UMPQUA HOLDINGS CORP
Form 10-Q
November 04, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
for the quarterly period ended: **September 30, 2011**

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

Commission File Number: 001-34624

Umpqua Holdings Corporation

(Exact Name of Registrant as Specified in Its Charter)

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

One SW Columbia Street, Suite 1200

Portland, Oregon 97258

(Address of Principal Executive Offices)(Zip Code)

(503) 727-4100

(Registrant s Telephone Number, Including Area Code)

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

x Yes ¨ No

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

x Yes ¨ No

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

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

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

¨ Yes x No

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

Common stock, no par value: 114,539,105 shares outstanding as of October 31, 2011

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UMPQUA HOLDINGS CORPORATION

FORM 10-Q

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements (unaudited)

UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in thousands, except shares)

	September 30, 2011	December 31, 2010
ASSETS		
Cash and due from banks	$ 151,548	$ 111,946
Interest bearing deposits	767,617	891,634
Temporary investments	552	545
Total cash and cash equivalents	919,717	1,004,125
Investment securities		
Trading, at fair value	2,481	3,024
Available for sale, at fair value	3,090,064	2,919,180
Held to maturity, at amortized cost	4,877	4,762
Loans held for sale	94,295	75,626
Non-covered loans and leases	5,828,114	5,658,987
Allowance for non-covered loan and lease losses	(92,932)	(101,921)
Non-covered loans and leases, net	5,735,182	5,557,066
Covered loans and leases, net of allowance of $14,423 and $2,721	672,130	785,898
Restricted equity securities	32,709	34,475
Premises and equipment, net	146,887	136,599
Goodwill and other intangible assets, net	678,448	681,969
Mortgage servicing rights, at fair value	16,612	14,454
Non-covered other real estate owned	34,787	32,791
Covered other real estate owned	23,039	29,863
FDIC indemnification asset	106,378	146,413
Other assets	215,277	242,465
Total assets	$ 11,772,883	$ 11,668,710
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits		
Noninterest bearing	$ 1,940,865	$ 1,616,687
Interest bearing	7,463,545	7,817,118
Total deposits	9,404,410	9,433,805
Securities sold under agreements to repurchase	146,361	73,759
Term debt	256,198	262,760
Junior subordinated debentures, at fair value	82,324	80,688
Junior subordinated debentures, at amortized cost	102,624	102,866
Other liabilities	85,846	72,258
Total liabilities	10,077,763	10,026,136

COMMITMENTS AND CONTINGENCIES (NOTE 10)		
SHAREHOLDERS EQUITY		
Common stock, no par value, 200,000,000 shares authorized; issued and outstanding: 114,538,536 in 2011 and 114,536,814 in 2010	1,541,753	1,540,928
Retained earnings	110,237	76,701
Accumulated other comprehensive income	43,130	24,945
Total shareholders equity	1,695,120	1,642,574
Total liabilities and shareholders equity	$ 11,772,883	$ 11,668,710

See notes to condensed consolidated financial statements

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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(in thousands, except per share amounts)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
INTEREST INCOME				
Interest and fees on loans	$ 101,991	$ 112,652	$ 303,818	$ 300,600
Interest and dividends on investment securities				
Taxable	21,932	17,421	68,323	49,065
Exempt from federal income tax	2,136	2,221	6,479	6,655
Dividends	2	6	9	9
Interest on temporary investments and interest bearing deposits	466	646	1,207	1,590
Total interest income	126,527	132,946	379,836	357,919
INTEREST EXPENSE				
Interest on deposits	14,579	19,913	44,943	57,165
Interest on securities sold under agreement to repurchase and federal funds purchased	152	136	405	382
Interest on term debt	2,332	2,533	6,922	6,832
Interest on junior subordinated debentures	1,930	2,047	5,769	5,871
Total interest expense	18,993	24,629	58,039	70,250
Net interest income	107,534	108,317	321,797	287,669
PROVISION FOR NON-COVERED LOAN AND LEASE LOSSES	9,089	24,228	39,578	96,101
PROVISION FOR COVERED LOAN AND LEASE LOSSES	4,420	667	15,443	667
Net interest income after provision for loan and lease losses	94,025	83,422	266,776	190,901
NON-INTEREST INCOME				
Service charges on deposit accounts	8,849	8,756	25,210	26,706
Brokerage commissions and fees	3,115	2,609	9,768	8,387
Mortgage banking revenue, net	7,084	7,138	17,166	13,825
Gain on investment securities, net				
Gain on sale of investment securities, net	1,813	2,331	7,491	2,331
Total other-than-temporary impairment losses	-	(37)	(110)	(42)
Portion of other-than-temporary impairment losses transferred from other comprehensive income	-	(7)	38	(290)
Total gain on investment securities, net	1,813	2,287	7,419	1,999
(Loss) gain on junior subordinated debentures carried at fair value	(554)	(554)	(1,643)	5,534
Bargain purchase gain on acquisition	-	-	-	6,437
Change in FDIC indemnification asset	1,611	(11,948)	(1,035)	(11,075)
Other income	2,860	3,845	9,105	8,930

Total non-interest income	24,778	12,133	65,990	60,743
NON-INTEREST EXPENSE				
Salaries and employee benefits	45,023	42,964	133,441	118,808
Net occupancy and equipment	12,803	11,448	37,867	33,596
Communications	2,791	2,480	8,397	7,300
Marketing	2,007	2,468	4,656	5,191
Services	6,089	5,507	17,997	16,253
Supplies	686	1,177	2,310	2,906
FDIC assessments	1,867	3,910	8,561	10,909
Net loss on non-covered other real estate owned	2,289	663	8,967	3,542
Net loss (gain) on covered other real estate owned	4,755	(980)	5,778	(2,500)
Intangible amortization	1,222	1,356	3,724	4,032
Merger related expenses	51	1,643	303	5,718
Other expenses	6,641	12,534	21,631	24,119
Total non-interest expense	86,224	85,170	253,632	229,874
Income before provision for income taxes	32,579	10,385	79,134	21,770
Provision for income taxes	10,717	2,194	26,020	1,602
Net income	$ 21,862	$ 8,191	$ 53,114	$ 20,168

