KAISER ALUMINUM CORP
Form DEF 14A
April 30, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12
Kaiser Aluminum Corporation
(Name of Registrant as Specified in Its Charter)
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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LETTER TO OUR STOCKHOLDERS
FROM OUR CHAIRMAN OF THE BOARD AND OUR LEAD INDEPENDENT DIRECTOR

April 30, 2019

Dear Stockholder:

On behalf of our Board of Directors and management team, thank you for your continued support of Kaiser Aluminum and your participation in this year's Annual Meeting of Stockholders. It is our pleasure to invite you to attend the Annual Meeting of Kaiser Aluminum Corporation to be held at the Company's corporate office, located at 27422 Portola Parkway, Suite 200, Foothill Ranch, California 92610, on Thursday, June 6, 2019, at 9:00 a.m., local time. While the company does not expect to make a separate presentation, our directors and officers will be present at the Annual Meeting and will be available to respond to any questions you may have.

Your vote is very important to us. Whether or not you plan to attend the Annual Meeting in person, we urge you to vote your shares as promptly as possible. Details of the business to be conducted at the Annual Meeting are included in this proxy statement, which we encourage you to read carefully. You may submit your voting instructions over the Internet or by telephone as indicated on the enclosed proxy card or by completing, signing and dating the enclosed proxy card and returning it by mail in the accompanying envelope. If you plan to attend in person, please review the information on attendance provided on page 2 of the proxy statement.

We would like to share with you several areas of particular significance in advance of our Annual Meeting and in connection with our distribution of this proxy statement:

BUSINESS STRATEGY AND PERFORMANCE HIGHLIGHTS

Our success over the years has been driven by our people and a highly focused and consistent strategy, overseen by our Board, to drive steady continuous improvement. We pursue six key strategic initiatives that align our actions with our corporate values to ensure that our long-term success is driven by practices that are economically, environmentally and socially responsible.

Advance our position as the supplier of choice	Enhance quality and depth of technical and managerial talent
Achieve and sustain a position as a low cost producer	Sustain financial strength and flexibility
Pursue profitable sales growth	Enhance our standing as a valued corporate citizen

This strategy has been successful in uniquely positioning our Company to benefit all of our stakeholders, and we are confident that this strategy will continue to drive improvement in the future. With consistent execution of these strategic priorities we have achieved a strong, industry-leading business, evidenced again in 2018 by excellent results and a number of important milestones, despite formidable headwinds. We achieved record shipments, record value-added revenue, near-record adjusted EBITDA and record adjusted net income and adjusted earnings per share. In addition, we continued to invest in our platform for further growth and efficiency, and we returned approximately $100 million to stockholders through share repurchases and dividends consistent with our capital allocation priorities.

While 2019 will present some challenges given uncertainty in aerospace and automotive demand, we remain focused on executing on our strategic initiatives to capture the full efficiency and capacity benefits from our recent Trentwood investments and to position the Company for expected strong automotive shipments growth in 2020 and 2021. We are well positioned in attractive, growing served markets, and, through a combination of capital investment and ongoing process enhancements, we expect to continue steady improvement in underlying manufacturing cost efficiency to further drive value for all of our stakeholders. Our strong balance sheet and cash flow generation will support our growth and capital deployment priorities and provide sustainability through industry cycles.

BOARD OVERSIGHT OF STRATEGY

Our Board of Directors remains actively focused on overseeing the Company’s business strategies, risk management, talent development, and succession planning and our Company’s long-term strategy development and execution. In addition to ongoing programs embedded within our enterprise risk management programs, additional areas of focus including environmental, social and governance matters, are reviewed by management with our Board of Directors annually.

By focusing on our long-term outlook, we are best able to support our common goal of creating enduring value in our company and for our stockholders. We contribute to management’s strategic plan by engaging the company's senior management in robust discussions about the company’s overall strategy, priorities for its businesses, capital allocation, risk assessment and opportunities for continued long-term growth through our regularly scheduled meetings, including a dedicated annual strategic planning session, and throughout the year.

CORPORATE GOVERNANCE AND STOCKHOLDER ENGAGEMENT

We believe effective governance means ongoing and thoughtful evaluation of our governance structure, including our Board and board committees, and constructive stockholder engagement on evolving environmental, social and governance issues. We conduct an annual corporate governance survey of management and non-management employees in order to monitor the internal perception around a broad range of topics including the company's control environment, risk mitigation and management, the use of technology, company values and the overall “tone at the top.”

Our Board of Directors values the feedback and insights gained from frequent engagement with our stockholders. In 2018, in addition to interactions regarding our financial performance, management engaged with stockholders representing approximately 55% of our outstanding shares on matters relating to our long-term business strategy and performance, corporate governance, executive compensation and corporate responsibility. We are committed to including our stockholders’ perspectives in boardroom discussions, and we believe that regular engagement with our stockholders is necessary in order to ensure thoughtful and informed consideration of those matters. We look forward to continuing to engage in productive dialogue with our stockholders in 2019 and beyond.

BOARD COMPOSITION AND SUCCESSION PLANNING

Our Board is highly independent, engaged and diverse in perspective and background as reflected by the composition of our board which is currently 90% independent and 40% gender or ethnically diverse. This structure underscores the Board’s belief that the Company is best served when it can draw upon members with a variety of perspectives to exercise strong and experienced oversight. We have a policy of encouraging diversity of gender, ethnicity, age and background, as well as a range of tenures on the board to ensure both continuity and fresh perspectives among our director nominees.

In addition, we recognize the importance of and remain committed to board refreshment and succession planning that ensures our directors possess a composite set of skills, experience and qualifications necessary to successfully review, challenge and help shape the Company’s strategic direction. We have a robust, multi-tiered self-evaluation process, which consists of annual reviews at the Board, committee and individual director levels.

In 2018, we added a new highly qualified independent director, Emily Liggett, to our board of directors. Ms. Liggett was president and chief executive officer of Nova Torque, Inc. and has management and board experience in a variety of manufacturing companies.

In 2019, as part of our board of director's continued commitment to board refreshment, Teresa Sebastian and Donald J. Stebbins, two new highly qualified individuals, have been nominated to join the board this year, reflecting a total of four new highly qualified individuals nominated to join the board in the last five years. Ms. Sebastian is President and Chief Executive Officer of The Dominion Asset Group, was previously the Senior Vice President, General Counsel, Corporate Secretary and Internal Audit executive leader, of Darden Restaurants, Inc., and is experienced in finance, mergers and acquisitions, global transactions, internal audit, governance, enterprise risk, and compliance. Mr. Stebbins is the former President and Chief Executive Officer of Superior Industries International, Inc. and has extensive automotive industry experience, as well as experience in international business, manufacturing, sales, product innovation and development, accounting and finance, and mergers and acquisitions. Upon election of the Class I directors, our board of directors would be 91% independent and 45% gender or ethnically diverse.

CORPORATE SUSTAINABILITY MATTERS

Creating sustainable value for our stakeholders is an integral part of our corporate values, the end markets we serve, how we manage our business, and what we view as just good business practices. We conduct our operations in a sound environmental manner, and, within a culture of continuous improvement, we continually seek to improve our product quality and manufacturing efficiency through process improvement and capital investments that reduce our environmental impact and, in turn, reduce the environmental impact of our customers.

We recognize that long-term excellence requires sustainable practices, and we manage our business for long-term success in a manner that is economically, environmentally and socially responsible. In furtherance of our commitment to these matters, this past year we sought to articulate our story through our inaugural 2018 Sustainability Report that captures highlights of our sustainability culture and initiatives.

- We maintain a strong focus on financial strength and flexibility and manage our liquidity and conservative capital structure to remain strong through the business and economic cycles.
- Our core values drive our strategic initiatives, which are translated into annual key process indicators focused on results, and our incentive compensation structure includes performance metrics to ensure we are aligned with our common goal of creating enduring value in our company for all of our stakeholders.
- We strive to be an employer of choice by providing equal opportunity employment and a non-discriminating workplace, protecting the health and safety of our employees, maintaining a positive and constructive relationship with our employees and their designated representatives, developing and empowering our employees and being responsible and active members of our communities.
- We believe it is important to the success of our business that we be good stewards of our environment and resources. To that end, we focus on both compliance and ensuring that we are taking the steps now to facilitate compliance in the future. Our focus on lean manufacturing processes helps us proactively mitigate our environmental footprint.

To all of our stakeholders - customers, suppliers, investors, employees and the communities in which we operate - thank you for your ongoing contribution and support. Your efforts have made Kaiser Aluminum what it is today - a highly differentiated, well-respected leader in our industry - and a company well positioned for continued growth and success in the future.

Jack A. Hockema	Alfred E. Osborne, Jr.
Chief Executive Officer and Chairman of the Board	Lead Independent Director

Kaiser Aluminum Corporation
27422 Portola Parkway, Suite 200
Foothill Ranch, CA 92610-2831

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 6, 2019

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Kaiser Aluminum Corporation will be held at the company's corporate office, located at 27422 Portola Parkway, Suite 200, Foothill Ranch, California 92610, on Thursday, June 6, 2019, at 9:00 a.m., local time, for the following purposes:

(1) To elect four members to our board of directors for three-year terms to expire at our 2022 annual meeting of stockholders;

(2) To approve, on a non-binding, advisory basis, the compensation of our named executives officers as disclosed in the accompanying Proxy Statement;

(3) To ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2019; and

(4) To consider such other business as may properly come before the Annual Meeting or any adjournments thereof.

Information concerning the matters to be acted upon at the Annual Meeting is set forth in the accompanying Proxy Statement.

The close of business on April 12, 2019 has been fixed as the record date for determining the stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof.

We urge stockholders to vote by proxy by submitting voting instructions over the Internet or by telephone as indicated on the enclosed proxy card or by completing, signing and dating the enclosed proxy card and returning it by mail in the accompanying envelope, which does not require postage if mailed in the United States.

