'Neill is not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler O'Neill prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the Sterling board of directors at its September 11, 2013 meeting. Estimates of the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler O'Neill's analyses do not necessarily reflect the value of Sterling's common stock or the prices at which Sterling's common stock may be sold at any time. The analyses of Sandler O'Neill and its opinion were among a number of factors taken into consideration by Sterling's board of directors in making its determination to approve of Sterling's entry into the merger agreement and the analyses described below should not be viewed as determinative of the decision of Sterling's board of directors or senior management with respect to the fairness of the merger.

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In arriving at its opinion Sandler O'Neill did not attribute any particular weight to any individual analysis or factor that it considered. Rather it made qualitative judgments as to the significance and relevance of each analysis and factor. Sandler O'Neill did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinions; rather Sandler O'Neill made its determination as to the fairness of the merger consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

**Transaction Multiples**

Sandler O'Neill reviewed the financial terms of the proposed transaction. As described in the merger agreement, Sterling shareholders have the right to receive consideration consisting of 1.671 shares of Umpqua common stock and \$2.18 in cash in exchange for each share of Sterling's common stock. Based upon Umpqua's closing price of \$17.19 as of September 10, 2013, Sandler O'Neill calculated a merger consideration value of \$30.90 per share of Sterling common stock. Based upon 62,314,862 common shares outstanding, 542,865 restricted stock units outstanding, warrants for 2,874,594 shares with a strike price of \$13.26 per share, 245,847 in-the-money options outstanding with a weighted-average strike price of \$21.69 per share and using Umpqua's closing price of \$17.19 as of September 10, 2013, Sandler O'Neill calculated an aggregate merger consideration value of \$1.996 billion. Based upon financial information as of or for the twelve month period ended June 30, 2013, Sandler O'Neill calculated the following transaction ratios:

Transaction Value / Book Value Per Share:	160%
Transaction Value / Tangible Book Value Per Share:	167%
Transaction Value / Last Twelve Months' Earnings Per Share:	19.1x
Transaction Value / Adjusted Last Twelve Months' Earnings Per Share(1):	21.6x
Transaction Value / Median Analyst Estimated 2013 Earnings Per Share:	19.3x
Transaction Value / Median Analyst Estimated 2014 Earnings Per Share:	18.8x
Tangible Book Premium to Core Deposits:	14.2%

- (1) Excludes net positive pretax \$10.7 million in non-recurring items and assumes a 32% tax rate

**Historical Stock Trading Analysis**

Sandler O'Neill reviewed the historical trading prices for Sterling common stock and observed that the merger consideration reflected a premium to those historical stock trading prices as follows:

Premium to Sterling Stock Price (Sept. 10, 2013):	13.9%
Premium to Sterling Stock Price (Aug. 30, 2013)(1):	27.7%
Premium to Sterling 52 Week High Price:	3.8%
Premium to Sterling 52 Week Low Price:	58.0%
Premium to Sterling 30 Day Average Closing Price (ending Sept. 10, 2013):	17.6%

- (1) August 30, 2013 is the last closing price prior to a Bloomberg news story identifying Sterling as a merger candidate. The following trading day, Sterling stock increased over 9%.

**Comparable Company Analysis**

Sandler O'Neill used publicly available information to compare selected financial information for Sterling and Umpqua and a group of financial institutions selected by Sandler O'Neill based on Sandler O'Neill's professional judgment and experience. The peer group consisted of NASDAQ and NYSE

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traded bank holding companies headquartered in the Western Region of the United States with assets as of the most recently reported period between \$5 billion and \$20 billion, and excluded thrifts, merger targets and ethnic-focused banks. The following financial institutions were selected for the comparison:

Bank of Hawaii Corporation  
Columbia Banking System, Inc.  
CVB Financial Corp.  
First Interstate BancSystem, Inc.

Glacier Bancorp, Inc.  
PacWest Bancorp  
Washington Federal, Inc.  
Western Alliance Bancorporation

The analysis compared publicly available financial information for Sterling, Umpqua and the mean and median financial and market trading data for the peer group as of or for the period ended June 30, 2013 with pricing data as of September 10, 2013 and in certain instances August 30, 2013. The table below sets forth the data for Sterling and Umpqua and the mean and median data for the peer group.

	Sterling Financial Corp.(1) (9/10/13 pricing)(2)	Sterling Financial Corp.(1) (8/30/13 pricing)(3)	Umpqua Holdings Corp. (9/10/13 pricing)(2)	Comparable Group Median (9/10/13 pricing)(4)	Comparable Group Mean (9/10/13 pricing)(4)
Total Assets (in millions)	\$ 9,940		\$ 11,392	\$ 7,644	\$ 8,854
Last Twelve Months Net Interest Margin	3.57%		3.85%	3.71%	3.97%
Last Twelve Months Return on Average Assets	0.96%		0.89%	1.11%	1.13%
Last Twelve Months Return on Average Equity	7.3%		6.0%	9.8%	10.2%
Efficiency Ratio	68%		63%	57%	58%
Non-Performing Assets / Total Assets	1.70%		1.19%	2.34%	2.34%
Tangible Common Equity / Tangible Assets	11.7%		9.6%	9.3%	9.4%
Tier 1 Leverage Ratio	12.2%		11.7%	9.9%	10.4%
Total Risk Based Capital Ratio	17.6%		16.7%	16.5%	17.6%
Market Capitalization (in millions)	\$ 1,691	\$ 1,508	\$ 1,924	\$ 1,551	\$ 1,639
Price / Book Value	140%	125%	112%	189%	177%
Price / Tangible Book Value	147%	131%	186%	212%	211%
Price / Last Twelve Months' Earnings Per Share	18.9x	16.9x	18.9x	17.2x	17.0x
Price / Estimated 2013 Earnings Per Share	17.0x	15.1x	18.1x	15.6x	15.9x
Price / Estimated 2014 Earnings Per Share	16.5x	14.8x	16.1x	14.6x	14.7x
Dividend Yield	2.95%	3.31%	3.49%	2.48%	2.50%

- (1) Sterling LTM earnings excludes net positive pretax \$10.7 million in non-recurring items and assumes a 32% tax rate
- (2) Sterling stock price as of 9/10/13: \$27.14. Umpqua stock price as of 9/10/13: \$17.19
- (3) Sterling stock price as of 8/30/13: \$24.20. 8/30/13 is the last closing price prior to a Bloomberg news story identifying Sterling as a merger candidate. The following trading day, Sterling's closing stock price increased over 9%
- (4) LTM of certain peer group members adjusted for certain material non-recurring items

### **Stock Price Performance**

Sandler O'Neill reviewed the publicly reported trading prices of Sterling's and Umpqua's common stock for the one-year and three-year periods ended September 10, 2013. Sandler O'Neill then compared the relationship between the movements in the price of Sterling's and Umpqua's common stock against the movements in the prices of the peer group referenced above, the S&P 500 Index and the NASDAQ Bank Index.



Table of Contents**One-Year Comparative Stock Performance**

	<b>Beginning Value</b> <b>September 10, 2012</b>	<b>Ending Value</b> <b>September 10, 2013</b>
Sterling	100%	127%
Umpqua	100%	132%
Peer Group	100%	132%
S&P 500 Index	100%	118%
NASDAQ Bank Index	100%	125%

**Three-Year Comparative Stock Performance**

	<b>Beginning Value</b> <b>September 10, 2010</b>	<b>Ending Value</b> <b>September 10, 2013</b>
Sterling	100%	59%
Umpqua	100%	152%
Peer Group	100%	155%
S&P 500 Index	100%	152%
NASDAQ Bank Index	100%	143%

**Research Analyst Estimates and Price Targets**

Sandler O'Neill reviewed analyst estimated earnings per share for Sterling for 2013 and 2014 along with analyst estimated future price targets. The mean and median for 2013 and 2014 earnings per share and future price targets for Sterling were based on reports from six research analysts.

*Summary of Sterling Analyst Estimates and Price Targets*

	<b>EPS</b>		<b>Future Price</b> <b>Target</b>
	<b>2013</b>	<b>2014</b>	
Mean	\$ 1.61	\$ 1.65	\$ 28.00
Median	\$ 1.60	\$ 1.64	\$ 28.00

Sandler O'Neill reviewed analyst estimated earnings per share for Umpqua for 2013, 2014 and 2015 along with analyst estimated future price targets. The mean and median for 2013 and 2014 earnings per share were based on reports from ten research analysts. The mean and median for 2015 earnings per share were based on reports from four analysts. The future price targets were based on reports from five research analysts. In some cases earnings per share estimates and future price target information was not available from all analysts.

*Summary of Umpqua Analyst Estimates and Price Targets*

	<b>EPS</b>			<b>Future Price</b> <b>Target</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	
Mean	\$ 0.95	\$ 1.06	\$ 1.17	\$ 16.70
Median	\$ 0.95	\$ 1.07	\$ 1.19	\$ 17.00

**Sterling Net Present Value Analysis**

Sandler O'Neill performed an analysis that estimated the net present value per share of Sterling common stock under various scenarios. Sandler O'Neill assumed that Sterling performed in accordance with the publicly available median analyst estimated earnings per share for the years ending

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December 31, 2013 and December 31, 2014 and an estimated long-term growth rate of 8% as provided by Sterling's senior management for the years thereafter. Sandler O'Neill's analysis also included assumptions with respect to (1) an annual asset growth rate of approximately 5.0% beginning in 2014; (2) 5.0% share repurchase activity in each of 2014 and 2015 and (3) annual cash dividend payments of \$0.60 in 2013 and \$1.00 per share for the years thereafter, in each case as provided by senior management of Sterling.