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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Continued)

(UNAUDITED)

(in thousands, except per share amounts)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net income	$ 21,862	$ 8,191	$ 53,114	20,168
Preferred stock dividends	-	-	-	12,192
Dividends and undistributed earnings allocated to participating securities	105	18	253	49
Net earnings available to common shareholders	$ 21,757	$ 8,173	$ 52,861	$ 7,927
Earnings per common share:				
Basic	$ 0.19	$ 0.07	$ 0.46	$ 0.07
Diluted	$ 0.19	$ 0.07	$ 0.46	$ 0.07
Weighted average number of common shares outstanding:				
Basic	114,540	114,528	114,576	105,695
Diluted	114,691	114,760	114,769	105,924

See notes to condensed consolidated financial statements

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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(UNAUDITED)

(in thousands, except shares)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income	Total
BALANCE AT JANUARY 1, 2010	$ 204,335	86,785,588	$ 1,253,288	$ 83,939	$ 24,955	$ 1,566,517
Net income				28,326		28,326
Other comprehensive loss, net of tax					(10)	(10)
Comprehensive income						$ 28,316
Issuance of common stock		8,625,000	89,786			89,786
Stock-based compensation			3,505			3,505
Stock repurchased and retired		(22,541)	(284)			(284)
Issuances of common stock under stock plans and related net tax benefit		173,767	844			844
Redemption of preferred stock issued to U.S. Treasury	(214,181)					(214,181)
Issuance of preferred stock	198,289					198,289
Conversion of preferred stock to common stock	(198,289)	18,975,000	198,289			-
Amortization of discount on preferred stock	9,846			(9,846)		-
Dividends declared on preferred stock				(3,686)		(3,686)
Repurchase of warrants issued to U.S. Treasury			(4,500)			(4,500)
Cash dividends on common stock ($0.20 per share)				(22,032)		(22,032)
Balance at December 31, 2010	$ -	114,536,814	$ 1,540,928	$ 76,701	$ 24,945	$ 1,642,574
BALANCE AT JANUARY 1, 2011	$ -	114,536,814	$ 1,540,928	$ 76,701	$ 24,945	$ 1,642,574
Net income				53,114		53,114
Other comprehensive income, net of tax					18,185	18,185
Comprehensive income						$ 71,299
Stock-based compensation			2,930			2,930
Stock repurchased and retired		(180,491)	(2,061)			(2,061)
Issuances of common stock under stock plans and related net tax deficiencies		182,213	(44)			(44)
Cash dividends on common stock ($0.17 per share)				(19,578)		(19,578)
Balance at September 30, 2011	$ -	114,538,536	$ 1,541,753	$ 110,237	$ 43,130	$ 1,695,120

See notes to condensed consolidated financial statements

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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

(in thousands)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net income	$ 21,862	$ 8,191	$ 53,114	$ 20,168
Available for sale securities:				
Unrealized gains (losses) arising during the period	12,065	(7,976)	37,714	20,117
Reclassification adjustment for net gains realized in earnings (net of tax expense of $725 and $932 for the three months and net of tax expense of $2,996 and $932 for the nine months ended September 30, 2011 and 2010, respectively)	(1,088)	(1,399)	(4,495)	(1,399)
Income tax (expense) benefit related to unrealized gains (losses)	(4,826)	3,190	(15,086)	(8,047)
Net change in unrealized gains (losses)	6,151	(6,185)	18,133	10,671
Held to maturity securities:				
Unrealized gains (losses) related to factors other than credit (net of tax expense of $70 for the three months ended September 30, 2010, and tax benefit of $30 and tax expense of $139 for the nine months ended September 30, 2011 and 2010, respectively)	-	105	(45)	208
Reclassification adjustment for impairments realized in net income (net of tax benefit of $18 for the three months ended September 30, 2010, and tax benefit of $20 and $133 for the nine months ended September 30, 2011 and 2010, respectively)	-	26	30	199
Accretion of unrealized losses related to factors other than credit to investment securities held to maturity (net of tax benefit of $17 and $26 for the three months ended September 30, 2011 and 2010, and tax benefit of $44 and $100 for the nine months ended September 30, 2011 and 2010, respectively)	25	39	67	150
Net change in unrealized losses related to factors other than credit	25	170	52	557
Other comprehensive income (loss), net of tax	6,176	(6,015)	18,185	11,228
Comprehensive income	$ 28,038	$ 2,176	$ 71,299	$ 31,396

See notes to condensed consolidated financial statements

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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in thousands)