By Order of the Board of Directors

John M. Donnan
Executive Vice President - Legal,
Compliance and Human Resources

April 30, 2019
Foothill Ranch, California

PROPOSALS AND BOARD RECOMMENDATIONS

Proposal 1 - Election of Directors

The board of directors recommends a vote "FOR ALL" of the persons nominated by the board of directors.

Additional information about each director and his or her qualifications may be found beginning on page 4.

Name	Age	Director Since	Primary Occupation	Independent	Committee Membership
Alfred E. Osborne, Jr.	74	2006	Interim Dean, UCLA Anderson School of Management	ü	Audit Executive Nominating and Corporate Governance (Chair)
Teresa Sebastian (New)	61	N/A	President and Chief Executive Officer of The Dominion Asset Group	ü	
Donald J. Stebbins (New)	61	N/A	Former President and Chief Executive Officer of Superior Industries International, Inc.	ü	
Thomas M. Van Leeuwen	62	2006	Retired Director - Senior Equity Research Analyst, Deutsche Bank Securities, Inc.	ü	Audit Executive Compensation (Chair) Nominating and Corporate Governance

Proposal 2 - Advisory Vote on Executive Compensation

The board of directors recommends a vote "FOR" the approval of the compensation of our named executive officers as disclosed in this Proxy Statement.

Additional information about executive compensation may be found beginning on page 13.

Proposal 3 - Ratification of Appointment of Independent Registered Public Accounting Firm

The board of directors recommends a vote "FOR" the ratification of the audit committee's selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2019.

Additional information about the independent registered public accounting firm may be found beginning on page 16.

PROXY STATEMENT SUMMARY

With consistent execution of our strategic priorities we have achieved a strong, industry-leading business, evidenced again in 2018 by excellent results and a number of important milestones, despite formidable headwinds. This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider. We encourage you to read the entire Proxy Statement for more information about these topics prior to voting.

COMPANY OVERVIEW	Leading North American producer of highly engineered aluminum mill products Focus on demanding applications for aerospace, automotive and general industrial end-markets Fundamental part of business model is mitigating impact of aluminum price volatility Long-standing customer relationships - original equipment manufacturers, tier 1 suppliers and metal service centers Differentiate through broad product offering and “Best in Class” customer satisfaction Significant investment in talent development throughout company
PERFORMANCE HIGHLIGHTS	Achieved key cost position with plant & equipment investments at 2x rate of depreciation Maintained financial strength through business cycle, steadily increasing quarterly dividends Invested over $750 million in organic investments and over $140 million in bolt-on acquisitions since 2007 Returned over $700 million to shareholders since 2007 Solid total stockholder return ("TSR") over extended period (outperformed direct peers and S&P 600 Materials Index) with less volatility than many other industry participants Excellent results despite significant headwinds from aerospace supply chain destocking, high contained metal and freight costs and newly authorized tariffs

RECORD			RECORD	RECORD	NEAR RECORD		RECORD
Shipments	Net Sales	Net Income	Adjusted Net Income*	Value Added Revenue*	Adjusted EBITDA*	Earnings Per Share	Adjusted Earnings Per Share*
652	$1,586	$92	$109	$828	$205	$5.43	$6.48
Million lbs	Million	Million	Million	Million	Million		

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*See Appendix A to this Proxy Statement for reconciliations of measures from generally accepted accounting principles (“GAAP”) to non-GAAP. While our use of terms such as earnings before interest, tax, depreciation and amortization (“EBITDA”) or “adjusted” are not intended to be (and should not be relied on) in lieu of the comparable caption under GAAP to which it is reconciled, those terms are intended to provide greater clarity of the impact of certain material items on the GAAP measure and are not intended to imply those terms should be excluded.

BOARD OF DIRECTORS	Diverse and independent Board Robust and multi-tiered Board and Committee annual assessment process Utilize internal resource and/or third party to facilitate Board and Committee evaluations Continuing focus on identifying critical skills needed to support company strategy and succession planning United Steelworkers ("USW") has right to nominate 40% of our Board members Elected new independent director, Emily Liggett, in 2018 with significant CEO, board and manufacturing experience

Two new highly qualified individuals have been nominated to join the board this year
Strong support for continued proactive and effective stockholder engagement (> 50% annually)

2018 CAPITAL ALLOCATION	Consistent capital allocation strategy focused on organic growth, external growth and returning cash to shareholders through dividends and share repurchases Continued investment to further manufacturing efficiency, quality and capacity Acquired Imperial Machine & Tool Co. ("IMT"), a leader in multi-material additive manufacturing and machining technologies for aerospace and defense, automotive, high-tech, and general industrial applications, to further advance capability to deliver highly engineered solutions for customers Increased quarterly dividend for the 8th consecutive year Returned approximately $100 million to shareholders through share repurchases and dividends

CONSISTENT CAPITAL ALLOCATION STRATEGY

Cash deployment track record

Invested ~$750M in the business since 2007 (~2x depreciation)

Distributed >700M to stockholders since 2007

Dividends increased each year since 2011

~6.2 million shares repurchased at an average price of $67.42

ENVIRONMENT & SUSTAINABILITY	Sustainability is an integral part of our corporate values Our business is managed for long-term success in a manner that is economically, environmentally and socially responsible Our products are part of the carbon solution, facilitating light weighting and increased fuel efficiency Aluminum is infinitely recyclable and we have continued to increase our use of recycled scrap Our investments increasing our manufacturing efficiency reduce our environmental impact and the impact of our customers Published inaugural Corporate Sustainability Report in response to feedback from stockholders in connection with our proactive engagement efforts Launched new website with enhanced environmental, social and governance disclosures Continued proactive engagement with BlueGreen Alliance, environmental groups and others

Executive Compensation	Approximately 75% of CEO and COO target compensation is “at-risk”, with >50% subject to stringent performance metrics Approximately 65% of other NEO target compensation is “at-risk”, with >50% subject to stringent performance metrics Compensation programs supported by best practices and aligned with our strategic objectives and stockholder interests Stockholder approval of compensation consistently exceeds 90%; 93% approval in 2018 Incentive plans' financial and performance metrics continue to demand increasing levels of performance as more fully described below in our Executive Compensation Highlights

EXECUTIVE COMPENSATION HIGHLIGHTS

As noted in the letter from our Chairman and Lead Independent Director, our success over the years has been driven by our people, a highly focused and consistent strategy to drive steady continuous improvement and our pursuit of six key strategic initiatives that align our actions with our corporate values to ensure that our long-term success is driven by practices that are economically, environmentally and socially responsible.

Advance our position as the supplier of choice	Enhance quality and depth of technical and managerial talent
Achieve and sustain a position as a low cost producer	Sustain financial strength and flexibility
Pursue profitable sales growth	Enhance our standing as a valued corporate citizen

Each of those initiatives have been, and continue to be, reflected in our compensation structure. As described in further detail in the “Executive Compensation - Compensation Discussion and Analysis” section of this Proxy Statement, or CD&A, our 2018 compensation structure was developed and designed to:

- align the interest of our named executive officers and stockholders by tying a significant portion of compensation to enhancing stockholder return;

- attract, motivate and retain highly experienced executives with significant industry experience vital to our short-term and long-term success, profitability and growth;

- deliver a mix of fixed and at-risk compensation with the portion of compensation at risk increasing with seniority; and

- tie our executive compensation to our ability to pay and safety, quality, delivery, cost and individual performance directly linked to our strategic initiatives.

In 2018 the compensation of our named executive officers consisted primarily of the following components:

- a base salary targeted at the 50th percentile of our compensation peer group (1) compensating each named executive officer based on the level and scope of responsibility, individual expertise and prior experience and (2) providing a fixed amount of cash compensation upon which our named executive officers can rely;

- a short-term annual cash incentive targeted at the 50th percentile of our compensation peer group (1) payable only if our company achieved a certain adjusted earnings before interest, taxes, depreciation and amortization, or Adjusted EBITDA, performance level which has continued to increase, resulting in increasingly demanding performance required to realize the same or similar payouts year-over-year, (2) adjusted based on our (a) safety performance, (b) quality performance, (c) delivery performance, (d) cost performance, and, (e) in exceptional and rare instances approved by our compensation committee, individual and group performance, and (3) capped at three times target; and

- an equity-based, long-term incentive targeted at between the 50th and 65th percentile of our compensation peer group and designed to align compensation with the interests of our stockholders and to enhance retention of our named executive officers consisting of (1) restricted stock units with three-year cliff vesting and (2) performance shares, which vest, if at all, based on our performance against demanding underlying metrics over the applicable three-year performance period.

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Because grants under our long-term incentive program are outstanding for three years, at any time we have three over-lapping long-term incentive programs outstanding and the underlying metrics applicable to the performance shares can vary as our compensation committee assesses the effectiveness of our outstanding programs, metrics critical to our long-term success and compensation trends. The following table describes the performance share metrics (described more fully below) we used for our 2016-2018, 2017-2019 and 2018-2020 long-term incentive programs:

Performance Share Metrics	2016-2018	2017-2019	2018-2020
Relative TSR	60%	40%	30%
Total Controllable Cost	40%	40%	40%
Economic Value Added		20%	30%

We benchmark our long-term incentives at between the 50th and the 65th percentiles to (1) provide more flexibility for our compensation program where necessary and appropriate, (2) facilitate our ability to address substantive differences in the roles, scope of responsibility and experience of our named executive officers when compared to the positions reflected in our compensation peer group and (3) more heavily weight the compensation of our named executive officers to appropriately emphasize the long-term equity based pay, ensure that our named executive officers maintain a stockholder perspective, directly promote retention of key executives, ensure that a substantial portion of compensation is at risk and subject to forfeiture and link awards to our overall performance and the creation of long-term stockholder value. In addition, we compete for talent with companies much larger than us and those included in our compensation peer group and these larger companies aggressively recruit the most highly qualified talent in critical functions.