To approximate the terminal value of Sterling common stock at December 31, 2018, Sandler O'Neill applied price to earnings multiples ranging from 14.0x to 21.5x and multiples of tangible book value ranging from 125% to 275%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 11.5% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Sterling's common stock.

As illustrated in the following tables, the analysis indicates an imputed range of values per share of Sterling common stock of \$21.39 to \$34.39 when applying multiples of earnings to the applicable amounts indicated in the Sterling projections and \$20.08 to \$43.89 when applying multiples of tangible book value to the applicable amounts indicated in the Sterling projections.

Discount Rate	Earnings Per Share Multiples					
	14.0x	15.5x	17.0x	18.5x	20.0x	21.5x
9.00%	\$ 23.95	\$ 26.04	\$ 28.12	\$ 30.21	\$ 32.30	\$ 34.39
9.50%	\$ 23.41	\$ 25.44	\$ 27.48	\$ 29.51	\$ 31.55	\$ 33.59
10.00%	\$ 22.88	\$ 24.87	\$ 26.85	\$ 28.84	\$ 30.82	\$ 32.81
10.50%	\$ 22.37	\$ 24.31	\$ 26.24	\$ 28.18	\$ 30.12	\$ 32.05
11.00%	\$ 21.87	\$ 23.76	\$ 25.65	\$ 27.54	\$ 29.43	\$ 31.32
11.50%	\$ 21.39	\$ 23.23	\$ 25.08	\$ 26.92	\$ 28.76	\$ 30.61

Discount Rate	Tangible Book Value Multiples					
	125%	155%	185%	215%	245%	275%
9.00%	\$ 22.45	\$ 26.74	\$ 31.03	\$ 35.32	\$ 39.61	\$ 43.89
9.50%	\$ 21.95	\$ 26.13	\$ 30.31	\$ 34.50	\$ 38.68	\$ 42.86
10.00%	\$ 21.46	\$ 25.54	\$ 29.62	\$ 33.70	\$ 37.77	\$ 41.85
10.50%	\$ 20.99	\$ 24.97	\$ 28.94	\$ 32.92	\$ 36.90	\$ 40.88
11.00%	\$ 20.53	\$ 24.41	\$ 28.29	\$ 32.17	\$ 36.05	\$ 39.93
11.50%	\$ 20.08	\$ 23.86	\$ 27.65	\$ 31.43	\$ 35.22	\$ 39.01

Sandler O'Neill also considered and discussed with the Sterling board of directors how this analysis would be affected by possible changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a sensitivity analysis assuming Sterling net income varied from 25% above projections to 25% below projections. This sensitivity

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analysis resulted in the following range of per share values for Sterling common stock, using the same price to earnings multiples of 14.0x to 21.5x and a discount rate of 9.6%.

Annual Variance	Earnings Per Share Multiples					
	14.0x	15.5x	17.0x	18.5x	20.0x	21.5x
-25.00%	\$ 18.56	\$ 20.07	\$ 21.59	\$ 23.11	\$ 24.63	\$ 26.15
-20.00%	\$ 19.50	\$ 21.12	\$ 22.74	\$ 24.36	\$ 25.98	\$ 27.60
-15.00%	\$ 20.44	\$ 22.17	\$ 23.89	\$ 25.61	\$ 27.33	\$ 29.05
-10.00%	\$ 21.39	\$ 23.21	\$ 25.03	\$ 26.86	\$ 28.68	\$ 30.05
-5.00%	\$ 22.33	\$ 24.26	\$ 26.18	\$ 28.10	\$ 30.03	\$ 31.95
0.00%	\$ 23.28	\$ 25.30	\$ 27.33	\$ 29.35	\$ 31.38	\$ 33.40
5.00%	\$ 24.22	\$ 26.35	\$ 28.47	\$ 30.60	\$ 32.73	\$ 34.85
10.00%	\$ 25.17	\$ 27.40	\$ 29.62	\$ 31.85	\$ 34.08	\$ 36.30
15.00%	\$ 26.11	\$ 28.44	\$ 30.77	\$ 33.10	\$ 35.42	\$ 37.75
20.00%	\$ 27.06	\$ 29.49	\$ 31.92	\$ 34.35	\$ 36.77	\$ 39.20
25.00%	\$ 28.00	\$ 30.53	\$ 33.06	\$ 35.59	\$ 38.12	\$ 40.65

The following table describes a discount rate calculation for Sterling prepared by Sandler O'Neill. The discount rate equals the product of two year beta and equity risk premium plus the risk free rate.

Risk Free Rate	2.95% 10 Year UST Yield
Two Year Beta	1.17 Per Bloomberg
Equity Risk Premium	5.70% Ibbotson 60 year market analysis

Discount Rate 9.62%

During the September 11, 2013 meeting of the Sterling board of directors, Sandler O'Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

### Umpqua Net Present Value Analysis

Sandler O'Neill also performed an analysis that estimated the net present value per share of Umpqua common stock under various scenarios. Sandler O'Neill assumed that Umpqua performed in accordance with publicly available median analyst estimated earnings per share for the years ending December 31, 2013, December 31, 2014 and December 31, 2015 and an estimated long-term earnings growth rate of 8% as provided by Umpqua's management for the years thereafter. Sandler O'Neill's analysis also included assumptions with respect to (1) an annual asset growth rate of approximately 5.0% beginning in 2014 and (2) annual cash dividend payments of \$0.60 beginning in 2013, in each case provided by senior management of Umpqua.

To approximate the terminal value of Umpqua common stock at December 31, 2018, Sandler O'Neill applied price to earnings multiples ranging from 14.0x to 21.5x and multiples of tangible book value ranging from 125% to 275%. The terminal values were then discounted to present values using different discount rates ranging from 9.0% to 11.5% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Umpqua's common stock.

As illustrated in the following tables, the analysis indicates an imputed range of values per share of Umpqua common stock of \$13.90 to \$22.61 when applying earnings multiples to the applicable amounts



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indicated in the Umpqua projections and \$10.76 to \$23.46 when applying multiples of tangible book value to the applicable amounts indicated in the Umpqua projections.

Earnings Per Share Multiples						
Discount Rate	14.0x	15.5x	17.0x	18.5x	20.0x	21.5x
9.00%	\$ 15.60	\$ 17.00	\$ 18.40	\$ 19.80	\$ 21.21	\$ 22.61
9.50%	\$ 15.24	\$ 16.61	\$ 17.97	\$ 19.34	\$ 20.71	\$ 22.07
10.00%	\$ 14.89	\$ 16.22	\$ 17.56	\$ 18.89	\$ 20.22	\$ 21.56
10.50%	\$ 14.55	\$ 15.85	\$ 17.15	\$ 18.45	\$ 19.75	\$ 21.05
11.00%	\$ 14.22	\$ 15.49	\$ 16.76	\$ 18.03	\$ 19.29	\$ 20.56
11.50%	\$ 13.90	\$ 15.14	\$ 16.37	\$ 17.61	\$ 18.85	\$ 20.09

Tangible Book Value Multiples						
Discount Rate	125%	155%	185%	215%	245%	275%
9.00%	\$ 12.04	\$ 14.32	\$ 16.61	\$ 18.89	\$ 21.18	\$ 23.46
9.50%	\$ 11.77	\$ 14.00	\$ 16.22	\$ 18.45	\$ 20.68	\$ 22.91
10.00%	\$ 11.51	\$ 13.68	\$ 15.85	\$ 18.02	\$ 20.20	\$ 22.37
10.50%	\$ 11.25	\$ 13.37	\$ 15.49	\$ 17.61	\$ 19.73	\$ 21.84
11.00%	\$ 11.00	\$ 13.07	\$ 15.14	\$ 17.20	\$ 19.27	\$ 21.34
11.50%	\$ 10.76	\$ 12.78	\$ 14.79	\$ 16.81	\$ 18.83	\$ 20.84

Sandler O'Neill also considered and discussed with the Sterling board of directors how this analysis would be affected by possible changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a sensitivity analysis assuming Umpqua net income varied from 25% above projections to 25% below projections. This sensitivity analysis resulted in the following range of per share values for Umpqua common stock, using the same price to earnings multiples of 14.0x to 21.5x and a discount rate of 9.8%:

Earnings Per Share Multiples						
Annual Variance	14.0x	15.5x	17.0x	18.5x	20.0x	21.5x
-25.00%	\$ 11.89	\$ 12.90	\$ 13.91	\$ 14.92	\$ 15.93	\$ 16.94
-20.00%	\$ 12.52	\$ 13.60	\$ 14.68	\$ 15.75	\$ 16.83	\$ 17.91
-15.00%	\$ 13.15	\$ 14.29	\$ 15.44	\$ 16.58	\$ 17.73	\$ 18.87
-10.00%	\$ 13.78	\$ 14.99	\$ 16.20	\$ 17.41	\$ 18.63	\$ 19.84
-5.00%	\$ 14.41	\$ 15.69	\$ 16.97	\$ 18.25	\$ 19.53	\$ 20.81
0.00%	\$ 15.03	\$ 16.38	\$ 17.73	\$ 19.08	\$ 20.42	\$ 21.77
5.00%	\$ 15.66	\$ 17.08	\$ 18.49	\$ 19.91	\$ 21.32	\$ 22.74
10.00%	\$ 16.29	\$ 17.77	\$ 19.26	\$ 20.74	\$ 22.22	\$ 23.70
15.00%	\$ 16.92	\$ 18.47	\$ 20.02	\$ 21.57	\$ 23.12	\$ 24.67
20.00%	\$ 17.55	\$ 19.17	\$ 20.78	\$ 22.40	\$ 24.02	\$ 25.63
25.00%	\$ 18.18	\$ 19.86	\$ 21.55	\$ 23.23	\$ 24.92	\$ 26.60

The following table describes a discount rate calculation for Umpqua prepared by Sandler O'Neill. The discount rate equals the product of two year beta and equity risk premium plus the risk free rate.