	Nine months ended September 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 53,114	$ 20,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of investment premiums, net	24,582	12,230
Gain on sale of investment securities, net	(7,491)	(2,331)
Other-than-temporary impairment on investment securities held to maturity	72	332
Loss on sale of non-covered other real estate owned	1,449	1,379
Gain on sale of covered other real estate owned	(1,469)	(3,425)
Valuation adjustment on non-covered other real estate owned	7,518	2,163
Valuation adjustment on covered other real estate owned	7,247	925
Provision for non-covered loan and lease losses	39,578	96,101
Provision for covered loan and lease losses	15,443	667
Bargain purchase gain on acquisition	-	(6,437)
Change in FDIC indemnification asset	1,035	11,075
Depreciation, amortization and accretion	9,454	9,121
Increase in mortgage servicing rights	(4,100)	(3,624)
Change in mortgage servicing rights carried at fair value	1,942	2,857
Change in junior subordinated debentures carried at fair value	1,636	(5,520)
Stock-based compensation	2,930	2,627
Net decrease in trading account assets	543	118
Gain on sale of loans	(6,585)	(9,282)
Origination of loans held for sale	(518,915)	(454,662)
Proceeds from sales of loans held for sale	506,831	439,663
Excess tax benefits from the exercise of stock options	(4)	(56)
Change in other assets and liabilities:		
Net decrease in other assets	(4,066)	20,723
Net increase in other liabilities	11,905	4,030
Net cash provided by operating activities	142,649	138,842
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities available for sale	(822,898)	(1,004,194)
Purchases of investment securities held to maturity	(1,573)	-
Proceeds from investment securities available for sale	665,131	262,067
Proceeds from investment securities held to maturity	1,486	1,080
Redemption of restricted equity securities	1,766	282
Net non-covered loan and lease (originations) paydowns	(249,199)	144,292
Net covered loan and lease paydowns	75,791	70,698
Proceeds from sales of non-covered loans	9,262	35,463
Proceeds from disposals of furniture and equipment	199	1,100
Purchases of premises and equipment	(23,137)	(40,978)
Net proceeds from FDIC indemnification asset	57,885	24,103
Proceeds from sales of non-covered other real estate owned	25,691	18,867
Proceeds from sales of covered other real estate owned	12,550	9,544
Proceeds from sale of acquired insurance portfolio	-	5,150

Cash acquired in merger, net of cash consideration paid	-	179,046
Net cash used by investing activities	(247,046)	(293,480)

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UMPQUA HOLDINGS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(UNAUDITED)

(in thousands)

	Nine months ended September 30, 2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease) increase in deposit liabilities	(28,606)	713,503
Net increase in securities sold under agreements to repurchase	72,602	10,153
Repayment of term debt	(5,000)	(161,968)
Redemption of preferred stock	-	(214,181)
Proceeds from issuance of preferred stock	-	198,289
Net proceeds from issuance of common stock	-	89,786
Redemption of warrants	-	(4,500)
Dividends paid on preferred stock	-	(3,686)
Dividends paid on common stock	(17,260)	(14,882)
Excess tax benefits from stock based compensation	4	56
Proceeds from stock options exercised	310	977
Retirement of common stock	(2,061)	(282)
Net cash provided by financing activities	19,989	613,265
Net (decrease) increase in cash and cash equivalents	(84,408)	458,627
Cash and cash equivalents, beginning of period	1,004,125	605,413
Cash and cash equivalents, end of period	$ 919,717	$ 1,064,040
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 62,680	$ 71,887
Income taxes	$ 24,133	$ 175
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Change in unrealized gains on investment securities available for sale, net of taxes	$ 18,133	$ 10,671
Change in unrealized losses on investment securities held to maturity related to factors other than credit, net of taxes	$ 52	$ 557
Cash dividend declared on common and preferred stock and payable after period-end	$ 8,056	$ 5,743
Transfer of non-covered loans to non-covered other real estate owned	$ 36,654	$ 29,867
Transfer of covered loans to covered other real estate owned	$ 11,924	$ 10,453
Transfer from FDIC indemnification asset to due from FDIC and other	$ 39,000	$ 25,984
Receivable from sales of covered other real estate owned	$ 420	$ -
Transfer of covered loans to non-covered loans	$ 10,610	$ -
Conversion of preferred stock to common stock	$ -	$ 198,289
Acquisitions:		
Assets acquired	$ -	$ 1,512,048
Liabilities assumed	$ -	$ 1,505,611

See notes to condensed consolidated financial statements

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The accounting and financial reporting policies of Umpqua Holdings Corporation (referred to in this report as we , our or the Company) conform to accounting principles generally accepted in the United States of America. The accompanying interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Umpqua Bank (Bank), and Umpqua Investments, Inc. (Umpqua Investments). All material inter-company balances and transactions have been eliminated. The consolidated financial statements have not been audited. In preparing these financial statements, the Company has evaluated events and transactions subsequent to September 30, 2011 for potential recognition or disclosure. A more detailed description of our accounting policies is included in the 2010 Annual Report filed on Form 10-K. These interim condensed consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the 2010 Annual Report filed on Form 10-K.

In management s opinion, all accounting adjustments necessary to accurately reflect the financial position and results of operations on the accompanying financial statements have been made. These adjustments include normal and recurring accruals considered necessary for a fair and accurate presentation. The results for interim periods are not necessarily indicative of results for the full year or any other interim period. Certain reclassifications of prior period amounts have been made to conform to current classifications.

Note 2 Business Combinations

On January 22, 2010, the Washington Department of Financial Institutions closed EvergreenBank (Evergreen), Seattle, Washington and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. That same date, Umpqua Bank assumed the banking operations of Evergreen from the FDIC under a whole bank purchase and assumption agreement with loss-sharing. Under the terms of the loss-sharing agreement, the FDIC will cover a substantial portion of any future losses on loans, related unfunded loan commitments, other real estate owned (OREO) and accrued interest on loans for up to 90 days. The FDIC will absorb 80% of losses and share in 80% of loss recoveries on the first $90.0 million on covered assets for Evergreen and absorb 95% of losses and share in 95% of loss recoveries exceeding $90.0 million, except the Bank will incur losses up to $30.2 million before the loss-sharing commences. The loss-sharing arrangements for non-single family residential and single family residential loans are in effect for 5 years and 10 years, respectively, and the loss recovery provisions are in effect for 8 years and 10 years, respectively, from the acquisition date. With this agreement, Umpqua Bank assumed six additional store locations in the greater Seattle, Washington market. This acquisition is consistent with our community banking expansion strategy and provides further opportunity to fill in our market presence in the greater Seattle, Washington market.