Our compensation committee, working with the compensation committee's compensation consultant, Meridian Partners, LLC (referred to herein as Meridian), reviews, evaluates and updates our compensation peer group, which includes companies in both similar and different industries, at least annually. For 2018, our compensation committee approved the 34-company peer group more fully described in our CD&A section with (1) market caps ranging from $622 million to approximately $9.8 billion and a median market cap of approximately $1.8 billion and (2) revenues ranging from $638 million to approximately $3.1 billion and median revenue of approximately $1.6 billion. Due to the differences in size among the companies in our peer group, Meridian uses a regression analysis to adjust survey data results based on our revenue as compared to the revenue of other companies in our peer group.

Pay for Performance

The table below summarizes the performance metrics under our 2018 short-term incentive and 2018-2020 long-term incentive plans:

Incentive Program	Performance Metric	Weighting	Modifier	Impact on Multiplier
Short-Term Incentive Plan	Adjusted EBITDA	100%	Safety (TCIR & LCIR)	+/- 10%
			Quality	+/- 10%
			Delivery	+/- 10%
			Cost	+/- 20%
			Individual*	+/- 100%
Long-Term Incentive Plan	Total Controllable Cost	40%		
	EVA	30%		
	TSR	30%		

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* As noted, individual awards are capped at three times target and the individual modifier is only used in exceptional and rare instances approved by the compensation committee.

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The following summarizes our performance against the metrics under our 2018 short-term incentive and 2016-2018 long-term incentive plans:

2018 Short-Term Incentive
Adjusted EBITDA

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* The targets are based on the Adjusted EBITDA required to achieve the designated return on net assets (excluding cash) plus depreciation. As noted, increasing net assets and depreciation raise the year-over-year Adjusted EBITDA targets. While we achieved strong quality performance in 2018, our safety, on-time delivery and cost performance lagged and did not meet our expectations or demanding requirements, resulting in +7%, -10%, -10% and -4% modifiers, respectively, and an overall reduction of Adjusted EBITDA multiplier of 1.4 to a final multiplier of 1.2.

FEATURES

- Pay for performance
- Adjusted EBITDA target determined based on return on net assets (excluding cash) plus depreciation
- Modifiers for safety, quality, delivery and cost performance establishing a strong linkage to strategic non-financial results
- In exceptional and rare instances approved by our compensation committee, individual adjustment up to plus or minus 100% based on actual performance, including individual, facility, and/or functional area performance
- No payout unless we:
  (1) achieve the threshold Adjusted EBITDA goal
  (2) generate positive adjusted net income
- Maximum payout capped at three times the target
- Rigorous financial performance goals - target increases with investments and increasingly higher net assets and depreciation

Annual Performance Award Payouts under Short-Term Incentive Plans for our Named Executive Officers

The Adjusted EBITDA targets under our short- term incentive plan reflect the Adjusted EBITDA required to achieve 7.5%, 15% and 35% returns on our net assets (excluding cash) at the threshold, target and maximum payout levels and also recover our depreciation. As we have continued to invest in our business our net assets and depreciation have continued to grow, and, as a result, the Adjusted EBITDA targets have continued to increase each year. To that end, our Adjusted EBITDA performance at the target level increased 10% from 2017 to 2018 and 21% from 2016 to 2018.

The table on the right illustrates our annual Adjusted EBITDA performance multiplier for the last three years under our short-term incentive plans before the application of modifiers. See Appendix A to this Proxy Statement for reconciliations of GAAP to non-GAAP measures.

The Adjusted EBITDA Multiplier under our 2018 Short-Term Incentive Plan is the lowest in the last three years despite our near-record Adjusted EBITDA performance due to our annually increased Adjusted EBITDA targets. After the application of modifiers, the the final multipliers under our short-term incentive plan for 2016 ranged from 2.2 to 2.6 and the final multipliers under our short-term incentive plans for 2017 and 2018 were approximately and 1.5 and 1.2 respectively, each reflecting the impact of our performance against demanding modifiers.

2016-2018 Long-Term Incentive
Relative TSR*
Controllable Cost**

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* Relative TSR is against companies comprising the S&P 600 SmallCap Materials Sector Index. Payout capped at target if TSR is negative.

** Payout at target only if we offset underlying inflation. Payout at maximum only if we achieve 3% or more annualized cost reduction after offsetting underlying inflation.

FEATURES

Three-year performance period (2016-2018)

Include retention features by utilizing time-vested restricted stock units

Pay for performance by utilizing performance shares subject to demanding metrics

Performance metrics:
(1) 40% based on controllable cost
(2) 60% based on relative TSR

Payout for relative TSR performance is capped at target if TSR is negative

Payout at target for controllable cost performance only if we offset inflation

No windfall upon a change in control for performance shares - only shares earned based on performance through the date of the change in control will vest

Annual Performance Award Payouts under Long-Term Incentive Plans

The table below reflects our annual performance award payouts for the last three years under our long-term incentive plans. The payout under our 2016-2018 Long-Term Incentive Plan was lower primarily as result of our lower relative TSR performance against the other companies in the S&P 600 SmallCap Materials Sector Index.

Performance Period	Payout Year	Performance Metric	Weighting		Company Performance	Actual Payout as Percentage of Target	
2016-2018	2019	Relative TSR	60	%	45th Percentile	90	%
		Controllable Cost	40	%	1% Cost Reduction*	118	%
		Weighted Average				101	%
2015-2017	2018	Relative TSR	100	%	81st Percentile	170	%
2014-2016	2017	Relative TSR	100	%	63rd Percentile	126	%

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* After offsetting underlying inflation.

Performance Share Award Payouts Based on Relative TSR

The chart below illustrates the performance share award payouts based on our relative TSR performance for the 2014-2016, 2015-2017 and 2016-2018 long-term incentive programs:
Performance shares earned, if any, are based on our TSR over the underlying three year performance period compared to the other companies comprising the S&P 600 SmallCap Materials Sector Index. In considering constituents for the S&P SmallCap 600, S&P Dow Jones Indices looks for companies (1) with market capitalizations of between $450 million and $2.1 billion, (2) meeting certain float requirements, (3) with a U.S. domicile, (4) required to file SEC annual reports, and (5) listed on a major U.S. exchange, among other factors.

The beginning and ending stock prices used to determine our TSR are calculated using the 20-trading day average preceding the beginning and end of the performance period.

The performance share multiplier is determined by using straight line interpolation based on our TSR percentile ranking within our comparison group based on the table to the right:

Percentile Ranking	Multiplier
< 25th	0.0x
25th	0.5x
50th	1.0x
75th	1.5x
> 90th	2.0x

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* Reflects percentage of target. The final payout multipliers for the 2014-2016, 2015-2017 and 2016-2018 programs as a percentage of the total opportunity or maximum payout were 63%, 85% and 45%, respectively.

Performance Share Award Payout Based on Controllable Cost

Achieving and sustaining a position as a low cost producer is one of our six key strategic initiatives. For our 2016-2018 long-term incentive compensation program, 40% of the performance shares issued to our named executive officers were subject to a controllable cost performance metric that required our company to reduce controllable costs to offset underlying inflation over the three year performance period to achieve the target payout of performance shares subject to the controllable cost metric. A 9% reduction of controllable costs after offsetting underlying inflation over the same three-year period would result in payout of performance shares equal to two times target and an increase of controllable costs of 9% or more would result in no payout of performance shares subject to the controllable cost metric.

Controllable costs are generally defined as our variable conversion costs which adjust with our product volume and mix plus corporate and plant overhead. Controllable costs also (1) include benefits because we believe that management is required to take actions to influence benefit costs over the performance period and (2) exclude, among other things, major maintenance, research and development and enterprise resource planning costs to ensure that we continue to invest in the future of our company.

2018 Total CEO Compensation

As previously noted, the mix of our CEO's total target compensation is heavily weighted toward performance-based compensation with more than 75% of the total target compensation being at-risk (short- and long-term compensation), 57% of the total target compensation being long-term, and 64% of the long-term target being allocated to performance shares.

For 2018, the benchmarking performed by Meridian reflected that the total target compensation of our CEO was 5% below the median of our compensation peer group and that our CEO's (1) base salary was approximately 8% above the median base salary, (2) short-term incentive target was approximately 28% below the median and (3) long-term incentive target was approximately 6% above the median and 15% below the 65th percentile. Regressed Equilar Executive Compensation Survey data received by our compensation committee reflected similar comparisons. Using that information, the compensation committee did not increase our CEO's 2018 base salary and, instead allocated a total increase in his 2018 total target compensation of 3% to his short- and long-term incentive compensation targets to bring his short- and long-term incentive targets closer to the median levels of our compensation peer group and continue to increase his at risk-compensation and drive the alignment reflected in our compensation philosophy.

As reflected in more detail in the Summary Compensation Table in the CD&A section of this Proxy Statement, in 2018, despite excellent performance and record shipments, record value added revenue, record adjusted earnings per share, record adjusted net income and near record Adjusted EBITDA, the total compensation of our CEO decreased by 5.5% from his 2017 total compensation and decreased by 9.7% from his 2016 total compensation. The year-over-year decreases in total compensation resulted from the increasingly demanding performance metrics in both our short-term and long-term incentive compensation plans as we continue to invest in our business, grow our net assets, increase our depreciation, increase the financial returns required to achieve target performance levels for our financial metrics and increase the level of performance required by our performance metrics and modifiers.

In summary, our incentive compensation programs are designed to demand continuous improvement in our year-over-year results for our CEO and other named executive officers to realize the same year-over-year financial benefit under our incentive compensation plans. We believe that design emphasizing the importance of successful execution of each of our six key strategic initiatives is important to our long-term success and aligns the interests of our CEO and other named executive officers with our success and our stockholders.

Kaiser Aluminum Corporation
27422 Portola Parkway, Suite 200
Foothill Ranch, CA 92610-2831

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
To Be Held On June 6, 2019

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on June 6, 2019: The Proxy Statement and our Annual Report to Stockholders are available at www.envisionreports.com/kalu.

GENERAL QUESTIONS AND ANSWERS

Q: When is the Proxy Statement being sent to stockholders and what is its purpose?

A: This Proxy Statement is first being sent to our stockholders on or about May 6, 2019 at the direction of our board of directors in order to solicit proxies for our use at the Annual Meeting.