Risk Free Rate	2.95% 10 Year UST Yield
Two Year Beta	1.20 Per Bloomberg
Equity Risk Premium	5.70% Ibbotson 60 year market analysis

Discount Rate 9.79%

At the September 11, 2013 meeting of the Sterling board of directors, Sandler O'Neill noted that the net present value analysis is a widely used valuation methodology, but the results of such

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methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

**Analysis of Selected Merger Transactions**

Sandler O'Neill reviewed a group of comparable mergers and acquisitions. The group of mergers and acquisitions was comprised of the eight transactions announced between January 1, 2012 and September 10, 2013 involving nationwide commercial bank holding companies with announced deal values greater than \$500 million, with the \$500 million threshold selected based on Sandler O'Neill's professional judgment and experience. The group was composed of the following transactions:

*Buyer/Target*

PacWest Bancorp/ CapitalSource Inc.  
 MB Financial, Inc./ Taylor Capital Group, Inc.  
 Banco de Credito e Inversiones SA/ CM Florida Holdings, Inc.  
 Columbia Banking System, Inc./ West Coast Bancorp  
 FirstMerit Corporation/ Citizens Republic Bancorp, Inc.  
 Hilltop Holdings Inc./ PlainsCapital Corporation  
 Mitsubishi UFJ Financial Group, Inc./ Pacific Capital Bancorp  
 Prosperity Bancshares, Inc./ American State Financial Corporation

Sandler O'Neill then reviewed the following merger valuation multiples for each of the transactions: transaction price to book value, transaction price to tangible book value, transaction price to last twelve months' earnings per share, transaction price to estimated current year earnings per share, tangible book premium to core deposits, transaction price to target company's stock price two days before transaction announcement and transaction price to target company's stock price two weeks before announcement. As illustrated in the following table, Sandler O'Neill compared the proposed merger valuation multiples to the median and mean multiples of the comparable transactions.

	<b>Sterling / Umpqua</b>	<b>Median Transactions</b>	<b>Mean Transactions</b>
Transaction Value / Book Value Per Share:	160%	146%	146%
Transaction Value / Tangible Book Value Per Share:	167%	174%	172%
Transaction Value / Last Twelve Months Earnings Per Share:(1)	19.1x	18.1x	17.7x
Transaction Value / Median Estimated 2013 Earnings Per Share:	19.3x	19.1x	18.1x
Tangible Book Premium to Core Deposits:	14.2%	11.7%	13.1%
Premium to Sterling Stock Price (Sept. 10, 2013):	13.9%	20.1%	26.8%
Premium to Sterling Stock Price (Aug. 30, 2013):(2)	27.7%	19.0%	27.5%

(1) Sterling LTM excludes net positive pretax \$10.7 million in non-recurring items and assumes a 32% tax rate. LTM of certain target companies in comparable transactions adjusted for certain material non-recurring items.

(2) August 30, 2013 is the last closing price prior to a Bloomberg news story identifying Sterling as a merger candidate. The following trading day, Sterling stock increased over 9%. Precedent merger transactions illustrates a premium relative to the market price 2 weeks prior to announcement

Table of Contents**Imputed Valuation Analysis**

The following table sets forth the imputed valuation for Sterling based on the mean and median valuation multiples from the selected merger transactions above.

	Selected Merger Transactions		Imputed Valuation	
	Mean	Median	Mean	Median
Book Value Per Share	146%	146%	\$ 28.25	\$ 28.34
Tangible Book Value Per Share	172%	174%	\$ 31.72	\$ 32.15
Last Twelve Months EPS(1)	17.7x	18.1x	\$ 25.30	\$ 25.95
Analyst Estimated Current Year EPS	18.1x	19.1x	\$ 29.03	\$ 30.53
Core Deposits	13.1%	11.7%	\$ 31.00	\$ 29.63
One Day Market Premium	26.8%	20.1%	\$ 34.41	\$ 32.60
Two Week Market Premium(2)	27.5%	19.0%	\$ 30.87	\$ 28.80

(1) Sterling LTM excludes net positive pretax \$10.7 million in non-recurring items and assumes a 32% tax rate. LTM of certain target companies in comparable transactions adjusted for certain material non-recurring items.

(2) Two week premium based on August 30, 2013 price for Sterling. August 30, 2013 is the last closing price prior to a Bloomberg news story identifying Sterling as a merger candidate. The following trading day, Sterling stock increased over 9%. Precedent merger transactions illustrates a premium relative to the market price 2 weeks prior to announcement

**Pro Forma Results and Capital Ratios**

Sandler O'Neill analyzed certain potential pro forma effects of the merger, assuming the following: (1) the merger closes on March 31, 2014; (2) per share merger consideration value of \$30.90, based on Umpqua's closing stock price on September 10, 2013 of \$17.19; (3) Umpqua is able to achieve cost savings of approximately 28% of Sterling projected operating expense and such savings are 50% realized in 2014 and fully realized in 2015; (4) total pretax transaction costs and expenses of approximately \$80 million, with 100% of the expenses recognized prior to or at closing; (5) a core deposit intangible of approximately \$61 million (10 year, sum-of-years-digits amortization method); (6) Sterling's performance is consistent with publicly available median analyst estimated earnings per share for the years ending December 31, 2013 and December 31, 2014 and an estimated long-term growth rate of 8% for the years thereafter; (7) Umpqua's performance is consistent with publicly available median analyst earnings estimates for the years ending December 31, 2013, December 31, 2014 and December 31, 2015 and an estimated long-term growth rate of 8% for the years thereafter; and (8) various purchase accounting adjustments, including credit and interest rate mark-to-market adjustments and other accounting adjustments on Sterling's loan portfolio, other real estate owned, deposits, borrowings and other liabilities. The analyses indicated that for the year ending December 31, 2014, the merger (excluding transaction expenses) would be accretive to Umpqua's projected earnings per share and, as of March 31, 2014 the merger would be dilutive to Umpqua's tangible book value per share. The analyses also indicated that as of March 31, 2014, the merger (taking into account estimated transaction expenses) would maintain Umpqua's regulatory capital ratios in excess of the regulatory guidelines for "well capitalized" status. The actual results achieved by the combined company, however, may vary from projected results and the variations may be material.

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The table below shows Sandler O'Neill's projected accretion/dilution percentages for both Sterling and Umpqua as of closing and for each of the years 2014-2018.

	As of or for the year ending:					
	Closing	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Umpqua EPS Accretion/(Dilution) excluding transaction expenses		6.4%	12.7%	9.6%	8.5%	7.6%
Sterling EPS Accretion/(Dilution) excluding transaction expenses (assumes 100% stock allocation)		24.8%	35.7%	32.1%	31.1%	29.7%
Umpqua TBVPS Accretion/(Dilution)	(4.5)%	(3.2)%	(1.1)%	0.4%	1.6%	2.6%
Sterling TBVPS Accretion/(Dilution)	(19.2)%	(15.8)%	(10.7)%	(7.6)%	(4.6)%	(1.7)%

**Miscellaneous**

Following the issuance of the opinion, Sander O'Neill provided the Sterling board of directors with a revised version of its September 11, 2013 presentation in support of its opinion, which reflected certain corrected information that did not materially impact the projected results of the pro forma combined entity and did not affect Sandler O'Neill's opinion.

Sandler O'Neill acted as the financial advisor to Sterling's board of directors in connection with the merger and will receive a fee of 0.30% of the aggregate consideration payable in the merger (which consideration will be calculated in part based on the price of Umpqua stock prior to closing; and which fee would be approximately \$[ ] if the merger had closed on the date of this joint proxy statement/prospectus), of which \$1 million was received upon execution of the definitive merger agreement and the remainder is contingent on the consummation of the merger. Sterling has also agreed to reimburse Sandler O'Neill's reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler O'Neill and its affiliates and their respective partners, directors, officers, employee and agents against certain expenses and liabilities, including liabilities under the securities laws.