On February 26, 2010, the Washington Department of Financial Institutions closed Rainier Pacific Bank (Rainier), Tacoma, Washington and appointed the FDIC as receiver. That same date, Umpqua Bank assumed the banking operations of Rainier from the FDIC under a whole bank purchase and assumption agreement with loss-sharing. Under the terms of the loss-sharing agreement, the FDIC will cover a substantial portion of any future losses on loans, related unfunded loan commitments, OREO and accrued interest on loans for up to 90 days. The FDIC will absorb 80% of losses and share in 80% of loss recoveries on the first $95.0 million of losses on covered assets and absorb 95% of losses and share in 95% of loss recoveries exceeding $95.0 million. The loss-sharing arrangements for non-single family residential and single family residential loans are in effect for 5 years and 10 years, respectively, and the loss recovery provisions are in effect for 8 years and 10 years, respectively, from the acquisition dates. With this agreement, Umpqua Bank assumed 14 additional store locations in Pierce County and surrounding areas. This acquisition expands our presence in the south Puget Sound region of Washington State.

The operations of Evergreen and Rainier are included in our operating results from January 23, 2010 and February 27, 2010, respectively, and added combined revenue of $13.3 million and $36.4 million, non-interest expense of $9.2 million and $18.7 million, and earnings of $2.5 million and $10.7 million, net of tax, for the three and nine months ended September 30, 2011, and added combined revenue of $8.7 million and $31.4 million, non-interest expense of $6.6 million and $17.9 million, and earnings of $1.3 million and $8.9 million, net of tax, for the three and nine months ended September 30, 2010, respectively. These operating results include a bargain purchase gain of $6.4 million, which is not indicative of future operating results. Evergreen s and Rainiers s results of operations prior to the acquisition are not included in our operating results. Merger-related expenses of none and $88,000 for the three and nine months ended September 30, 2011, respectively, and $748,000 and $4.1 million for the three and nine months ended September 30, 2010, respectively, have been incurred in connection with these acquisitions and recognized in a separate line item on the *Condensed Consolidated Statements of Operations*.

On June 18, 2010, the Nevada State Financial Institutions Division closed Nevada Security Bank (Nevada Security), Reno, Nevada and appointed the FDIC as receiver. That same date, Umpqua Bank assumed the banking operations of Nevada Security from the FDIC under a whole bank purchase and assumption agreement with loss-sharing. Under the terms of the loss-sharing agreement, the FDIC will cover a substantial portion of any future losses on loans, related unfunded loan commitments, OREO, and accrued interest on loans for up to 90 days. The FDIC will absorb 80% of losses and share in 80% of loss recoveries on all covered assets. The loss-sharing arrangements for non-single family residential and single family residential loans are in effect for 5 years and 10 years, respectively, and the loss recovery provisions are in effect for 8 years and 10 years, respectively, from the acquisition dates. With this agreement, Umpqua Bank assumed five additional store locations, including three in Reno, Nevada, one in Incline Village, Nevada, and one in Roseville, California. This acquisition expands our presence into the State of Nevada.

The operations of Nevada Security are included in our operating results from June 19, 2010, and added revenue of $5.9 million and $14.3 million, non-interest expense of $2.8 million and $8.9 million, and income of $850,000 and $648,000, net of tax, for the three and nine months ended, September 30, 2011 and revenue of $3.9 million and $4.4 million, non-interest expense of $3.0 million and $3.6 million, and earnings of $578,000 and $544,000, net of tax, for the three and nine months ended, September 30, 2010, respectively. Nevada Security s results of operations prior to the acquisition are not included in our operating results. Merger-related expenses of none and $101,000 for the three and nine months ended September 30, 2011, respectively, and $741,000 and $1.1 million for the three and nine months ended September 30, 2010, respectively, have been incurred in connection with the acquisition of Nevada Security and recognized as a separate line item on the *Condensed Consolidated Statements of Operations*.

We refer to the acquired loans and other real estate owned that are subject to the loss-sharing agreements as covered loans and covered other real estate owned , respectively, and these are presented as separate line items in our consolidated balance sheet. Collectively these balances are referred to as covered assets. Certain types of modifications or restructuring activities subsequent to acquisition may disqualify a loan from loss-share coverage under the provisions of the loss-share agreement. Loans that have been disqualified from loss-share coverage are prospectively reported as non-covered loans.

The assets acquired and liabilities assumed from the Evergreen, Rainier, and Nevada Security acquisitions have been accounted for under the acquisition method of accounting. The assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of the acquisition dates. The fair values of the assets acquired and liabilities assumed were determined based on the requirements of the Fair Value Measurements and Disclosures topic of the Financial Accounting Standards Board Accounting Standards Codification (the FASB ASC). The amounts are subject to adjustments based upon final settlement with the FDIC. In addition, the tax treatment of FDIC-assisted acquisitions is complex and subject to interpretations that may result in future adjustments of deferred taxes as of the acquisition date. The terms of the agreements provide for the FDIC to indemnify the Bank against claims with respect to liabilities of Evergreen, Rainier, and Nevada Security not assumed by the Bank and certain other types of claims identified in the agreement. The application of the acquisition method of accounting resulted in the recognition of a bargain purchase gain of $6.4 million in the Evergreen acquisition, $35.8 million of goodwill in the Rainier acquisition and $10.4 million of goodwill in the Nevada Security acquisition.

A summary of the net assets (liabilities) received from the FDIC and the estimated fair value adjustments are presented below:

(in thousands)

	Evergreen January 22, 2010	**Rainier February 26, 2010**	**Nevada Security June 18, 2010**
Cost basis net assets (liabilities)	$ 58,811	$ (50,295)	$ 53,629
Cash payment received from (paid to) the FDIC	-	59,351	(29,950)
Fair value adjustments:			
Loans	(117,449)	(103,137)	(112,975)
Other real estate owned	(2,422)	(6,581)	(17,939)
Other intangible assets	440	6,253	322
FDIC indemnification asset	71,755	76,603	99,160
Deposits	(1,023)	(1,828)	(1,950)
Term debt	(2,496)	(13,035)	-
Other	(1,179)	(3,139)	(690)
Bargain purchase gain (goodwill)	$ 6,437	$ (35,808)	$ (10,393)

In FDIC-assisted transactions, only certain assets and liabilities are transferred to the acquirer and, depending on the nature and amount of the acquirer s bid, the FDIC may be required to make a cash payment to the acquirer or the acquirer may be required to make payment to the FDIC.