Q: When is the Annual Meeting and where will it be held?

A: The Annual Meeting will be held on Thursday, June 6, 2019, at 9:00 a.m., local time, at our corporate office, located at 27422 Portola Parkway, Suite 200, Foothill Ranch, California 92610.

Q: Who may attend the Annual Meeting?

A: All of our stockholders may attend the Annual Meeting.

Q: Who is entitled to vote?

A: Stockholders as of the close of business on April 12, 2019 are entitled to vote at the Annual Meeting. Each share of our common stock is entitled to one vote.

Q: On what am I voting?

A: You will be voting on:

- The election of four members to our board of directors to serve until our 2022 annual meeting of stockholders;
- The approval, on a non-binding, advisory basis, of the compensation of our named executive officers as disclosed in this Proxy Statement;
- The ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2019; and
- Such other business as may properly come before the Annual Meeting or any adjournments.

Q: How does the board of directors recommend that I vote?

A: The board of directors recommends that you vote your shares:

- "FOR ALL" the director nominees identified in "Proposals Requiring Your Vote - Proposal 1 - Election of Directors" below;
- "FOR" the approval , on a non-binding, advisory basis, of the compensation of our named executive officers as disclosed in this Proxy Statement; and
- "FOR" the ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2019.

Q: How can I vote?

A: You can vote in person at the Annual Meeting or you can vote prior to the Annual Meeting by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy without delay.

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Q: How do I vote by proxy?

A: If you choose to vote your shares by proxy, you have the following options:

- Over the Internet: You can vote over the Internet at the website shown on your proxy card. Internet voting will be available 24 hours a day, seven days a week, until 11:59 p.m., Eastern Time, on Wednesday, June 5, 2019.

- By telephone: You can vote by telephone by calling the toll-free number shown on your proxy card. Telephone voting will be available 24 hours a day, seven days a week, until 11:59 p.m., Eastern Time, on Wednesday, June 5, 2019.

- By mail: You can vote by mail by completing, signing and dating your proxy card and returning it in the enclosed prepaid envelope.

Q: I want to attend the Annual Meeting and vote in person. How do I obtain directions to the Annual Meeting?

A: You may obtain directions to the Annual Meeting by calling us at (949) 614-1740.

Q: What constitutes a quorum?

A: As of April 12, 2019, the record date, 16,128,768 shares of our common stock were issued and outstanding. A majority of these shares present or represented by proxy will constitute a quorum for the transaction of business at the Annual Meeting. If you properly vote by proxy by submitting your voting instructions over the Internet, by telephone or by mail, then your shares will be counted as part of the quorum. Abstentions or votes that are withheld on any matter will be counted towards a quorum but will be excluded from the vote relating to the particular matter under consideration. Broker non-votes are counted towards a quorum but are excluded from the vote with respect to the matters for which they are applicable. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power with respect to that proposal and has not received instructions with respect to that proposal from the beneficial owner. Among our proposals, brokers will have discretionary voting power only with respect to the proposal to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2019.

Q: What are the voting requirements for the proposals?

A: There are different voting requirements for the proposals.

- Each director will be elected by an affirmative vote of the majority of the votes cast with respect to the director in an uncontested election. If an incumbent director nominee receives a greater number of votes cast against his or her election than in favor of his or her election (excluding abstentions) in an uncontested election, the nominee must promptly tender his or her resignation, and the board of directors will decide, through a process managed by the nominating and corporate governance committee, whether to accept the resignation, taking into account its fiduciary duties to our company and our stockholders. The board of director's explanation of its decision will be promptly disclosed in a Form 8-K furnished to the Securities and Exchange Commission. An election of directors is considered to be contested if there are more nominees for election than positions on the board of directors to be filled by election at the meeting of stockholders. In the event of a contested election, each director will be elected by a plurality vote of the votes cast at such meeting. The election of directors at the Annual Meeting is uncontested.

- The approval of the holders of a majority of the total number of outstanding shares of our common stock present in person or represented by proxy at the Annual Meeting and actually voted on the proposal is necessary (1) to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this Proxy

Statement, and (2) to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2019. If you abstain from voting on the proposal to approve the compensation of our named executive officers as disclosed in this Proxy Statement and/or the proposal to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2019, your shares will not be counted in the vote for such proposal(s) and will have no effect on the outcome of the vote.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: As discussed above, among our proposals, brokers will have discretionary voting power only with respect to the proposal to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2019. To be sure your shares are voted, you should instruct your broker to vote your shares using the instructions provided by your broker.

Q: What will happen if the compensation of the company's named executive officers is not approved by the stockholders?

A: Because this is an advisory vote, our board of directors and compensation committee will not be bound by the approval of, or the failure to approve, the executive compensation of our named executive officers as disclosed in this Proxy Statement. The board of directors and the compensation committee, however, value the opinions that our stockholders express in their votes and will consider the outcome of the vote when determining future executive compensation programs.

Q: What will happen if the selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2019 is not ratified by the stockholders?

A: Pursuant to the audit committee charter, the audit committee of our board of directors has sole authority to appoint our independent registered public accounting firm, and the audit committee will not be bound by the ratification of, or failure to ratify, the selection of Deloitte & Touche LLP. The audit committee will, however, consider any failure to ratify the selection of Deloitte & Touche LLP in connection with the appointment of our independent registered public accounting firm the following year.

Q: Can I change my vote after I give my proxy?

A: Yes. If you vote by proxy, you can revoke that proxy at any time before voting takes place at the Annual Meeting. You may revoke your proxy by:

- voting again over the Internet or by telephone no later than 11:59 p.m., Eastern Time, on Wednesday, June 5, 2019;
- submitting a properly signed proxy card with a later date;
- delivering, no later than 5:00 p.m., Eastern Time, on Wednesday, June 5, 2019, written notice of revocation to our Secretary, c/o Computershare, P.O. Box 43126, Providence, Rhode Island 02940-5138; or
- attending the Annual Meeting and voting in person.

Your attendance alone will not revoke your proxy. To change your vote, you must also vote in person at the Annual Meeting. If you instruct a broker to vote your shares, you must follow your broker's directions for changing those instructions.

Q: What does it mean if I receive more than one proxy card?

A: If you receive more than one proxy card, it is because your shares are held in more than one account. You must vote each proxy card to ensure that all of your shares are voted at the Annual Meeting.

Q: Who will count the votes?

A: Representatives of Computershare, our transfer agent, will tabulate the votes and act as inspectors of election.

Q: How much will this proxy solicitation cost?

A: We have hired MacKenzie Partners, Inc. to assist us in the distribution of proxy materials and solicitation of votes at a cost not to exceed $10,000, plus out-of-pocket expenses. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the owners of our common stock. Our officers and regular employees may also solicit proxies, but they will not be specifically compensated for these services. In addition to the use of the mail, proxies may be solicited personally or by telephone by our employees or by MacKenzie Partners.

PROPOSALS REQUIRING YOUR VOTE

Proposal 1 - Election of Directors

General

We have a diverse and independent board of directors. Our board of directors currently has 10 members, consisting of our CEO and nine independent directors. Our current directors are:

Carolyn Bartholomew	Lauralee E. Martin
David Foster	Alfred E. Osborne, Jr., Ph.D.
L. Patrick Hassey	Jack Quinn
Jack A. Hockema	Thomas M. Van Leeuwen
Emily Liggett	Brett E. Wilcox

Mr. Hockema, our CEO, serves as our Chairman of the Board, and Dr. Osborne serves as our Lead Independent Director. If each of our Class I director nominees is elected, because Mr. Quinn is not standing for re-election at the Annual Meeting and because the new nominees, Teresa Sebastian and Donald J. Stebbins, are standing for election, our board of directors will expand from 10 to 11 members.

Our board of directors represents a breadth of experience and diversity in perspective and background, as reflected in the summary of their collective qualifications below. Additionally, our current directors have a broad range of tenures, from less than one year to almost 18 years of service, with an average tenure of approximately 12 years. We believe this balances institutional knowledge and experience with new perspectives and ideas.

Strategic Board Skills, Experience and Attributes

Public Board of Directors Experience	Industry-Specific	Economic, Regulatory and/or Policy	Diversity
Leadership /Management	Labor / Talent Management and Development	Financial / Investment	International Industrial

Our amended and restated certificate of incorporation and bylaws provide for a classified board of directors consisting of three classes. The term of our Class I directors expires at the Annual Meeting; the term of our Class II directors will expire at the 2020 annual meeting of stockholders; and the term of our Class III directors will expire at the 2021 annual meeting of stockholders.

Mr. Quinn, who was designated by the United Steel, Paper and Foresting, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC (referred to herein as the USW) as a director candidate pursuant to the terms of our Director Designation Agreement with the USW (described under “Corporate Governance - Director Designation Agreement”), has not been nominated to stand for re-election when his term ends at the Annual Meeting. Our board of directors, based on the designation by the USW and recommendation of the Nominating and Corporate Governance Committee, has nominated Ms. Sebastian to serve on our board of directors pursuant to the Director Designation Agreement. For information on Ms. Sebastian, see "— Nominees for Election as Class I Directors" below.

Board Refreshment and Director Succession Planning

During 2017, we increased the retirement age in our corporate governance guidelines from age 72 to 75. The policy now provides that unless otherwise approved by the board, no individual may be nominated for election or re-election as a director if he or she would be age 75 or older at the time the term would begin. We believe the increase in retirement age will facilitate

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retaining strategic board skills and experience as the board continues to plan for director succession and develop transition plans for the longer term.

We plan thoughtfully for director succession and board refreshment. By developing and following a long-term succession plan, the board has an ongoing opportunity to:

- evaluate the depth and diversity of experience of our board;
- constructively engage with the USW;
- expand and replace key skills and experience that support our strategies;
- build on our record of board diversity; and
- maintain a balanced mix of tenures.

The Nominating and Corporate Governance Committee also plans for the orderly succession of our independent lead director and of the chairs of our board's five committees, providing for the identification, development and transition of responsibilities.