In the ordinary course of its respective broker and dealer businesses, Sandler O'Neill may purchase securities from and sell securities to Sterling and Umpqua and their respective affiliates. Sandler O'Neill may also actively trade the debt and/or equity securities of Sterling or Umpqua or their respective affiliates for their own accounts and for the accounts of their customers and, accordingly may at any time hold a long or short position in such securities. Sandler O'Neill has provided investment banking services to, and received fees for such services from, Sterling, most recently, in connection with Sterling's private placement of common and preferred shares in 2010. In 2012, Sandler O'Neill received \$717,330 from the U.S. Treasury for Sandler O'Neill's role as joint book running manager in connection with the sale of Sterling common stock. In addition, in 2011 and 2012 Sandler O'Neill or its affiliates received an aggregate of approximately \$220,000 in connection with the provision of certain other investment banking services to Sterling. After the execution of the merger agreement, Sandler O'Neill was engaged by Umpqua, with the express consent of Sterling, to sell certain branches of the combined entity subsequent to the merger and will be paid customary fees for such engagement. In the two years prior to the execution of the merger agreement, Sandler O'Neill has not provided investment banking services to, or received fees for such services from, Umpqua.

**Umpqua's Reasons for the Merger; Recommendation of Umpqua's Board of Directors**

After careful consideration, Umpqua's board of directors, at a meeting held on September 10, 2013, unanimously determined that the merger agreement is in the best interests of Umpqua and its shareholders. Accordingly, Umpqua's board of directors adopted the merger agreement and unanimously recommends that Umpqua shareholders vote "FOR" the Umpqua merger proposal,

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**"FOR" the articles amendment proposal and "FOR" the Umpqua adjournment proposal, if necessary or appropriate.**

In reaching its decision to adopt the merger agreement, the merger and the other transactions contemplated by the merger agreement, and to recommend that its shareholders approve the merger agreement, the Umpqua board of directors consulted with Umpqua management, as well as its financial and legal advisors, and considered a number of factors, including the following material factors:

each of Umpqua's and Sterling's business, operations, financial condition, asset quality, earnings and prospects;

the strategic fit of the businesses of the two companies, including their complementary markets, business lines and loan and deposit profiles;

the anticipated pro forma impact of the transaction on the combined company, including the expected impact on financial metrics including earnings and tangible book value and regulatory capital levels;

its understanding of the current and prospective environment in which Umpqua and Sterling operate, including national and local economic conditions, the competitive environment for financial institutions generally, and the likely effect of these factors on Umpqua both with and without the proposed transaction;

its review and discussions with Umpqua's management concerning the due diligence investigation of Sterling;

the perceived compatibility of the corporate cultures of the two companies, which management believes should facilitate integration and implementation of the transaction;

the structure of the transaction as a combination in which the combined company would operate under the Umpqua brand and Umpqua's board of directors and management would have substantial participation in the combined company;

the opinion of J.P. Morgan, dated September 10, 2013, addressed to the Umpqua board of directors as to the fairness, from a financial point of view and as of the date of such opinion, to Umpqua of the merger consideration provided for in the merger, which opinion was based on and subject to the assumptions made, procedures followed, matters considered and limitations on the review undertaken as more fully described below under "Opinion of J.P. Morgan";

the financial and other terms of the merger agreement, including the fixed exchange ratio, expected tax treatment, mutual deal protection and termination fee provisions, and mutual restrictions on the conduct of the business of both companies between the date of the merger agreement and the date of consummation of the merger, which it reviewed with its outside financial and legal advisors;

the potential risk of diverting management attention and resources from the operation of Umpqua's business and towards the completion of the merger;

the terms of the investor letter agreement with Warburg Pincus and the investor letter agreement with THL;

the nature and amount of payments and other benefits to be received by Sterling management in connection with the merger pursuant to existing Sterling plans and compensation arrangements and the merger agreement and the employment agreement executed in connection with the execution of the merger agreement;

the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating Sterling's business, operations and workforce with those of Umpqua; and

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the regulatory and other approvals required in connection with the merger and the expectation that such regulatory approvals will be received in a timely manner and without the imposition of unacceptable conditions.

The foregoing discussion of the factors considered by the Umpqua board of directors is not intended to be exhaustive, but, rather, includes the material factors considered by the Umpqua board of directors. In reaching its decision to approve and adopt the merger agreement, the merger and the other transactions contemplated by the merger agreement, the Umpqua board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Umpqua board of directors considered all these factors as a whole, including discussions with, and questioning of, Umpqua's management and Umpqua's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

**Opinion of J.P. Morgan**

Pursuant to an engagement letter dated March 25, 2013, Umpqua retained J.P. Morgan as its financial advisor in connection with its consideration of the merger. At the meeting of the Umpqua board of directors on September 10, 2013, J.P. Morgan rendered its oral opinion to the Umpqua board of directors (which was subsequently confirmed in writing by delivery of J.P. Morgan's written opinion dated the same date) that, as of such date and based upon and subject to the various factors, assumptions and limitations set forth in such opinion, the merger consideration to be paid by Umpqua in connection with the merger was fair, from a financial point of view, to Umpqua. J.P. Morgan's written opinion, dated September 10, 2013, is sometimes referred to herein as the "J.P. Morgan opinion."

**The full text of the J.P. Morgan opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by J.P. Morgan in rendering its opinion, is attached as Annex E to this joint proxy statement/prospectus and is incorporated herein by reference. The summary of the J.P. Morgan opinion set forth in this document is qualified in its entirety by reference to the full text of the opinion. Umpqua shareholders should read this opinion carefully and in its entirety.**

**The J.P. Morgan opinion is addressed to the Umpqua board of directors, is addressed only to the merger consideration to be paid by Umpqua in connection with the merger and does not address any other matters. The J.P. Morgan opinion does not constitute a recommendation to any Umpqua shareholder as to how such shareholder should vote with respect to the merger or with respect to any other matter.** The issuance of the J.P. Morgan opinion was approved by a fairness opinion committee of J.P. Morgan.

In connection with preparing its opinion, J.P. Morgan, among other things:

reviewed a draft, dated September 8, 2013, of the merger agreement;

reviewed certain publicly available business and financial information concerning Umpqua and Sterling and the industries in which they operate;

compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies we deemed relevant and the consideration received for such companies;

compared the financial and operating performance of Umpqua and Sterling with publicly available information concerning certain other companies J.P. Morgan deemed relevant and reviewed the current and historical market prices of Umpqua's common stock and Sterlings's common stock and certain publicly traded securities of such other companies;

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reviewed certain internal financial analyses and forecasts prepared by or at the direction of the managements of Umpqua and Sterling relating to their respective businesses, as well as the estimated amount and timing of the cost savings and related expenses and synergies expected to result from the merger; and

performed such other financial studies and analyses and considered such other information as J.P. Morgan deemed appropriate for the purposes of its opinion.

In addition, J.P. Morgan held discussions with certain members of the management of Umpqua and Sterling with respect to certain aspects of the merger, the past and current business operations of Umpqua and Sterling, the financial condition and future prospects and operations of Umpqua and Sterling, the effects of the merger on the financial condition and future prospects of Umpqua, and certain other matters J.P. Morgan believed necessary or appropriate to its inquiry.

In giving its opinion, J.P. Morgan relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by Umpqua and Sterling or otherwise reviewed by or for J.P. Morgan, and J.P. Morgan did not independently verify (nor did it assume responsibility or liability for independently verifying) any such information or its accuracy or completeness. J.P. Morgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, nor did J.P. Morgan conduct any review of individual credit files of Umpqua or Sterling, evaluate the adequacy of the loan or lease loss reserves of Umpqua or Sterling or evaluate the solvency of Umpqua or Sterling under any state or federal laws relating to bankruptcy, insolvency or similar matters. J.P. Morgan is not an expert in the evaluation of loan and lease portfolios for purposes of assessing the adequacy of the allowances for losses with respect thereto and, accordingly, J.P. Morgan did not make an independent evaluation of the adequacy of the allowance for loan and lease losses of Umpqua or Sterling. J.P. Morgan assumed, with the consent of the Umpqua board of directors, that Umpqua's and Sterling's respective allowances for loan and lease losses were adequate to cover such losses and would be adequate on a pro forma basis for the combined entity. In relying on financial analyses and forecasts provided to J.P. Morgan or derived therefrom, including the synergies referred to above, J.P. Morgan assumed that they were reasonably prepared based on assumptions reflecting the best then available estimates and judgments by management as to the expected future results of operations and financial condition of Umpqua and Sterling to which such analyses or forecasts relate. J.P. Morgan expressed no view as to such analyses or forecasts (including the synergies referred to above) or the assumptions on which they were based. J.P. Morgan also assumed that the merger and the other transactions contemplated by the merger agreement will qualify as a tax-free reorganization for United States federal income tax purposes, and will be consummated as described in the merger agreement, and that the definitive merger agreement would not differ in any material respects from the draft thereof furnished to J.P. Morgan. J.P. Morgan also assumed that the representations and warranties made by Umpqua and Sterling in the merger agreement and any related agreements are and will be true and correct in all respects material to J.P. Morgan's analysis. J.P. Morgan is not a legal, regulatory or tax expert and relied on the assessments made by advisors to Umpqua with respect to such issues. J.P. Morgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on Umpqua or Sterling or on the contemplated benefits of the merger.