In the Evergreen acquisition, cost basis net assets of $58.8 million were transferred to the Company. The bargain purchase gain represents the excess of the estimated fair value of the assets acquired over the estimated fair value of the liabilities assumed.

In the Rainier acquisition, cost basis net liabilities of $50.3 million and a cash payment received from the FDIC of $59.4 million were transferred to the Company. The goodwill represents the excess of the estimated fair value of the liabilities assumed over the estimated fair value of the assets acquired. Goodwill of $27.6 million and core deposit intangible assets of $1.1 million recognized are deductible for income tax purposes.

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In the Nevada Security acquisition, cost basis net assets of $53.6 million were transferred to the Company and a cash payment of $30.0 million was made to the FDIC. The goodwill represents the excess of the estimated fair value of the liabilities assumed over the estimated fair value of the assets acquired. Goodwill of $36.8 million and core deposit intangible assets of $322,000 recognized are deductible for income tax purposes.

The Bank did not immediately acquire all the real estate, banking facilities, furniture or equipment of Evergreen, Rainier, or Nevada Security as part of the purchase and assumption agreements. Rather, the Bank was granted the option to purchase or lease the real estate and furniture and equipment from the FDIC. The term of this option expired 90 days from the acquisition dates. Acquisition costs of the real estate and furniture and equipment are based on current mutually agreed upon appraisals. Umpqua exercised the right to purchase approximately $344,000 of furniture and equipment for Evergreen, $26.3 million of real estate and furniture and equipment for Rainier, and $2.0 million of real estate and furniture and equipment for Nevada Security. The Bank had the option to purchase one store location as part of the Nevada Security acquisition and purchased it in the second quarter of 2011.

The statement of assets acquired and liabilities assumed at their estimated fair values of Evergreen, Rainier, and Nevada Security are presented below:

(in thousands)

	Evergreen January 22, 2010	Rainier February 26, 2010	Nevada Security June 18, 2010
Assets Acquired:			
Cash and equivalents	$ 18,919	$ 94,067	$ 66,060
Investment securities	3,850	26,478	22,626
Covered loans	252,493	458,340	215,507
Premises and equipment	-	17	50
Restricted equity securities	3,073	13,712	2,951
Goodwill	-	35,808	10,393
Other intangible assets	440	6,253	322
Mortgage servicing rights	-	62	-
Covered other real estate owned	2,421	6,580	17,938
FDIC indemnification asset	71,755	76,603	99,160
Other assets	328	3,254	2,588
Total assets acquired	$ 353,279	$ 721,174	$ 437,595
Liabilities Assumed:			
Deposits	$ 285,775	$ 425,771	$ 437,299
Term debt	60,813	293,191	-
Other liabilities	254	2,212	296
Total liabilities assumed	346,842	721,174	437,595
Net assets acquired/bargain purchase gain	$ 6,437	$ -	$ -

Rainier s assets and liabilities were significant at a level to require disclosure of one year of historical financial statements and related pro forma financial disclosure. However, given the pervasive nature of the loss-sharing agreement entered into with the FDIC, the historical information of Rainier is much less relevant for purposes of assessing the future operations of the combined entity. In addition, prior to closure Rainier had not completed an audit of their financial statements, and we determined that audited financial statements were not and would not be reasonably available for the year ended December 31, 2009. Given these considerations, the Company requested, and received, relief from the Securities and Exchange Commission from submitting certain financial information of Rainier. The assets and liabilities of Evergreen and Nevada Security were not at a level that requires disclosure of historical or pro forma financial information.

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Note 3 Investment Securities

The following table presents the amortized costs, unrealized gains, unrealized losses and approximate fair values of investment securities at September 30, 2011 and December 31, 2010:

September 30, 2011

(in thousands)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
AVAILABLE FOR SALE:				
U.S. Treasury and agencies	$ 117,313	$ 1,450	$ (1)	$ 118,762
Obligations of states and political subdivisions	209,026	15,053	-	224,079
Residential mortgage-backed securities and collateralized mortgage obligations	2,688,976	58,125	(2,098)	2,745,003
Other debt securities	152	-	(14)	138
Investments in mutual funds and other equity securities	1,959	123	-	2,082
	$ 3,017,426	$ 74,751	$ (2,113)	$ 3,090,064
HELD TO MATURITY:				
Obligations of states and political subdivisions	$ 1,335	$ 2	$ -	$ 1,337
Residential mortgage-backed securities and collateralized mortgage obligations	3,542	129	(174)	3,497
	$ 4,877	$ 131	$ (174)	$ 4,834

December 31, 2010

(in thousands)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
AVAILABLE FOR SALE:				
U.S. Treasury and agencies	$ 117,551	$ 1,239	$ (1)	$ 118,789
Obligations of states and political subdivisions	213,129	4,985	(1,388)	216,726
Residential mortgage-backed securities and collateralized mortgage obligations	2,543,974	57,506	(19,976)	2,581,504
Other debt securities	152	-	-	152
Investments in mutual funds and other equity securities	1,959	50	-	2,009
	$ 2,876,765	$ 63,780	$ (21,365)	$ 2,919,180
HELD TO MATURITY:				
Obligations of states and political subdivisions	$ 2,370	$ 5	$ -	$ 2,375
Residential mortgage-backed securities and collateralized mortgage obligations	2,392	216	(209)	2,399
	$ 4,762	$ 221	$ (209)	$ 4,774

Investment securities that were in an unrealized loss position as of September 30, 2011 and December 31, 2010 are presented in the following tables, based on the length of time individual securities have been in an unrealized loss position. In the opinion of management, these securities are considered only temporarily impaired due to changes in market interest rates or the widening of market spreads subsequent to the initial purchase of the securities, and not due to concerns regarding the underlying credit of the issuers or the underlying collateral.