Board Composition and Diversity

Bringing together informed directors with different perspectives, in a well-managed and constructive environment, fosters thoughtful and innovative decision-making. We have a policy of encouraging diversity of gender, ethnicity, age and background, as well as a range of tenures on the board to ensure both continuity and fresh perspectives among our directors. Our directors exhibit a balanced mix of tenures and age, and independent and diverse leadership.

Diversity (Gender or Ethnicity)	Independence
40%	90%

Nominees for Class I Directors

The nominating and corporate governance committee of our board of directors has recommended, and our board of directors has approved, the nomination of the four nominees listed below. The nominees have indicated their willingness to serve as members of the board of directors if elected; however, in case any nominee becomes unavailable for election to the board of directors for any reason not presently known or contemplated, the proxy holders have discretionary authority to vote proxies for a substitute nominee. Proxies cannot be voted for more than four nominees.

The board of directors recommends a vote "FOR ALL" of the persons nominated by the board of directors.

Set forth below is information about the Class I director nominees, including their ages, present principal occupations, other business experiences, directorships in other public companies, membership on committees of our board of directors, and reasons why each individual nominee's specific experience, qualifications, attributes or skills led the nominating and corporate governance committee to recommend, and our board of directors to conclude, that the nominee should serve as a director of the company.

Alfred E. Osborne, Jr.

Lead Independent Director

Director since: July 2006

Committees: Audit; Executive; and Nominating and Corporate Governance (Chair)

Age: 74

Other Current Public Board Memberships:

–

First Pacific Advisor family of seven funds (Capital, Crescent, International Value, New Income, Paramount, Perennial and Source Capital) (1999 - Present)

–

Nuverra Environmental Solutions, Inc. (formerly Heckmann Corporation) (2007 - Present)

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Other Affiliations:

–

Member of board of directors of Wedbush, Inc. (1998 - Present)

DESCRIPTION OF BUSINESS EXPERIENCE:

Dr. Osborne has been the Interim Dean at the UCLA Anderson School of Management since July 2018 and a Professor of Global Economics and Management since July 2008. Dr. Osborne was previously the Senior Associate Dean at the UCLA Anderson School of Management from July 2003 to June 2018 and an Associate Professor of Global Economics and Management and served as the Director of the Harold and Pauline Price Center for Entrepreneurial Studies at the UCLA Anderson School of Management.

PREVIOUS DIRECTORSHIPS:

–

Nordstrom, Inc.

–

AFH Acquisition VII, Inc.

–

EMAK Worldwide, Inc.

–

K2, Inc.

QUALIFICATIONS:

Dr. Osborne has served on many boards and board committees of public companies and investment funds over a more than 30-year period. During that time, Dr. Osborne worked extensively on the development of board and director best practices, as well as director training and governance programs sponsored by the UCLA Anderson School of Management. Dr. Osborne was one of the original directors selected by a search committee (referred to herein as the search committee) to serve as a director of our company upon our emergence from chapter 11 bankruptcy in 2006 and was selected because of his public company experience and governance background. During his service on our board of directors, Dr. Osborne has gained an understanding of our company and the environment in which we operate. Dr. Osborne's experience as a director of public companies, as a member of various board committees of public companies, and as an educator in the fields of business management and corporate governance allow him to draw on his experience and offer guidance to our board of directors and management on issues that affect our company, including governance and board best practices.

Teresa Sebastian (New)

Age: 61

Other Affiliations:

–

Member Board of Directors, Assemble Sound, a private company

–

Member Board of Directors and Chair of Audit Committee, The United Negro College Fund

–

Member Dean’s Advisory Council, University of Michigan School of Literature Sciences and Arts

DESCRIPTION OF BUSINESS EXPERIENCE:

Ms. Sebastian has been the President and Chief Executive Officer of The Dominion Asset Group, an angel investment and venture capital firm, since June 2015, an adjunct professor for accounting and enterprise risk management at Vanderbilt Law School since August 2017, and an adjunct professor for governance and compliance at the University of Michigan Law School since August 2016. Ms. Sebastian was previously the Senior Vice President, General Counsel, Corporate Secretary and Internal Audit executive leader, of Darden Restaurants, Inc, a publicly held multi-brand restaurant operator, from October 2010 to March 2015.

Before joining Darden Restaurants, Ms. Sebastian served as Vice President at Veyance Technologies, Inc., a manufacturer and marketer of engineered rubber products, Senior Vice President at Information Resources, Inc., a provider of information, analytics and insights, and held leadership roles in senior management in two regulated companies, DTE Energy Company, and CMS Energy Corporation. She also held positions in financial analysis at Michigan Consolidated Gas Co., Morgan Stanley, and Bank of America.

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QUALIFICATIONS:

The board of directors nominated Ms. Sebastian because of her broad experience and background in management, expertise in corporate governance and matters relating to the Sarbanes-Oxley Act, risk management and compliance, and experience in a wide variety of industries, including manufacturing, finance and data technology. Ms. Sebastian has significant experience in public and private company capital raising, mergers and acquisitions, and global transactions. Her service as a board member of a private company, chair of an audit committee for one of the largest non-profits in the U.S., executive position as leader of internal audit, professorship of accounting, and positions in financial analysis, reinforce her qualification as an SEC audit committee financial expert and understanding of our company's financial statements to provide guidance and insight to our board of directors and management regarding business, risk management, accounting and financial issues. Ms. Sebastian was designated by the United Steel, Paper and Foresting, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC (referred to herein as the USW) as a director candidate pursuant to the terms of our Director Designation Agreement with the USW (described under "Corporate Governance - Director Designation Agreement") in connection with the Annual Meeting.

Donald J. Stebbins (New)

Age: 61

Other Current Public Board Memberships:

–
Snap-on Tools (2015 - Present)

DESCRIPTION OF BUSINESS EXPERIENCE:

Mr. Stebbins served as President and Chief Executive Officer, and also as a director, of Superior Industries International, Inc. ("Superior"), a manufacturer of aluminum wheels for the automotive industry, from May 2014 to December 2018. For two years prior to joining Superior, Mr. Stebbins provided consulting services to various private equity firms. Mr. Stebbins previously served as Chairman, President and Chief Executive Officer of Visteon Corporation, an automotive components manufacturer, from 2008 until 2012, after having served as Visteon's President and Chief Operating Officer prior to that time. Before joining Visteon, Mr. Stebbins held various positions with increasing responsibility at Lear Corporation, a supplier of automotive seating and electrical distribution systems, including President and Chief Operating Officer–Europe, Asia and Africa, President and Chief Operating Officer–Americas, and Senior Vice President and Chief Financial Officer. Mr. Stebbins holds a Bachelor of Science degree in finance from Miami University and a Master of Business Administration degree from the University of Michigan.

PREVIOUS DIRECTORSHIPS:

–
Superior Industries International, Inc. (2014-2018)
–
WABCO Holdings, Inc. (2007-2016)
–
ITT Corporation (2012-2014)
–
Visteon Corporation (2006-2012)

QUALIFICATIONS:

The board of directors nominated Mr. Stebbins because of his board and chief executive officer experience and, among his other qualifications, he possesses experience and/or expertise in the automotive industry, international business, manufacturing, sales, product innovation/development, operations, accounting/finance (including as a chief financial officer), mergers and acquisitions, strategy development, executive compensation and leadership development.

Thomas M. Van Leeuwen

Director since: July 2006

Committees: Audit; Executive; Compensation (Chair); and Nominating and Corporate Governance

Age: 62

DESCRIPTION OF BUSINESS EXPERIENCE:

Prior to his retirement in 2002, Mr. Van Leeuwen served as a Director - Senior Equity Research Analyst for Deutsche Bank Securities Inc. Mr. Van Leeuwen also previously served as a Director - Senior Equity Research Analyst for Credit Suisse First Boston and as First Vice President of Equity Research with Lehman Brothers. Mr. Van Leeuwen held the positions of research analyst with Sanford C. Bernstein & Co., Inc. and systems analyst with The Procter & Gamble Company. Mr. Van Leeuwen is also a Chartered Financial Analyst.

QUALIFICATIONS:

Mr. Van Leeuwen was selected by the search committee to serve as a director of our company upon our emergence from chapter 11 bankruptcy in 2006 because of his experience working with investment banks, including as an analyst in the aluminum industry. Mr. Van Leeuwen's experience as an equity research analyst and service as a director of our company since 2006 allow him to provide guidance and insight to our board of directors and management with respect to financial analyses of our company, whether generated internally or externally, as well as other financial issues, and with respect to the investment community's understanding of our company. He also qualifies as an audit committee financial expert.

Continuing Directors

Set forth below is information about our continuing directors, including their ages, present principal occupations, other business experiences, directorships in other public companies, membership on committees of our board of directors, and reasons why each individual director's specific experience, qualifications, attributes or skills led our board of directors to conclude that the director should serve on our board of directors.

Class II Directors
Carolyn Bartholomew

Director since: June 2007

Committees: Audit and Nominating and Corporate Governance

Age: 61

DESCRIPTION OF BUSINESS EXPERIENCE:

Ms. Bartholomew has served as Commissioner of the U.S.-China Economic and Security Review Commission since April 2003 and its Chairman since January 2019. Ms. Bartholomew also served as its Chairman in 2015 and 2017 and as its Vice-Chairman in 2016 and 2018. From October 2012 to April 2014, Ms. Bartholomew also served as Vice President - Development and Corporate Initiatives of the BlueGreen Alliance. In that role, she developed strategies for funding and initiatives to create and strengthen relationships between business and the labor and environmental communities on issues of shared interest. She was also a Visiting Professor at Antioch University New England from 2011 to December 2018. Ms. Bartholomew also served as Legislative Director, District Director and Chief of Staff to Congresswoman Nancy Pelosi from 1987 to 2003.