The J.P. Morgan opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan as of, the date of the J.P. Morgan opinion. It should be understood that subsequent developments may affect the J.P. Morgan opinion, and that J.P. Morgan does not have any obligation to update, revise or reaffirm the J.P. Morgan opinion. The J.P. Morgan opinion is limited to the fairness, from a financial point of view, of the merger consideration to be paid by Umpqua in the proposed merger, and J.P. Morgan has expressed no opinion as to the fairness of the Consideration to the holders of any class of securities, creditors or



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other constituencies of Umpqua or as to the underlying decision by Umpqua to engage in the merger. Furthermore, J.P. Morgan has expressed no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the merger, or any class of such persons relative to the merger consideration to be paid by Umpqua in the merger or with respect to the fairness of any such compensation. J.P. Morgan has expressed no opinion as to the price at which the Umpqua common stock or the Sterling common stock will trade at any future time.

In accordance with customary investment banking practice, J.P. Morgan employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses undertaken by J.P. Morgan in connection with rendering the J.P. Morgan opinion. The following summary, however, does not purport to be a complete description of the financial analysis performed by J.P. Morgan. Some of the summaries of the financial analyses include information presented in tabular format. The tables are not intended to stand alone, and in order to more fully understand the financial analyses used by J.P. Morgan, the tables must be read together with the full text of each summary. Considering the data set forth herein without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of J.P. Morgan's financial analyses.

The merger consideration was determined through negotiations between Umpqua and Sterling and was approved by Umpqua's board of directors. Although J.P. Morgan provided advice to Umpqua during these negotiations, J.P. Morgan did not recommend that any specific form, mix, or amount of consideration constituted the only appropriate consideration for the merger.

The projections furnished to J.P. Morgan for Umpqua and Sterling were prepared by or at the direction of the management of Umpqua. These forecasts were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in such forecasts.

In order to provide a view of Sterling's market price without the impact of rumors of a potential sale transaction, throughout its analysis, J.P. Morgan used stock price information for Sterling common stock as of market close on August 30, 2013, which was the last trading day prior to published press rumors regarding a potential sale transaction. The closing price of \$24.20 of Sterling's common stock on August 30, 2013 is referred to as the "unaffected market price."

As indicated below, certain material financial analyses are presented on an equity value per share basis. In arriving at equity value per share for Umpqua and Sterling, share count in all cases is based on fully diluted shares outstanding as of June 30, 2013 of approximately 112.0 million and 64.4 million, for Umpqua and Sterling, respectively.

*Sterling Public Trading Multiples Analysis*

Using publicly available information, J.P. Morgan compared selected financial and market data of Sterling with similar data for the following companies:

City National Corporation;

PacWest Bancorp;

Washington Federal, Inc.;

Umpqua Holdings Corporation;

Glacier Bancorp, Inc.;

CVB Financial Corporation;



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Westamerica Bancorporation;

Columbia Banking System Inc.; and

Banner Corporation.

In all instances, multiples were based on closing stock prices on September 6, 2013 (except for Sterling, for which stock price was based on the unaffected market price). For each of the following analyses performed by J.P. Morgan, financial and market data for the selected companies were based on the selected companies' public filings with the SEC and information J.P. Morgan obtained from SNL Financial and FactSet Research Systems, and earnings per share estimates were based on I/B/E/S consensus estimates (which, in the case of Umpqua, Umpqua management reviewed and concluded were reasonable). The multiples and ratios for each of the selected companies were based on the most recent publicly available information and were pro forma for pending acquisitions.

With respect to the selected companies, the information J.P. Morgan presented included:

multiple of price to estimated earnings per share for 2014, or Price / 2014 EPS; and

multiple of price to tangible book value per share, or Price / TBVPS (based on reported book value as of June 30, 2013).

Results of the analysis were presented for the selected companies, including the results indicated in the following table:

	Selected Companies	
	Median	Sterling
Price / 2014 EPS	14.9x	15.3x
Price / TBV	2.0x	1.3x

Based on the above analysis, J.P. Morgan then applied a multiple reference range of 14.0x to 17.0x for Price / 2014 EPS and 1.1x to 1.6x for Price / TBVPS. To arrive at the Price / TBVPS multiple reference range, J.P. Morgan regressed 2014 estimated Return on Average Tangible Common Equity ("ROATCE") on Price / TBVPS for the above selected companies, then applied a 7.9% to 9.9% 2014 estimated ROATCE range to the resultant regression equation. The analysis indicated the following equity values per share of Sterling common stock, as compared to the total consideration of \$29.40 per share of Sterling common stock (based on Sterling's unaffected market price, the "Consideration Value"), which was calculated assuming equivalent consideration (an exchange ratio of 1.671 shares of Umpqua common stock and \$2.18 per share of Sterling common stock) and a closing stock price of Umpqua common stock of \$16.29 on September 6, 2013:

	Equity Value Per Share
Price / 2014 EPS	\$22.09 - \$26.83
Price / TBVPS	\$20.08 - \$29.21

*Selected Transaction Multiple Analysis*

Using publicly available information, J.P. Morgan reviewed merger transactions involving publicly-traded bank holding companies and/or savings and loan holding companies which were announced

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between August 2010 and September 2013. Based on that review, J.P. Morgan selected the following transactions:

<b>Date Announced</b>	<b>Acquiror</b>	<b>Target</b>
July 22, 2013	PacWest Bancorp	CapitalSource Inc.
July 15, 2013	MB Financial, Inc	Taylor Capital Group, Inc.
May 24, 2013	Banco de Credito e Inversiones SA	CM Florida Holdings, Inc.
September 26, 2012	Columbia Banking System Inc.	West Coast Bancorp
September 13, 2012	FirstMerit Corporation	Citizens Republic Bancorp, Inc.
May 9, 2012	Hilltop Holdings Inc.	PlainsCapital Corporation
March 9, 2012	Mitsubishi UFJ Financial Group, Inc.	Pacific Capital Bancorp
February 27, 2012	Prosperity Bancshares, Inc.	American State Financial Corporation
January 18, 2011	Comerica Incorporated	Sterling Bancshares, Inc.
December 22, 2010	Hancock Holding Company	Whitney Holding Corporation
August 19, 2010	First Niagara Financial Group, Inc.	New Alliance Bancshares, Inc.

For each of the selected transactions, J.P. Morgan calculated and compared the market value of the per share consideration, as of the relevant announcement date, to the total book value of the target company as of the most recent quarter prior to the relevant announcement date (Price / TBVPS). This analysis indicated the following:

	<b>Selected Transaction Multiple Median</b>
Price / TBVPS	1.7x

Based on the above analysis, J.P. Morgan then applied a multiple reference range of 1.6x to 2.0x for Price / TBVPS. The analysis indicated the following equity values per share of Sterling common stock, as compared to the Consideration Value of \$29.40 per share of Sterling common stock.

	<b>Equity Value Per Share</b>
Price / TBVPS	\$29.21 - \$36.51

#### *Sterling Dividend Discount Analysis*

J.P. Morgan conducted a dividend discount analysis for the purpose of determining a range of implied equity values per share for Sterling common stock. A dividend discount analysis is a method of evaluating the equity value of a company using estimates of future dividends to shareholders generated by Sterling and taking into consideration the time value of money with respect to those future dividends by calculating their present value. In performing its analysis, J.P. Morgan utilized, among others, the following assumptions, which were reviewed and approved by Umpqua management:

Valuation date: March 31, 2014, discounted to September 6, 2013

Dividend discount model

Exit based on 2024 net income

Exit multiple of 12.0x-14.0x

As instructed by Umpqua management:

2013 earnings based on Sterling's internal forecasts

2014-2015 earnings based on median I/B/E/S net income estimates (which Umpqua management reviewed and concluded were reasonable)



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2016-2024 earnings extrapolated assuming long-term earnings growth of 8.0% per year

2014-2024 asset growth of 5.0% per year

Cost of excess capital of 0.25% (pre-tax)

Marginal tax rate of 35%

Mid-year convention assumed

Discount rate of 9.0%-11.0%

Tier 1 common target of 12.0%

These calculations resulted in a range of implied values of \$21.89 to \$28.25 per share of Sterling common stock, as compared to the Consideration Value of \$29.40 per share of Sterling common stock, as illustrated by the following table:

Discount Rate	Terminal Multiple		
	12.0x	13.0x	14.0x
9.0%	\$ 25.51	\$ 26.88	\$ 28.25
10.0%	\$ 23.61	\$ 24.86	\$ 26.11
11.0%	\$ 21.89	\$ 23.03	\$ 24.17

J.P. Morgan also conducted a separate dividend discount analysis assuming, based on management's estimates, that the Merger would generate 30% cost savings on core cash net interest expenses of \$288.4 million with a restructuring charge of \$80 million. Based on this assumption and the other assumptions noted above, J.P. Morgan conducted a dividend discount analysis which resulted in a range of implied values of between \$27.96 to \$35.78 per share of Sterling common stock, as compared to the Consideration Value of \$29.40 per share of Sterling common stock.

#### *Umpqua Public Trading Multiples Analysis*

Using publicly available information, J.P. Morgan compared selected financial and market data of Umpqua with similar data for the following companies:

City National Corporation;

PacWest Bancorp;

Washington Federal, Inc.;

Glacier Bancorp, Inc.;

Sterling Financial Corp.;

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CVB Financial Corporation;

Westamerica Bancorporation;

Columbia Banking System Inc.; and

Banner Corporation.