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September 30, 2011

(in thousands)

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
AVAILABLE FOR SALE:						
U.S. Treasury and agencies	$ -	$ -	$ 91	$ 1	$ 91	$ 1
Residential mortgage-backed securities and collateralized mortgage obligations	342,891	1,991	22,261	107	365,152	2,098
Other debt securities	-	-	137	14	137	14
Total temporarily impaired securities	$ 342,891	$ 1,991	$ 22,489	$ 122	$ 365,380	$ 2,113
HELD TO MATURITY:						
Residential mortgage-backed securities and collateralized mortgage obligations	$ -	$ -	$ 868	$ 174	$ 868	$ 174
Total temporarily impaired securities	$ -	$ -	$ 868	$ 174	$ 868	$ 174

December 31, 2010
(in thousands)

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
AVAILABLE FOR SALE:						
U.S. Treasury and agencies	$ -	$ -	$ 110	$ 1	$ 110	$ 1
Obligations of states and political subdivisions	60,110	1,366	1,003	22	61,113	1,388
Residential mortgage-backed securities and collateralized mortgage obligations	1,238,483	19,968	1,539	8	1,240,022	19,976
Total temporarily impaired securities	$ 1,298,593	$ 21,334	$ 2,652	$ 31	$ 1,301,245	$ 21,365
HELD TO MATURITY:						
Residential mortgage-backed securities and collateralized mortgage obligations	$ -	$ -	$ 658	$ 209	$ 658	$ 209
Total temporarily impaired securities	$ -	$ -	$ 658	$ 209	$ 658	$ 209

All of the available for sale residential mortgage-backed securities and collateralized mortgage obligations portfolio in an unrealized loss position at September 30, 2011 are issued or guaranteed by governmental agencies. The unrealized losses on residential mortgage-backed securities and collateralized mortgage obligations were caused by changes in market interest rates or the widening of market spreads subsequent to the initial purchase of these securities, and not concerns regarding the underlying credit of the issuers or the underlying collateral. It is expected that these securities will not be settled at a price less than the amortized cost of each investment. Because the decline in fair value is attributable to changes in interest rates or widening market spreads and not credit quality, and because the Bank does not intend to sell the securities in this class and it is not likely that the Bank will be required to sell these securities before recovery of their amortized cost basis, which may include holding each security until contractual maturity, the unrealized losses on these investments are not considered other-than-temporarily impaired.

We review investment securities on an ongoing basis for the presence of other-than-temporary impairment (OTTI) or permanent impairment, taking into consideration current market conditions, fair value in relationship to cost, extent and nature of the change in fair value, issuer rating changes and trends, whether we intend to sell a security or if it is likely that we will be required to sell the security before recovery of our amortized cost basis of the investment, which may be maturity, and other factors. For debt securities, if we intend to sell the security or it is likely that we will be required to sell the security before recovering its cost basis, the entire impairment loss would be recognized in earnings as an OTTI. If we do not intend to sell the security and it is not likely that we will be required to sell the security but we do not expect to recover the entire amortized cost basis of the security, only the portion of the impairment loss representing credit losses would be recognized in earnings. The credit loss on a security is measured as the difference between the amortized cost basis and the present value of the cash flows expected to be collected. Projected cash flows are discounted by the original or current effective interest rate depending on the nature of the security being measured for potential OTTI. The remaining impairment related to all other factors, the difference between the present value of the cash flows expected to be collected and fair value, is recognized as a charge to other comprehensive income (OCI). Impairment losses related to all other factors are presented as separate categories within OCI. For investment securities held to maturity, this amount is accreted over the remaining life of the debt security prospectively based on the amount and timing of future estimated cash flows. The accretion of the impairment related to factors other than credit amount recorded in OCI will increase the carrying value of the investment, and would not affect earnings. If there is an indication of additional credit losses the security is re-evaluated accordingly to the procedures described above.

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The following tables present the OTTI losses for the three and nine months ended September 30, 2011 and 2010:

(in thousands)

	Three months ended September 30, 2011	2010
Total other-than-temporary impairment losses	$ -	$ 37
Portion of other-than-temporary impairment losses transferred from in other comprehensive income (1)	-	7
Net impairment losses recognized in earnings (2)	$ -	$ 44

	Nine months ended September 30, 2011	2010
Total other-than-temporary impairment losses	$ 110	$ 42
Portion of other-than-temporary impairment losses (recognized in) transferred from other comprehensive income (1)	(38)	290
Net impairment losses recognized in earnings (2)	$ 72	$ 332

(1) Represents other-than-temporary impairment losses related to all other factors.
(2) Represents other-than-temporary impairment losses related to credit losses.

The OTTI recognized on investment securities held to maturity relate to non-agency residential collateralized mortgage obligations. Each of these securities holds various levels of credit subordination. The underlying mortgage loans of these securities were originated from 2003 through 2007. At origination, the weighted average loan-to-value of the underlying mortgages was 69%; the underlying borrowers had weighted average FICO scores of 731, and 59% were limited documentation loans. These securities are valued by third-party pricing services using matrix or model pricing methodologies and were corroborated by broker indicative bids. We estimate cash flows of the underlying collateral for each security considering credit, interest and prepayment risk models that incorporate management s estimate of projected key assumptions including prepayment rates, collateral default rates and loss severity. Assumptions utilized vary from security to security, and are influenced by factors such as loan interest rates, geographic location, borrower characteristics and vintage, and historical experience. We then used a third party to obtain information about the structure of each security, including subordination and other credit enhancements, in order to determine how the underlying collateral cash flows will be distributed to each security issued in the structure. These cash flows are then discounted at the interest rate used to recognize interest income on each security. We review the actual collateral performance of these securities on a quarterly basis and update the inputs as appropriate to determine the projected cash flows. The following table presents a summary of the significant inputs utilized to measure management s estimate of the credit loss component on these non-agency collateralized mortgage obligations as of September 30, 2011 and 2010:

	2011			2010		
	Range		Weighted	Range		Weighted
	Minimum	Maximum	Average	Minimum	Maximum	Average
Constant prepayment rate	5.0%	20.0%	14.1%	4.0%	25.0%	14.9%
Collateral default rate	5.0%	55.0%	14.3%	8.0%	45.0%	16.8%
Loss severity	30.0%	65.0%	39.8%	20.0%	50.0%	34.6%

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The following table presents a roll forward of the credit loss component of held to maturity debt securities that have been written down for OTTI with the credit loss component recognized in earnings and the remaining impairment loss related to all other factors recognized in OCI for the three and nine months ended September 30, 2011 and 2010:

(in thousands)

	Three months ended September 30, 2011	2010
Balance, beginning of period	$ 12,850	$ 12,652
Subsequent OTTI credit losses	-	44
Reductions:		
Securities sold, matured or paid-off	(1,016)	-
Balance, end of period	$ 11,834	$ 12,696

(in thousands)

	Nine months ended September 30, 2011	2010
Balance, beginning of period	$ 12,778	$ 12,364
Subsequent OTTI credit losses	72	332
Reductions:		
Securities sold, matured or paid-off	(1,016)	-
Balance, end of period	$ 11,834	$ 12,696

The following table presents the maturities of investment securities at September 30, 2011:

(in thousands)

	Available For Sale		Held To Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AMOUNTS MATURING IN:				
Three months or less	$ 12,717	$ 12,783	$ 85	$ 85
Over three months through twelve months	265,185	269,926	-	-
After one year through five years	2,079,869	2,125,689	1,475	1,532
After five years through ten years	598,435	617,997	1,021	929
After ten years	59,261	61,587	2,296	2,288
Other investment securities	1,959	2,082	-	-
	$ 3,017,426	$ 3,090,064	$ 4,877	$ 4,834

The amortized cost and fair value of collateralized mortgage obligations and mortgage-backed securities are presented by expected average life, rather than contractual maturity, in the preceding table. Expected maturities may differ from contractual maturities because borrowers have the right to prepay underlying loans without prepayment penalties.

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The following table presents the gross realized gains and gross realized losses on the sale of securities available for sale for the three and nine months ended September 30, 2011 and 2010:

(in thousands)

	Three months ended September 30, 2011		Three months ended September 30, 2010	
	Gains	**Losses**	**Gains**	**Losses**
Residential mortgage-backed securities and collateralized mortgage obligations	$ 1,827	$ 14	$ 2,331	$ -
	$ 1,827	$ 14	$ 2,331	$ -

	Nine months ended September 30, 2011		Nine months ended September 30, 2010	
	Gains	**Losses**	**Gains**	**Losses**
U.S. Treasury and agencies	$ -	$ -	$ -	$ 1
Obligations of states and political subdivisions	7	-	2	1
Residential mortgage-backed securities and collateralized mortgage obligations	8,301	817	2,331	-
	$ 8,308	$ 817	$ 2,333	$ 2

The following table presents, as of September 30, 2011, investment securities which were pledged to secure borrowings and public deposits as permitted or required by law:

(in thousands)

	Amortized Cost	**Fair Value**
To Federal Home Loan Bank to secure borrowings	$ 199,008	$ 207,574
To state and local governments to secure public deposits	560,043	583,556
Other securities pledged	201,504	205,411
Total pledged securities	$ 960,555	$ 996,541

Note 4 Non-covered Loans and Leases

The following table presents the major types of non-covered loans recorded in the balance sheets as of September 30, 2011 and December 31, 2010:

(in thousands)

	September 30, 2011	**December 31, 2010**
Commercial real estate		
Term & multifamily	$ 3,542,974	$ 3,483,475

Construction & development	175,278	247,814
Residential development	103,668	147,813
Commercial		
Term	613,571	509,453
LOC & other	815,568	747,419
Residential		
Mortgage	281,131	222,416
Home equity loans & lines	275,041	278,585
Consumer & other	32,133	33,043
Total	5,839,364	5,670,018
Deferred loan fees, net	(11,250)	(11,031)
Total	$ 5,828,114	$ 5,658,987

As of September 30, 2011, loans totaling $5.1 billion were pledged to secure borrowings and available lines of credit.

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Note 5 Allowance for Non-Covered Loan Loss and Credit Quality

Allowance for Non-Covered Loan and Lease Losses

The Bank has a management Allowance for Loan and Lease Losses (ALLL) Committee, which is responsible for, among other things, regularly reviewing the ALLL methodology, including loss factors, and ensuring that it is designed and applied in accordance

with generally accepted accounting principles. The ALLL Committee reviews and approves loans and leases recommended for impaired status. The ALLL Committee also approves removing loans and leases from impaired status. The Bank's Audit and Compliance Committee provides board oversight of the ALLL process and reviews and approves the ALLL methodology on a quarterly basis.

Our methodology for assessing the appropriateness of the ALLL consists of three key elements, which include 1) the formula allowance; 2) the specific allowance; and 3) the unallocated allowance. By incorporating these factors into a single allowance requirement analysis, all risk-based activities within the loan portfolio are simultaneously considered.

Formula Allowance

The Bank performs regular credit reviews of the loan and lease portfolio to determine the credit quality and adherence to underwriting standards. When loans and leases are originated, they are assigned a risk rating that is reassessed periodically during the term of the loan through the credit review process. The Company s risk rating methodology assigns risk ratings ranging from 1 to 10, where a higher rating represents higher risk. The 10 risk rating categories are a primary factor in determining an appropriate amount for the formula allowance.