QUALIFICATIONS:

Ms. Bartholomew's experience in Washington, D.C., and with the U.S.-China Economic and Security Review Commission and the BlueGreen Alliance, allow her to provide guidance and insight to our board of directors and management regarding government relations, policy and appropriations for defense and other government funded programs that utilize our products, and our efforts to expand into Chinese markets and effectively compete with Chinese manufacturers, as well as environmental, regulatory and labor initiatives potentially impacting U.S.-based manufacturers. Pursuant to the terms of the Director Designation Agreement, Ms. Bartholomew was designated by the USW to fill a vacancy on our board of directors in 2007 and as a director candidate in connection with our 2008, 2011, 2014 and 2017 annual meetings of stockholders.

Jack A. Hockema

CEO and Chairman of the Board

Director since: 2001

Committees: Executive (Chair)

Age: 72

DESCRIPTION OF BUSINESS EXPERIENCE:

For information as to Mr. Hockema, see "Executive Officers" below.

QUALIFICATIONS:

Mr. Hockema's substantial experience with our company and in the metals industry allows him to provide a unique perspective to our board of directors regarding our business and strategic direction for our company.

PREVIOUS DIRECTORSHIPS:

– Superior Industries International, Inc. (2014-2018)
– Clearwater Paper Corporation (2008 - 2009)

Lauralee E. Martin

Director since: September 2010

Committees: Audit (Chair); Compensation; Executive; and Talent Development

Age: 68

Other Affiliations

– Member of board of directors of QuadReal Property Group

DESCRIPTION OF BUSINESS EXPERIENCE:

Ms. Martin served as Chief Executive Officer and President of HCP, Inc., a real estate investment trust focusing on properties serving the healthcare industry, from October 2013 to July 2016. Prior to joining HCP, Inc., Ms. Martin served as Chief Executive Officer of the Americas Division of Jones Lang LaSalle, Inc., a financial and professional services firm specializing in real estate services and investment management, from January 2013 to October 2013. She served as Executive Vice President and Chief Financial Officer of Jones Lang LaSalle from January 2002 and was appointed Chief Operating and Financial Officer in October 2005 and served in that capacity until January 2013. She joined Jones Lang LaSalle after 15 years with Heller Financial, Inc., a commercial finance company with international operations, where she was Vice President, Chief Financial Officer, Senior Group President, and President of the Real Estate group. Prior to joining Heller Financial, Ms. Martin held certain senior management positions with General Electric Credit Corporation.

PREVIOUS DIRECTORSHIPS:

– ABM Industries (2015 - 2019)

– HCP, Inc. (2008 - 2016)

– Jones Lang LaSalle, Inc. (2005 - 2013)

– KeyCorp (2003 - 2010)

– Gable Residential Trust (1994 - 2015)

QUALIFICATIONS:

Having served as both the chief financial officer and the head of the real estate lending group at Heller Financial and having served as the chief operating and financial officer for Jones Lang LaSalle for more than seven and 12 years, respectively, as well as having served as the Chief Executive Officer of the Americas division of Jones Lang LaSalle, Inc. and being the Chief Executive Officer of HCP, Inc., Ms. Martin has significant experience in all aspects of corporate financial and operational matters, including the oversight of complex financial, accounting and corporate infrastructure functions. Her service as a member of the boards of directors of two real estate investment trusts and a major bank holding company have reinforced those qualifications and also have deepened her expertise in corporate governance and matters relating to the Sarbanes-Oxley Act. Ms. Martin also has a deep foundation in evaluating acquisition opportunities, managing banking relationships and investor relations. Ms. Martin's experience and background, qualification as an audit committee financial expert, and understanding of our company's financial statements allow her to provide guidance and insight to our board of directors and management regarding business, strategic, accounting and financial issues.

Brett E. Wilcox

Director since: July 2006

Committees: Audit; Executive; Compensation; and Talent Development (Chair)

Age: 65

DESCRIPTION OF BUSINESS EXPERIENCE:

Mr. Wilcox has served as Chief Executive Officer of Cv ictus, a Canadian company developing a single cell protein and related production process to substitute for soybean meal and fishmeal in animal feed, since September 2018 and has been an active investor in, on the board of directors of, or an executive consultant for, a number of metals and energy companies since 2005. From June 2005 to December 2011, Mr. Wilcox served as Chief Executive Officer of Summit Power Alternative Resources where he managed the development of wind generation and new energy technologies. Prior to that, Mr. Wilcox served as: Chief Executive Officer of Golden Northwest Aluminum Company and its predecessors. Mr. Wilcox has also served as Executive Director of Direct Services Industries, Inc., a trade association of large aluminum and other energy-intensive companies; an attorney with Preston, Ellis & Gates in Seattle, Washington; Vice Chairman of the Oregon Progress Board; Chairman of the Oregon Economic and Community Development Commission; a member of the Oregon Governor's Comprehensive Review of the Northwest Regional Power System; and a member of the Oregon Governor's Task Forces on structure and efficiency of state government, employee benefits and compensation, and government performance and accountability.

QUALIFICATIONS:

Mr. Wilcox was selected by the search committee to serve as a director of our company upon our emergence from chapter 11 bankruptcy in 2006 because of his business and financial background and experience, including his experience as the Chief Executive Officer of Golden Northwest Aluminum Company and its predecessors, his experience working successfully with the USW and his experience in the power industries, and because of his qualification as an audit committee financial expert. Mr. Wilcox was designated by the USW as a director candidate in connection with the search process, and, pursuant to the terms of the Director Designation Agreement, Mr. Wilcox was designated by the USW as a director candidate in connection with our 2008, 2011, 2014 and 2017 annual meetings of stockholders. Mr. Wilcox's experience as a chief executive officer, his financial expertise, his experience in the aluminum and energy industries, and his working relationship with the USW allow him to offer guidance and insight to our board of directors and management on business, finance, strategic and labor issues.

Class III Directors
David Foster

Director since: June 2009

Committees: Nominating and Corporate Governance, and Talent Development

Age: 71

Other affiliations:
–
Member of board of directors of Evraz North America, d/b/a Oregon Steel Manufacturing

DESCRIPTION OF BUSINESS EXPERIENCE:

Since May 2017, Mr. Foster has served as Distinguished Associate of Energy Futures Initiative, a non-profit organization conducting objective, fact-based and rigorous technical, economic, financial and policy analyses supported by a multidisciplinary network of experts. Mr. Foster is also a consultant to the Massachusetts Institute of Technology, working on the Roosevelt Project, a three-year research project focused on energy technology and economic development.

Mr. Foster was Senior Advisor to the Office of the Secretary of the U.S. Department of Energy from June 2014 to January 2017. Prior to that, Mr. Foster was Executive Director of BlueGreen Alliance, a strategic national partnership between labor unions and environmental organizations to expand the job-creating potential of the green economy and improve the rights of workers at home and around the world, from June 2006 to June 2014 and an adjunct faculty member of the University of Minnesota from January 2003 to June 2014. Mr. Foster was also previously a director of the USW for District #11.

QUALIFICATIONS:

The board of directors nominated Mr. Foster because of his extensive labor experience representing the USW and with the BlueGreen Alliance which allows him to provide guidance and insight to the board and management regarding labor relations, including with the USW, relations with our hourly workforce, the impact of environmental and regulatory initiatives on US based manufacturers and sustainability. Mr. Foster was designated by the USW as a director candidate pursuant to the terms of our Director Designation Agreement in connection with our 2009, 2012, 2015 and 2018 annual meetings of stockholders. However, his experience with our company exceeds 20 years and includes his former role as the primary USW negotiator of our master labor agreement with the USW prior to joining our board of directors.

L. Patrick Hassey

Director since: September 2014

Committees: Compensation, and Talent Development

Age: 73

DESCRIPTION OF BUSINESS EXPERIENCE:

Prior to his retirement in May 2011, Mr. Hassey served as Chairman and Chief Executive Officer of ATI, a global leader in the production of specialty materials for the aerospace, chemical and oil and gas industries, where he was elected to the board of directors in July 2003, appointed as the President and Chief Executive Officer in October 2003, and became Chairman in May 2004. Mr. Hassey served as ATI's President until August 2010.

Before joining ATI, Mr. Hassey served as Executive Vice President and as a member of the corporate executive committee of Alcoa, as Executive Vice President of Alcoa and Group President of Alcoa Industrial Components, and as Executive Vice President of Alcoa and President of Alcoa Europe, Inc.

QUALIFICATIONS:

The board of directors nominated Mr. Hassey because of his extensive experience and background and qualification as a chief executive officer in the aluminum and specialty metal industries which allows him to provide guidance and insight to the board of directors and management regarding business and strategic issues.

PREVIOUS DIRECTORSHIPS:

– Ryder System, Inc. (2005 - 2018)
– Alpha Natural Resources (2012 - 2016)
– Allegheny Technologies Incorporated (referred to herein as ATI) (2003 - 2011)

Emily Liggett

Director since: June 2018

Committees: Audit

Age: 63

Other Public Board Memberships:

– Ultra Clean Holdings

Other Affiliations:

– Member of Advisory Board of Purdue University School of Engineering

DESCRIPTION OF BUSINESS EXPERIENCE:

Ms. Liggett has served as a strategy consultant and business advisor for technology-based businesses since 2017.

Ms. Liggett was president and chief executive officer of NovaTorque, Inc., a manufacturer of high-efficiency electric motor systems, from March 2009 until December 2016, when it was acquired by Regal Beloit. She previously served as president and chief executive officer of Apexon, Inc., a provider of supply chain optimization software solutions for global manufacturers, from 2004 to 2007. Ms. Liggett served as president and chief executive officer of Capstone Turbine Corporation, a provider of microturbine systems for clean, continuous distributed energy generation, from 2002 to 2003 and, prior to that, held various management and executive roles at Raychem Corporation (acquired by Tyco International in 1999) from 1984 to 2001, including corporate vice president of Raychem and managing director of Tyco Ventures.

Ms. Liggett holds a bachelor of science in chemical engineering from Purdue University, a master’s of science in engineering and manufacturing systems from Stanford University and a master’s degree in business administration from the Stanford University Graduate School of Business.