In all instances (other than for Sterling, for which unaffected market price was used), multiples were based on closing stock prices on September 6, 2013. For each of the following analyses performed by J.P. Morgan, financial and market data for the selected companies were based on the selected companies' public filings with the SEC and information J.P. Morgan obtained from SNL Financial and FactSet Research Systems, and earnings per share estimates were based on I/B/E/S consensus estimates (which, in the case of Sterling, Umpqua management reviewed and concluded were reasonable). The

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multiples and ratios for each of the selected companies were based on the most recent publicly available information and were pro forma for pending acquisitions.

With respect to the selected companies, the information J.P. Morgan presented included:

Price / 2014 EPS; and

Price / TBVPS.

Results of the analysis were presented for the selected companies, as indicated in the following table:

	<b>Selected Companies Median</b>	<b>Umpqua</b>
Price / 2014 EPS	14.9x	15.1x
Price / TBVPS	2.0x	1.9x

Based on the above analysis, J.P. Morgan then applied a multiple reference range of 14.0x to 17.0x for Price / 2014 EPS and 1.9x to 2.4x for Price / TBVPS. To arrive at the Price / TBVPS multiple reference range, J.P. Morgan regressed 2014 estimated ROATCE on Price / TBVPS for the above selected companies, then applied an 11.3% to 13.3% 2014 estimated ROATCE range to the resultant regression equation. The analysis indicated the following equity values per share of Umpqua common stock, as compared to the closing price of Umpqua common stock of \$16.29 on September 6, 2013:

	<b>Equity Value Per Share</b>
Price / 2014 EPS	\$15.09 - \$18.33
Price / TBVPS	\$15.92 - \$20.11

### *Umpqua Dividend Discount Analysis*

J.P. Morgan calculated a range of implied values for Umpqua common stock by discounting to present values estimates of Umpqua's future dividend stream and terminal value. In performing its analysis, J.P. Morgan utilized, among others, the following assumptions, which were reviewed and approved by Umpqua management:

Valuation date: March 31, 2014, discounted to September 6, 2013

Dividend discount model

Exit based on 2024 net income

Exit multiple of 12.0x-14.0x

As instructed by Umpqua management:

2013 earnings based on Umpqua's internal forecasts

2014-2015 earnings based on median I/B/E/S net income estimates (which Umpqua management reviewed and concluded were reasonable)



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2016-2024 earnings extrapolated assuming long-term earnings growth of 8.0% per year

2014-2024 asset growth of 5.0% per year

Cost of excess capital of 0.25% (pre-tax)

Marginal tax rate of 35%

Mid-year convention assumed

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Discount rate of 9.0%-11.0%

Tier 1 common target of 12.0%

These calculations resulted in a range of implied values of \$14.69 to \$19.22 per share of Umpqua common stock, as compared to the closing price of Umpqua common stock of \$16.29 on September 6, 2013, as illustrated by the following table:

Discount Rate	Terminal Multiple		
	12.0x	13.0x	14.0x
9.0%	\$ 17.27	\$ 18.25	\$ 19.22
10.0%	\$ 15.92	\$ 16.81	\$ 17.69
11.0%	\$ 14.69	\$ 15.50	\$ 16.31

*Relative Value Analysis*

Based upon the implied valuations for each of Umpqua and Sterling calculated pursuant to the trading multiples analyses and standalone dividend discount analyses described above under "Sterling Public Trading Multiples Analysis", "Sterling Dividend Discount Analysis", "Umpqua Public Trading Multiples Analysis" and "Umpqua Dividend Discount Analysis", J.P. Morgan calculated a range of implied exchange ratios of a share of Sterling common stock to a share of Umpqua common stock, and then compared that range of implied exchange ratios to the equivalent implied exchange ratio based on the Consideration (a 1.805 exchange ratio derived by adding the stated exchange ratio of 1.671 shares of Umpqua common stock to the implied number of Umpqua shares represented by the \$2.18 cash consideration per share of Sterling common stock, based on Umpqua's closing stock price on September 6, 2013).

For each of the analyses referred to above, J.P. Morgan calculated the ratio implied by dividing the low end of each implied equity value of Sterling by the high end of each implied equity value of Umpqua. J.P. Morgan also calculated the ratio implied by dividing the high end of each implied equity value of Sterling by the low end of each implied equity value of Umpqua. As noted above, for purposes of this analysis, J.P. Morgan assumed, in each case, that 100% of the merger consideration would be stock consideration.

This analysis indicated the following implied exchange ratios, compared in each case to the equivalent implied exchange ratio in the merger of 1.805 shares of Umpqua common stock per share of Sterling common stock:

Comparison	Range of Implied Exchange Ratios
Public Trading Multiples Analysis	
Price / 2014 EPS	1.206 - 1.778
Price / TBV	0.999 - 1.835
Standalone Dividend Discount Analysis	1.139 - 1.923
"Synergized" Dividend Discount Analysis	1.454 - 2.435

*Value Creation Analysis*

J.P. Morgan prepared a value creation analysis that compared the equity value of Umpqua (based on the dividend discount analysis) to the pro forma combined company equity value. J.P. Morgan determined the pro forma combined company equity value by calculating (x) the sum of (i) the equity value of Sterling using the midpoint value determined in J.P. Morgan's dividend discount analysis described above in "Sterling Dividend Discount Analysis", (ii) the equity value of Umpqua using the midpoint value determined in J.P. Morgan's dividend discount analysis described above in "Umpqua

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Dividend Discount Analysis" and (iii) the estimated present value of expense synergies, net of restructuring charges, as estimated by Umpqua management, less (y) the cash consideration to be received by the holders of Sterling common stock in the merger. The value creation analysis at the equivalent exchange ratio of 1.671 provided for in the merger indicated that the merger would create value for the holders of Umpqua common stock as compared to the standalone equity value of Umpqua. There can be no assurance, however, that the synergies and transaction-related expenses will not be substantially greater or less than those estimated by Umpqua management and described above.

*General*

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by J.P. Morgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. J.P. Morgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its opinion. In arriving at its opinion, J.P. Morgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, J.P. Morgan considered the totality of the factors and analyses performed in determining its opinion. Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by J.P. Morgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, J.P. Morgan's analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold. None of the selected companies reviewed is identical to Umpqua or Sterling, and none of the selected transactions reviewed was identical to the merger. However, the companies selected were chosen because they are publicly traded companies with operations and businesses that, for purposes of J.P. Morgan's analysis, may be considered similar to those of Umpqua or Sterling, as applicable. The transactions selected were similarly chosen because their participants, size and other factors, for purposes of J.P. Morgan's analysis, may be considered similar to the merger. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies compared to Umpqua or Sterling, as applicable.

The opinion of J.P. Morgan was one of the many factors taken into consideration by Umpqua's board of directors in making its determination to approve the merger. The analyses of J.P. Morgan as summarized above should not be viewed as determinative of the opinion of the Umpqua board of directors with respect to the value of Sterling, or of whether the Umpqua board of directors would have been willing to agree to different or other forms of consideration.

*J.P. Morgan's Compensation and Other Relationships*

As a part of its investment banking business, J.P. Morgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. J.P. Morgan was selected to advise Umpqua with respect to the merger on the basis of such experience and its familiarity with Umpqua.

For financial advisory services rendered in connection with the merger, Umpqua has agreed to pay J.P. Morgan a fee of \$11,300,000, \$9,300,000 of which is payable only if the merger is consummated. In addition, Umpqua has agreed to reimburse J.P. Morgan for certain expenses incurred in connection

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with its services, including the fees and disbursements of counsel, and will indemnify J.P. Morgan for certain liabilities, including liabilities arising under the federal securities laws.

During the two years preceding the date of the J.P. Morgan opinion, J.P. Morgan and its affiliates have had commercial or investment banking relationships with Umpqua and Warburg Pincus, which, through an affiliated fund (Warburg Pincus Private Equity X, L.P.), is one of the major shareholders of Sterling, for which J.P. Morgan and its affiliates have received customary compensation. Such services during such period have included acting as M&A financial advisor to Umpqua in connection with its acquisition of Financial Pacific Leasing, Inc. in July 2013; as lead left bookrunner for Warburg Pincus in connection with the 12.5 million share sell-down of Laredo Petroleum Holdings, Inc. in October 2012; and as agent and joint lead arranger on a \$845 million credit facility of Warburg Pincus Private Equity IX, L.P. Moreover, during this two-year period J.P. Morgan and its affiliates have had commercial and/or investment banking relationships with portfolio companies of certain of the major shareholders of Sterling, namely Warburg Pincus and THL, which portfolio companies are not otherwise related to Sterling, for which J.P. Morgan and its affiliates have received customary compensation. Such relationships have included acting as lead bookrunner, as joint bookrunner, as passive joint bookrunner, as agent and as arranger for such portfolio companies. In addition, J.P. Morgan's commercial banking affiliate is an agent bank and a lender under outstanding credit facilities of such portfolio companies, for which it receives customary compensation or other financial benefits. In the ordinary course of their businesses, J.P. Morgan and its affiliates may actively trade the debt and equity securities of Umpqua or Sterling for their own accounts or for the accounts of customers and, accordingly, they may at any time hold long or short positions in such securities.