The formula allowance is calculated by applying risk factors to various segments of pools of outstanding loans. Risk factors are assigned to each portfolio segment based on management s evaluation of the losses inherent within each segment. Segments or regions with greater risk of loss will therefore be assigned a higher risk factor.

Base risk The portfolio is segmented into loan categories, and these categories are assigned a Base Risk factor based on an evaluation of the loss inherent within each segment.

Extra risk Additional risk factors provide for an additional allocation of ALLL based on the loan risk rating system and loan delinquency, and reflect the increased level of inherent losses associated with more adversely classified loans.

Changes to risk factors Risk factors are assigned at origination and may be changed periodically based on management s evaluation of the following factors: loss experience; changes in the level of non-performing loans; regulatory exam results; changes in the level of adversely classified loans (positive or negative); improvement or deterioration in local economic conditions; and any other factors deemed relevant.

Specific Allowance

Regular credit reviews of the portfolio also identify loans that are considered potentially impaired. Potentially impaired loans are referred to the ALLL Committee which reviews and approves designated loans as impaired. A loan is considered impaired when based on current information and events, we determine that we will probably not be able to collect all amounts due according to the loan contract, including scheduled interest payments. When we identify a loan as impaired, we measure the impairment using discounted cash flows, except when the sole remaining source of the repayment for the loan is the liquidation of the collateral. In these cases, we use the current fair value of the collateral, less selling costs, instead of discounted cash flows. If we determine that the value of the impaired loan is less than the recorded investment in the loan, we either recognize an impairment reserve as a Specific Allowance to be provided for in the allowance for loan and lease losses or charge-off the impaired balance on collateral dependent loans if it is determined that such amount represents a confirmed loss. Loans determined to be impaired with a specific allowance are excluded from the formula allowance so as not to double-count the loss exposure. The non-accrual impaired loans as of period end have already been partially charged off to their estimated net realizable value, and are expected to be resolved over the coming quarters with no additional material loss, absent further decline in market prices.

The combination of the formula allowance component and the specific allowance component lead to an allocated allowance for loan and lease losses.

Unallocated Allowance

The Bank may also maintain an unallocated allowance amount to provide for other credit losses inherent in a loan and lease portfolio that may not have been contemplated in the credit loss factors. This unallocated amount generally comprises less than 10% of the allowance, but may be maintained at higher levels during times of deteriorating economic conditions characterized by falling real estate values. The unallocated amount is reviewed quarterly with consideration of factors including, but not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;

- Changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;

- Changes in the nature and volume of the portfolio and in the terms of loans;

- Changes in the experience and ability of lending management and other relevant staff;

- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans;

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Changes in the quality of the institution s loan review system;

Changes in the value of underlying collateral for collateral-depending loans;

The existence and effect of any concentrations of credit, and changes in the level of such concentrations;

The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institutions existing portfolio.

These factors are evaluated through a management survey of the Chief Credit Officer, Chief Lending Officers, Special Asset Manager, and Credit Review Manager. The survey requests responses to evaluate current changes in the nine qualitative factors. This information is then incorporated into our understanding of the reasonableness of the formula factors and our evaluation of the unallocated portion of the ALLL.

Management believes that the ALLL was adequate as of September 30, 2011. There is, however, no assurance that future loan losses will not exceed the levels provided for in the ALLL and could possibly result in additional charges to the provision for loan and lease losses. In addition, bank regulatory authorities, as part of their periodic examination of the Bank, may require additional charges to the provision for loan and lease losses in future periods if warranted as a result of their review. Approximately 80% of our loan portfolio is secured by real estate, and a significant decline in real estate market values may require an increase in the allowance for loan and lease losses. The U.S. recession, the housing market downturn, and declining real estate values in our markets have negatively impacted aspects of our residential development, commercial real estate, commercial construction and commercial loan portfolios. A continued deterioration in our markets may adversely affect our loan portfolio and may lead to additional charges to the provision for loan and lease losses.

The reserve for unfunded commitments (RUC) is established to absorb inherent losses associated with our commitment to lend funds, such as with a letter or line of credit. The adequacy of the ALLL and RUC are monitored on a regular basis and are based on management's evaluation of numerous factors. For each portfolio segment, these factors include:

The quality of the current loan portfolio;

The trend in the loan portfolio s risk ratings;

Current economic conditions;

Loan concentrations;

Loan growth rates;

Past-due and non-performing trends;

Evaluation of specific loss estimates for all significant problem loans;

Historical short (one year), medium (three year), and long-term charge-off rates;

Recovery experience;

Peer comparison loss rates.

There have been no significant changes to the Bank s methodology or policies in the periods presented.

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Activity in the Non-Covered Allowance for Loan and Lease Losses

The following tables summarizes activity related to the allowance for non-covered loan and lease losses by non-covered loan portfolio segment for the three and nine months ended September 30, 2011 and 2010, respectively:

(in thousands)

	Three Months Ended September 30, 2011					
	Commercial Real Estate	**Commercial**	**Residential**	**Consumer & Other**	**Unallocated**	**Total**
Balance, beginning of period	$ 61,982	$ 23,750	$ 5,154	$ 868	$ 6,041	$ 97,795
Charge-offs	(8,413)	(6,032)	(1,657)	(351)	-	(16,453)
Recoveries	2,010	346	54	91	-	2,501
Provision	5,913	1,158	3,141	339	(1,462)	9,089
Balance, end of period	$ 61,492	$ 19,222	$ 6,692	$ 947	$ 4,579	$ 92,932

	Three Months Ended September 30, 2010					
	Commercial Real Estate	**Commercial**	**Residential**	**Consumer & Other**	**Unallocated**	**Total**
Balance, beginning of period	$ 68,215	$ 19,847	$ 9,773	$ 848	$ 15,231	$ 113,914
Charge-offs	(16,311)	(12,586)	(1,873)	(648)	-	(31,418)
Recoveries	883	317	34	140	-	1,374
Provision	18,163	11,908	(28			