QUALIFICATIONS:

The board of directors nominated Ms. Liggett because of her chief executive officer, management and board experience in a variety of manufacturing companies, as well as her experience managing worldwide businesses, partnerships and international joint ventures. She also has public company and private company operating and board experience, and expertise in strategy, operations, new product development, sales, marketing, and business development.

PREVIOUS DIRECTORSHIPS:

–
MTS Systems Corporation (2010-2016)

–
Immersion Corporation (2005-2011)

–
Capstone Turbine (2002-2003)

Director Not Standing for Re-Election

Set forth below is information about our director who is not standing for re-election at this year's annual meeting, including his age, present principal occupation, other business experience, directorships in other public companies, membership on committees of our board of directors, and reasons why his specific experience, qualifications, attributes or skills led our board of directors to conclude that he should serve on our board of directors.
Jack Quinn

Director since: July 2006

Committees: Compensation and Nominating and Corporate Governance

Age: 68

Other Affiliations:
–
Trustee of the AFL-CIO Housing Investment Trust (2005 - Present)

DESCRIPTION OF BUSINESS EXPERIENCE:

Mr. Quinn has served as Senior Advisor for Public and Community Relations of Barclay Damon LLP since September 2017. Mr. Quinn was President of Erie Community College in Buffalo, New York from April 2008 to June 2017. From September 2013 to December 2013, Mr. Quinn was Commissioner of the Tax Relief Commission, which was formed to investigate and explore methods to reduce taxes for New York residents under the state's 2014 budget plan. From January 2013 to March 2013, Mr. Quinn was Commissioner of the Hurricane Sandy Task Force for the State of New York, assisting the state in securing federal funding for the repairs of damages caused by Hurricane Sandy. Mr. Quinn was previously the President of Cassidy & Associates, a government relations firm which assists clients promoting policy and appropriations objectives in Washington, D.C. with a focus on transportation, aviation, railroad, highway, infrastructure, corporate and industry clients. Mr. Quinn served as a United States Congressman for the State of New York. While in Congress, Mr. Quinn was Chairman of the Transportation and Infrastructure Subcommittee on Railroads. He was also a senior member of the Transportation Subcommittees on Aviation, Highways and Mass Transit. In addition, Mr. Quinn was Chairman of the Executive Committee in the Congressional Steel Caucus. Prior to his election to Congress, Mr. Quinn served as supervisor of the town of Hamburg, New York.

QUALIFICATIONS:

Mr. Quinn was selected by the search committee to serve as a director of our company upon our emergence from chapter 11 bankruptcy in 2006 because of his background and experience in Washington, D.C. Mr. Quinn was designated by the USW as a director candidate in connection with the search process, and pursuant to the terms of the Director Designation Agreement, Mr. Quinn was designated by the USW as a director candidate in connection with our 2007, 2010, 2013 and 2016 annual meetings of stockholders. During his service on our board of directors, Mr. Quinn has gained an understanding of our company and the environment in which we operate. Mr. Quinn's experience in Washington, D.C., including as a U.S. Congressman, and his working relationship with the USW allow him to offer guidance and insight to our board of directors and management regarding government relations, policy and appropriations for defense and other government funded programs that utilize our products and labor relations.

Proposal 2 - Advisory Vote on Executive Compensation

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and Section 14A of the Securities Exchange Act of 1934, referred to herein as the Exchange Act, we ask stockholders to vote annually on a non-binding, advisory resolution regarding executive compensation. The vote is not intended to address any specific component of our executive compensation program, but rather the overall compensation of our named executive officers as described in this Proxy Statement. The text of the resolution is as follows:

RESOLVED, that the compensation paid to the named executive officers of Kaiser Aluminum Corporation, as described in the proxy statement for the company's 2019 annual meeting of stockholders pursuant to Item 402 of Regulation S-K (which disclosure includes the "Executive Compensation - Compensation Discussion and Analysis" section and the Summary Compensation Table and other compensation tables and related narrative discussion within the "Executive Compensation" section), is hereby APPROVED.

In 2018, we had excellent results and a number of important milestones despite formidable headwinds, achieving record shipments, record value added revenue, near-record Adjusted EBITDA, record adjusted net income and record adjusted earnings per share. In addition, we continued to invest in our business for further growth and efficiency and we returned approximately $100 million to our stockholders through share repurchases and dividends consistent with our capital allocation priorities.

As described in further detail in the CD&A section, our 2018 compensation structure was developed and designed to drive results and:

- align the interest of our named executive officers and stockholders by tying a significant portion of compensation to enhancing stockholder return;
- attract, motivate and retain highly experienced executives vital to our short-term and long-term success, profitability and growth;
- deliver a mix of fixed and at-risk compensation with the portion of compensation at risk increasing with seniority; and
- tie our executive compensation to our ability to pay and safety, quality, delivery, cost and individual performance.

The compensation committee reviewed our compensation program for 2018. The review included consideration of stockholder feedback, the 93% approval of our 2017 advisory vote on executive compensation, discussions with Meridian and management regarding existing and contemplated market practices, as well as the structure and objectives of each component of our compensation. Upon completion of that review, the compensation committee determined that the compensation of our named executive officers would consisted primarily of the following components:

- a base salary targeted at the 50th percentile of our compensation peer group (1) compensating each named executive officer based on the level of responsibility, individual expertise and prior experience and (2) providing a fixed amount of cash compensation upon which our named executive officers can rely;
- a short-term annual cash incentive targeted at the 50th percentile of our compensation peer group (1) payable only if our company achieves a certain Adjusted EBITDA performance level which has continued to increase, resulting in increasingly demanding performance to realize the same or similar payouts year-over-year as more fully described below, (2) adjusted based on (a) our safety performance based on our total case incident rate, or TCIR, which is the average number of work-related injuries incurred by 100 workers during a one-year period, as well as lost-time case incident rate, or LCIR, which is the average number work-related injuries that resulted in lost or restricted days or job transfer incurred by 100 workers during a one-year period, (b) our quality performance based on our no-fault claim rate, (c) delivery performance based on our on-time delivery rate, (d) cost performance based on our manufacturing efficiency, and (e) in exceptional and rare instances approved by the compensation committee, individual performance based on individual, facility, and/or functional performance, and (3) capped at three times target; and
- an equity-based, long-term incentive targeted at between the 50th and 65th percentile of our compensation peer group and designed to align compensation with the interests of our stockholders and to enhance retention of our named executive officers consisting of (1) restricted stock units with three-year cliff vesting and (2) performance shares, 30% of which that vest, if at all, based on our TSR, compared to the TSR of our peers in the S&P SmallCap 600 Materials Index, 40% of which that vest, if at all, based on our total controllable cost performance, and 30% of which that vest, if at all, based on our economic value added, or EVA, each over the 2018-2020 performance period.

We benchmark our long-term incentives at between the 50th and the 65th percentiles to (1) provide more flexibility for our compensation program where necessary and appropriate, (2) facilitate our ability to address substantive differences in the roles, scope of responsibility and experience of our named executive officers when compared to the positions reflected in our compensation peer group and (3) more heavily weight the compensation of our named executive officers to appropriately emphasize the long-term equity based pay, ensure that our named executive officers maintain a stockholder perspective, directly promote retention of key executives, ensure that a substantial portion of compensation is at risk and subject to forfeiture and link awards to our overall performance and the creation of long-term stockholder value. In addition, we compete for talent with companies much larger than us and those included in our compensation peer group and these larger companies aggressively recruit the most highly qualified talent in critical functions.

Our compensation committee, working with Meridian, reviews, evaluates and updates our compensation peer group, which includes companies in both similar and different industries, at least annually. For 2018, our compensation committee approved the 34-company peer group more fully described in our CD&A with (1) market caps ranging from $622 million to approximately $9.8 billion and a median market cap of approximately $1.8 billion and (2) revenues ranging from $638 million to approximately $3.1 billion and median revenue of approximately $1.6 billion. Due to the differences in size among the companies in our peer group, Meridian uses a regression analysis to adjust survey data results based on our revenue as compared to the revenue of other companies in our peer group.

For 2018, the benchmarking performed by Meridian reflected that the total compensation of our CEO was 5% below the median of our compensation peer group and our CEO's (1) base salary was approximately 8% above the median base salary, (2) short-term incentive target was approximately 28% below the median, and (3) long-term incentive target was approximately 6% above the median and 15% below the 65th percentile. Using that information and based on the recommendation of our CEO, the compensation committee did not increase the base salary of our CEO in 2018 and instead allocated a total increase in his total target compensation of 3% to his short- and long-term incentive targets to bring his targets closer to the median levels of our compensation peer group and continue to increase the percentage of his total compensation target that is at risk. The compensation committee also approved 3% increases in the base salary and short- and long-term incentive targets of each of our remaining named executive officers.

We no longer maintain a defined benefit pension plan or retiree medical program that covers members of senior management. Retirement benefits to our senior management, including our named executive officers, are provided through a defined contribution retirement program consisting of a 401(k) plan (which we refer to as our Savings Plan) and a nonqualified and unsecured deferred compensation plan (which we refer to as our Restoration Plan) intended to restore benefits that would be payable to designated participants in our Savings Plan but for the limitations on benefit accruals and payments imposed by the Internal Revenue Code of 1986 (referred herein as the Code).

For 2018, approximately 75% of the target total compensation of our CEO and our chief operating officer ("COO"), and approximately 63% to 68% of the target total compensation of our other named executive officers, consisted of at-risk compensation, which we define as compensation that either (1) will be realized, if at all, only if certain financial performance levels are achieved as in the case of our annual short-term incentive and the portion of our long-term incentive consisting of performance shares or (2) is time-based as in the case of the portion of our long-term incentive compensation consisting of restricted stock units.

Our compensation structure also supports our corporate governance practices, which further align the interests of senior management and our stockholders. The table below sets forth the best practice compensation features we have adopted as of 2018.