**Board of Directors and Management of Umpqua after the Merger**

At the effective time of the merger, the number of directors on the board of directors of the combined company will be 13, of which one will be Raymond P. Davis, the current President and Chief Executive Officer of Umpqua, eight will be existing members of Umpqua's board of directors who will be independent from the combined company under the listing rules of the NASDAQ, up to two will be directors designated pursuant to the investor letter agreements, and four less the number of directors either (1) designated pursuant to the investor letter agreements or (2) if not so designated, retained as a contractual right to be designated under the investor letter agreements and not irrevocably and permanently waived prior to the effective time of the merger, will be chosen by Sterling's existing board of directors from a list that was mutually agreed upon by Umpqua and Sterling prior to the entry into the merger agreement. The members of the Sterling board of directors on the list are Robert C. Donegan, Maria M. Pope, C. Webb Edwards, Ellen R. M. Boyer, Robert H. Hartheimer and Michael F. Reuling, although Umpqua and Sterling are permitted to add names to the list by mutual consent at any time prior to the merger. Umpqua has also agreed to nominate for reelection each of the directors chosen by Sterling's existing board at each Umpqua annual shareholder meeting held before Umpqua's 2016 annual shareholder meeting. The chairperson of the board of directors of the combined company will be the existing chairperson of the board of directors of Umpqua.

Also at the effective time, Mr. Davis will serve as Chief Executive Officer of the combined company and J. Gregory Seibly, the current President and Chief Executive Officer of Sterling, and Cort L. O'Haver, the current Senior Executive Vice President of Umpqua and Umpqua Bank, will each serve as a Senior Executive Vice President of Umpqua and a Co-President of Umpqua Bank.

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**Interests of Sterling's Directors and Executive Officers in the Merger**

Sterling shareholders should be aware that some of Sterling's directors and executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of Sterling shareholders generally. Sterling's board of directors was aware of these interests and considered these interests, among other matters, when making its decision to adopt the merger agreement, and in recommending that Sterling shareholders vote in favor of approving the merger agreement.

***Equity Interests of Directors and Executive Officers***

*Stock Options*

At the effective time of the merger, each option to purchase shares of Sterling common stock outstanding immediately prior to the effective time (except for certain options with an exercise price significantly in excess of the value of the merger consideration, which Sterling will use commercially reasonable efforts to cancel prior to the effective time) will be converted into an option to purchase Umpqua common stock on the same terms and conditions as were applicable prior to the merger, except that (1) the number of shares of Umpqua common stock subject to the new option will be equal to the product of the number of shares of Sterling common stock subject to the existing Sterling stock option and the equity exchange ratio (rounding fractional shares down to the nearest whole share), and (2) the exercise price per share of Umpqua common stock under the new option will be equal to the exercise price per share of the existing Sterling stock option divided by the equity exchange ratio (rounded up to the nearest whole cent). If a Sterling executive officer is terminated without cause or voluntarily resigns for good reason (as defined in the applicable equity plans) or a director's status as a director of Sterling or a successor corporation is terminated other than upon a voluntary resignation, in each case within one year following the merger, each converted option (other than a converted option in respect of a new stock option granted prior to the effective time of the merger, as described below) held by the executive officer or director will become fully vested.

*Restricted Stock Units*

At the effective time of the merger, each restricted stock unit with respect to Sterling common stock outstanding immediately prior to the effective time will be converted into a restricted stock unit with respect to a number of shares of Umpqua common stock equal to the product of the number of shares of Sterling common stock subject to the Sterling restricted stock unit and the equity exchange ratio, on the same terms and conditions as were applicable prior to the merger. If a Sterling executive officer is terminated without cause or voluntarily resigns for good reason (as defined in the applicable equity plans) or a director's status as a director of Sterling or a successor corporation is terminated other than upon a voluntary resignation, in each case within one year following the merger, each converted restricted stock unit (other than a converted restricted stock unit in respect of a new restricted stock unit granted prior to the effective time of the merger, as described below) held by the executive officer or director will become fully vested.

The following table sets forth the number of Sterling stock options and restricted stock units held by each director and executive officer of Sterling as of November 11, 2013. The following table assumes

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that Sterling's directors and executive officers will not sell or acquire any shares of Sterling common stock or equity awards following the date of this proxy statement.

Name	Stock Options(1)		Restricted Stock Units
	Vested	Unvested	
J. Gregory Seibly	0	19,702(2)	53,298(7)
Patrick J. Rusnak	0	7,005(2)	21,414(8)
Ezra A. Eckhardt	0	8,231(2)	27,387(9)
David S. DePillo	0	8,406(2)	46,642(10)
Andrew J. Schultheis	0	6,304(2)	11,713(11)
Steven D. Hauschild	61(3)	5,464(2)	14,964(12)
Robert G. Butterfield	76(3)	0	6,878(13)
Howard P. Behar	0	2,626(4)	1,608(14)
Leslie S. Biller	35,261(5)	105,783(5)	0
David A. Coulter	0	2,626(4)	1,608(14)
William L. Eisenhart	0	2,626(4)	1,608(14)
Michael F. Reuling	0	2,626(4)	1,608(14)
Joshua D. Bresler	0	2,026(6)	1,303(14)
Paula E. Boggs	0	1,817(6)	1,169(14)
Ellen R.M. Boyer	0	2,626(4)	1,608(14)
Robert C. Donegan	0	2,626(4)	1,608(14)
C. Webb Edwards	0	2,626(4)	1,608(14)
Robert H. Hartheimer	0	2,626(4)	1,608(14)
Maria M. Pope	0	1,817(6)	1,169(14)

- (1) Does not include certain options held by Messrs. Seibly, Hauschild, Butterfield, Eisenhart, Reuling and Donegan with exercise prices significantly in excess of the value of the merger consideration, which Sterling will use commercially reasonable efforts to cancel prior to the effective time of the merger.
- (2) Option exercise price equals \$21.76. Options scheduled to vest in equal installments on 4/29/14 and each of the following three anniversaries thereof.
- (3) Option exercise price equals \$122.10.
- (4) Option exercise price equals \$21.76. Options scheduled to vest in full on 4/1/14.
- (5) Option exercise price equals \$21.47. Unvested options scheduled to vest in equal installments on 12/31/13, 6/30/14 and 12/31/14.
- (6) Option exercise price equals \$26.04. Options scheduled to vest in full on 4/1/14.
- (7) 4,546 RSUs scheduled to vest on 1/28/14; 21,054 RSUs scheduled to vest on 3/13/14; 7,018 RSUs scheduled to vest on 3/13/15; 5,170 RSUs scheduled to vest on 4/29/14 and each of the following three anniversaries thereof.
- (8) 2,823 RSUs scheduled to vest on 2/16/14; 8,429 RSUs scheduled to vest on 3/13/14; 2,810 RSUs scheduled to vest on 3/13/15; 1,838 RSUs scheduled to vest on 4/29/14 and each of the following three anniversaries thereof.
- (9) 3,762 RSUs scheduled to vest on 1/28/14; 11,240 RSUs scheduled to vest on 3/13/14; 3,746 RSUs scheduled to vest on 3/13/15; 2,159 RSUs scheduled to vest on 4/29/14 and each of the following three anniversaries thereof.

- (10) 16,249 RSUs scheduled to vest 3/13/14; 21,569 RSUs scheduled to vest 3/13/15; 2,205 RSUs scheduled to vest on 4/29/14 and each of the following three anniversaries thereof.

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- (11) 1,387 RSUs scheduled to vest on 6/8/14; 1,236 RSUs scheduled to vest on 3/13/14 and each of the following two anniversaries thereof; 1,654 RSUs scheduled to vest on 4/29/14 and each of the following three anniversaries thereof.
- (12) 4,233 RSUs scheduled to vest on 12/14/13; 3,747 RSUs scheduled to vest on 3/13/14; 1,249 RSUs scheduled to vest on 3/13/15; 1,433 RSUs scheduled to vest on 4/29/14 and each of the following three anniversaries thereof.
- (13) 2,391 RSUs scheduled to vest on 12/14/13; 530 RSUs scheduled to vest on 3/13/14 and each of the following two anniversaries thereof; 723 RSUs scheduled to vest on 4/29/14 and each of the following three anniversaries thereof.
- (14) RSUs scheduled to vest in full on 4/1/14.

*New Equity Awards*

Prior to the effective time of the merger, the compensation and governance committee of Sterling's board of directors may grant (1) up to \$5.7 million of equity award compensation in the ordinary course of business, consistent with past practice, and (2) up to \$2 million of equity award compensation on terms and conditions determined by Sterling's compensation and governance committee. A substantial portion of the \$2 million equity pool may be granted to Sterling's named executive officers who will continue employment with Umpqua following the merger, with the balance granted to other key Sterling executives who will continue employment with Umpqua following the merger. As of the date hereof, the compensation and governance committee has not made any grants or taken formal action with respect to the \$2 million equity pool. The merger shall not be considered a change in control under the terms of new equity awards granted prior to the effective time of the merger.

***Change in Control Severance Plan***

Mr. Rusnak, Sterling's Chief Financial Officer, and Mr. Butterfield, Sterling's Senior Vice President, Controller and Principal Accounting Officer, are eligible for certain payments and benefits under the Sterling Financial Corporation Change in Control Plan (the "Sterling Change in Control Plan"). Although each other Sterling executive officer is currently a participant in the Sterling Change in Control Plan, new employment agreements entered into with Umpqua (as described below) will supersede the Sterling Change in Control Plan (and the benefits provided thereunder) for such executive officers. The Sterling Change in Control Plan provides for benefits if the executive officer's employment is involuntarily terminated by Sterling or if the executive officer is constructively discharged (generally, a decrease in total direct compensation at target (sum of base salary, target bonus and grant date value of long-term awards), a material diminution in authority, duties or responsibilities or relocation to an office more than 50 miles from current office location) within 24 months following a transaction such as the merger. Benefits under the Sterling Change in Control Plan are calculated based on (1) a multiple (24 months in the case of Mr. Rusnak and 18 months in the case of Mr. Butterfield) of monthly base compensation and target bonus, (2) the cost for a specified period (18 months for Mr. Rusnak and 18 months for Mr. Butterfield) of COBRA continuation coverage minus the then current employee portion of premiums for the same benefit, (3) a bonus payment for the year of termination prorated through the date of termination of employment and (4) outplacement services. The Sterling Change in Control Plan benefits are generally contingent on the executive officer's execution of a release of claims, protection of confidential information and compliance with non-competition and non-solicitation covenants with a duration equal to half of the monthly benefits multiple. Sterling Change in Control Plan payments are subject to forfeiture and clawback if the executive officer breaches the post-employment covenants as well as a voluntary cut back (at the election of the executive) to avoid the imposition of a golden parachute excise tax under Section 4999 of the Internal Revenue Code.



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The amounts of the payments that would have been payable to each of Messrs. Gregory J. Seibly, David S. DePillo, Ezra A. Eckhardt, Steven D. Hauschild and Andrew J. Schultheis under the Sterling Change in Control Plan (assuming the merger is consummated on March 31, 2014 and that each such executive officer's employment is terminated immediately thereafter on a basis entitling him to severance payments) had he not entered into a new employment agreement with Umpqua (superseding rights under the Sterling Change in Control Plan) are as follows: Seibly \$3,549,065; DePillo \$1,370,060; Eckhardt \$2,227,508; Hauschild \$883,909; and Schultheis \$965,508.

*New Employment Agreements*

In connection with the execution of the merger agreement, Umpqua entered into employment agreements with five executive officers of Sterling: Messrs. Seibly, DePillo, Eckhardt, Hauschild and Schultheis. As described below, these agreements set forth the terms and conditions of each such individual's employment relationship with Umpqua following the effective time of the merger and will be effective upon and subject to the completion of the merger. When effective, the agreements with the Sterling individuals will also supersede and replace any prior employment, retention, pre-existing change of control or other similar agreement with such individuals, including the Sterling Change in Control Plan.

*Employment Agreement with Mr. Seibly*

Mr. Seibly's employment agreement, which expires on the second anniversary of the effective date of the merger, provides that he will serve as Senior Executive Vice President of Umpqua and Co-President of Umpqua Bank. Under the employment agreement, Mr. Seibly will receive an annual base salary of \$565,000 and be eligible for an annual target bonus of 85% of his annual base salary and be eligible to participate in Umpqua's employee benefit plans on the same basis as similarly situated employees of Umpqua.

In settlement of Mr. Seibly's benefits under the Sterling Change in Control Plan, Mr. Seibly will be entitled to a cash payment within 10 days following the effective date of the merger of \$2,129,439. In addition, upon the effective date of the merger, Mr. Seibly will receive a retention award of restricted Umpqua common stock with a grant date value of \$1,419,626, which will vest, subject to Mr. Seibly's continued employment, upon the second anniversary of the effective date of the merger or upon any earlier termination of employment due to death, disability, termination without cause or termination for good reason (as such terms are defined in the employment agreement). Mr. Seibly is also eligible for a retention bonus of \$452,000 if he remains employed through the second anniversary of the effective date of the merger.

If Mr. Seibly's employment were terminated without cause or for good reason during the term of the employment agreement, subject to the execution of a release of claims, in addition to accelerated vesting of the retention award, he would be entitled to severance benefits in the form of continued base salary for a period equal to the greater of (1) nine months base salary and (2) two weeks base salary per year of service with Umpqua.

Mr. Seibly's employment agreement contains a noncompetition covenant that ends on the later of (1) the second anniversary of the effective date of the merger and (2) the completion of the period during which severance benefits are payable (if any), covenants concerning nonsolicitation of customers and employees that end on the second anniversary of the effective date of the merger and a perpetual confidentiality covenant. The retention award is subject to a clawback if Mr. Seibly breaches the noncompetition covenant and Umpqua may cease payment of the severance benefits if Mr. Seibly breaches any of the restrictive covenants. In addition, if payments to Mr. Seibly under his employment agreement or otherwise would be subject to the golden parachute excise tax under Section 4999 of the Code, they will be reduced to the greatest amount that would not be subject to such taxes.

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*Employment Agreements with Other Executive Officers*

Each of the employment agreements with Messrs. DePillo, Eckhardt, Hauschild and Schultheis will expire on the second anniversary of the effective date of the merger and provides that the executive officer will serve as an Executive Vice President of Umpqua Bank. Under their employment agreements, Messrs. DePillo and Eckhardt will receive an annual base salary of \$400,000 and be eligible for an annual target bonus of 60% of their annual base salary and Messrs. Hauschild and Schultheis will receive an annual base salary of \$275,000 and be eligible for an annual target bonus of 50% of their annual base salary. In addition, each executive officer will be eligible to participate in Umpqua's employee benefit plans on the same basis as similarly situated employees of Umpqua.

In settlement of the executive officers' benefits under the Sterling Change in Control Plan, they will be entitled to a cash payment within 10 days following the effective date of the merger in the following amounts: Mr. DePillo \$822,036; Mr. Eckhardt \$1,336,505; Mr. Hauschild \$530,345; and Mr. Schultheis \$579,305. In addition, upon the effective date of the merger, each executive officer will receive a retention award of restricted Umpqua common stock with a grant date value in the following amounts: Mr. DePillo \$548,024; Mr. Eckhardt \$891,003; Mr. Hauschild \$353,564; and Mr. Schultheis \$386,203. The retention award will vest, subject to the executive officer's continued employment, upon the second anniversary of the effective date of the merger or upon any earlier termination of employment due to death, disability, termination without cause or termination for good reason (as such terms are defined in the employment agreement). Mr. Eckhardt is also eligible for a retention bonus of \$320,000 if he remains employed through the second anniversary of the effective date of the merger.

The executive officers' employment agreement contains severance terms, a golden parachute excise tax cut back and restrictive covenants substantially comparable to those contained in Mr. Seibly's employment agreement, except the noncompetition covenant ends on the later of (1) the first anniversary of the effective date of the merger and (2) the completion of the period during which severance benefits are payable (if any).

*Leslie S. Biller Letter Agreement dated January 25, 2013*

Sterling and Mr. Biller entered into a letter agreement (the "Biller Letter") dated January 25, 2013 that sets forth certain terms of Mr. Biller's service as chairman of the Sterling board of directors through December 31, 2014. The Biller Letter provides for a \$150,000 annual retainer for service as chairman of the Sterling board of directors, a \$10,000 retainer for service as chairman of the compensation and governance committee, and additional annual compensation of \$1,000,000, payable 50% in cash and 50% in Sterling stock options (the cash portion is payable in quarterly installments beginning March 31, 2013; the stock options have been granted). In the event Mr. Biller ceases to serve on the Sterling board of directors, other than as a result of termination for cause (as defined in the Sterling Change in Control Plan) or voluntary resignation, all remaining payments provided under the Biller Letter become due and all stock options granted thereunder become vested and exercisable.

*Quantification of Potential Payments to Sterling's Named Executive Officers in Connection with the Merger*

This section sets forth the information required by Item 402(t) of Regulation S-K regarding the compensation that will or may become payable to Sterling's "named executive officers" (as defined under SEC disclosure rules) that is based on or otherwise relates to the merger. The Sterling shareholders are being asked to approve, on a non-binding, advisory basis, such compensation for these executive officers (see "Advisory Vote on Named Executive Officer Merger-Related Compensation Arrangements" beginning on page [ ]). Because the vote to approve such compensation is advisory only, it will not be binding on either Umpqua or Sterling. Accordingly, if the merger is completed, the compensation will be paid (or payable) regardless of the outcome of the vote to approve such compensation, subject only to the conditions applicable thereto, which are described below.

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The amounts indicated below are estimates of amounts that would be payable if the merger were consummated on March 31, 2014 and assuming that the employment of the named executive officers were terminated immediately thereafter on a basis entitling them to severance payments. Some of these assumptions are based on information not currently available and, as a result, the actual amounts, if any, to be received by the named executive officers may differ in material respects from the amounts set forth below. See the footnotes to the table for additional information.

**Golden Parachute Compensation**

Name	Cash(1)	Equity(2)	Pension/Perquisites/ Tax			Total(7)
			NQDC(3)	Benefits(4)	Reimbursement(5)Other(6)	