Best Practice Compensation Features

What We Do ü		What We Don't Do û	
ü	DO align pay and performance by linking a significant portion of total compensation to company performance, including financial, safety, quality, delivery and cost performance, as well as individual performance	û	NO compensation or incentives that encourage unnecessary or excessive risk taking
ü	DO balance both short-term (one-year) and long-term (three-year) performance across our incentive programs	û	NO repricing or buyout of "underwater" stock options or appreciation rights without stockholder approval
ü	DO enhance retention with time-based, three-year cliff vesting for restricted stock unit awards	û	NO pledging of our securities
ü	DO subject the vesting of 50% (64% for our CEO and 67% for our COO) of long-term incentive awards to performance targets based on relative TSR, controllable cost and EVA, each over a three-year performance period	û	NO hedging or speculative transactions involving our securities
ü	DO maintain rigorous stock ownership guidelines (6x base salary/based retainer for CEO, COO and non-employee directors and 3x for other executive officers)	û	NO guaranteed payout for cash incentive compensation
ü	DO maintain a clawback policy for both equity and cash awards	û	NO excessive perquisites or other benefits
ü	DO cap payouts for awards under both of our short- and long-term incentive plans	û	NO evergreen equity plan provisions
ü	DO appoint a compensation committee comprised solely of independent directors	û	NO dividend equivalents on unearned performance shares
ü	DO use an independent compensation consultant		

We believe our incentive compensation programs are designed to demand continuous improvement in our year-over-year results for our named executive officers to realize the same year-over-year financial benefit under our compensation plans. We also believe that design emphasizing the importance of successful execution of each of our six key strategic initiatives is important to our long-term success and aligns the interests of our named executive officers with our stockholders.

We urge our stockholders to review our CD&A which describes our compensation philosophy and programs in detail and to approve the compensation of our named executive officers. While this vote on executive compensation is non-binding and solely advisory in nature, our board of directors and the compensation committee value the opinions of our stockholders and will consider the outcome of the vote when determining future executive compensation programs. At our 2018 annual meeting, the advisory vote on our named executive officer compensation received the approval of approximately 93% of the votes cast.

The board of directors recommends a vote "FOR" the approval of the compensation of our named executive officers as disclosed in this Proxy Statement.

Proposal 3 - Ratification of the Selection of our Independent Registered Public Accounting Firm

Pursuant to the audit committee charter, the audit committee has the sole authority to retain an independent registered public accounting firm for our company. The board of directors requests that the stockholders ratify the audit committee's selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2019.

The audit committee will not be bound by the ratification of, or failure to ratify, the selection of Deloitte & Touche LLP, but the audit committee will consider any failure to ratify the selection of Deloitte & Touche LLP in connection with the appointment of our independent registered public accounting firm for 2020.

The board of directors recommends a vote "FOR" the ratification of the audit committee's selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2019.

CORPORATE GOVERNANCE

Our board of directors is responsible for providing effective governance over the affairs of our company. Our corporate governance practices are designed to align the interests of our board of directors and management with those of our stockholders and to promote honesty, integrity and our corporate values throughout the company. Highlights of our corporate governance practices are described below.

A copy of the current charter, as approved by our board of directors, for each of the executive committee, audit committee, compensation committee, nominating and corporate governance committee and talent development committee, and a copy of each of our corporate governance guidelines and our code of business conduct and ethics, which applies to all of our employees, including our executive officers, are available on our website at www.kaiseraluminum.com under "Investor Relations - Corporate Governance." Furthermore, we will post any amendments to our code of business conduct and ethics, or waivers of the code for our directors or executive officers, on our website at www.kaiseraluminum.com under "Investors- Corporate Governance."

Corporate Governance Highlights

Highlights of our corporate governance practices are described below:

Board Structure	ü	Highly independent - 90% of the directors are independent; 100% of the audit committee, compensation committee and nominating and corporate governance committee are independent
	ü	Diverse in perspective and background - 40% of the directors are gender or ethnically diverse
	ü	Strong independent lead director
Board Practices and Policies	ü	Robust annual board and committee assessments with external and/or internal resources
	ü	Majority vote standard in uncontested director elections
	ü	Executive session of independent directors at every in-person meeting without management present
	ü	Commitment to board refreshment - Two new highly qualified individuals have been nominated to join the board this year, for a total of four highly qualified individuals nominated to join the board in the last five years
	ü	Directors are prohibited from serving on more than three other boards of public companies or public investment funds without board approval
	ü	Strong equity ownership and retention requirements for directors
Stockholder Engagement	ü	Regular engagement by management with stockholders to discuss our performance, governance structure, compensation practices and approach to sustainability, as well as other matters

Board Leadership Structure

Mr. Hockema, our CEO, serves as the Chairman of the Board, and Dr. Osborne serves as our Lead Independent Director. We believe that Mr. Hockema's experience with our company and in the metals industries, the independence of the other directors, our governance structure and the interaction between and among Mr. Hockema, our Lead Independent Director and the other directors make our board leadership structure the most appropriate for our company and our stockholders. As a result of his substantial experience with our company and in the metals industries, Mr. Hockema is uniquely qualified to provide clear leadership for our company and a single point of accountability.

Our corporate governance guidelines and governance structure require a Lead Independent Director to be selected by a majority of the independent directors, thereby ensuring that there is independent leadership within our board of directors and allowing our independent directors to function as a body distinct from management and to evaluate the performance of Mr. Hockema and our management independently and objectively. The responsibilities of our Lead

Independent Director include:

- establishing the agenda for executive sessions;
- calling a meeting of independent directors upon the request of a majority of independent directors;
- serving as a liaison between our independent directors and our CEO;
- presiding at meetings of our independent directors;
- soliciting advice and input from our independent board members; and

- routinely meeting and conferring with our CEO to address comments, issues and areas of interest expressed or identified by our independent directors, to assess the governance of our board of directors and our company, and to review board responsibilities, meeting schedules, meeting agenda and information requested or otherwise provided to our directors routinely or in connection with meetings of our board of directors.

(762,398) (743,801) (763,194) (711,369)

Average tangible shareholders equity

$496,193 $495,890 $490,797 $489,286

NET INTEREST INCOME

Net interest income is the largest source of our operating income. Net interest income for the three months ended June 30, 2008 was $73.5 million, an increase of $1.2 million or 2% over the same period in 2007. Net interest income for the three months ended June 30, 2008 was negatively impacted by the $1.4 million reversal of interest income on non-accrual loans during the quarter. Net interest income for the six months ended June 30, 2008 was $143.6 million, an increase of $2.9 million or 2% over the same period in 2007. Net interest income for the six months ended June 30, 2008 was negatively impacted by the $1.6 million reversal of interest income on non-accrual loans during the period. The results for the three and six months ended June 30, 2008 as compared to the same periods in 2007 are attributable to growth in outstanding average interest-earning assets, primarily loans and leases, offset by both growth in interest-bearing liabilities, primarily money-market, time deposits and term debt, and a decrease in net interest margin. In addition to organic growth, the North Bay merger, which was completed on April 26, 2007, contributed to the increase in interest-earning assets and interest-bearing liabilities in the three and six months ended June 30, 2008 over the same period in 2007. The fair value of interest-earning assets acquired as a result of the North Bay merger totaled $523.5 million, and interest-bearing liabilities totaled $572.2 million.

The net interest margin (net interest income as a percentage of average interest-earning assets) on a fully tax-equivalent basis was 4.15% for the three months ended June 30, 2008, a decrease of 19 basis points as compared to the same period in 2007. The decreased yield on interest-earning assets of 110 basis points in the three months ended June 30, 2008 primarily resulted from the recent reductions in the prime rate. This decline was partially offset by the decrease in our interest expense to earning assets of 91 basis points from the lower costs of interest bearing deposits. The $1.4 million reversal of interest income on non-accrual loans in the quarter contributed to a 8 basis point decline in the tax equivalent net interest margin during the quarter. The net interest margin on a fully tax-equivalent basis was 4.06% for the six months ended June 30, 2008, a decrease of 34 basis points as compared to the same period in 2007. The decreased yield on interest-earning assets of 99 basis points in the six months ended June 30, 2008 primarily resulted from the recent reductions in the prime rate. This decline was partially offset by the decrease in our interest expense to earning assets of 65 basis points from the lower costs of interest bearing deposits. The $1.6 million reversal of interest income on non-accrual loans over the six months ending June 30, 2008 contributed to a 4 basis point decline in the tax equivalent net interest margin compared to the same period in 2007.

Our net interest income is affected by changes in the amount and mix of interest-earning assets and interest-bearing liabilities, as well as changes in the yields earned on interest-earning assets and rates paid on deposits and borrowed funds. The following tables presents condensed average balance sheet information, together with interest income and yields on average interest-earning assets, and interest expense and rates paid on average interest-bearing liabilities for the three and six months ended June 30, 2008 and 2007:

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Average Rates and Balances (Quarterly)

(dollars in thousands)

	Three months ended June 30, 2008			Three months ended June 30, 2007		
	Average Balance	Interest Income or Expense	Average Yields or Rates	Average Balance	Interest Income or Expense	Average Yields or Rates
INTEREST-EARNING ASSETS:						
Loans and leases (1)	$ 6,115,204	$ 97,963	6.44%	$ 5,792,915	$ 111,797	7.74%
Taxable securities	892,619	10,998	4.93%	746,720	8,808	4.72%
Non-taxable securities (2)	173,171	2,432	5.62%	148,072	1,873	5.06%
Temporary investments (3)	17,538	87	2.00%	48,142	616	5.13%
Total interest earning assets	7,198,532	111,480	6.23%	6,735,849	123,094	7.33%
Allowance for loan and lease losses	(85,782)			(65,468)		
Other assets	1,208,212			1,170,041		
Total assets	$ 8,320,962			$ 7,840,422		
INTEREST-BEARING LIABILITIES:						
Interest-bearing checking and savings accounts	$ 3,202,150	$ 12,870	1.62%	$ 3,057,077	$ 22,990	3.02%
Time deposits	1,969,899	18,598	3.80%	1,824,422	21,591	4.75%
Federal funds purchased and repurchase agreements	95,152	495	2.09%	88,484	824	3.74%
Term debt	230,641	2,011	3.51%	70,364	813	4.63%
Junior subordinated debentures	234,100	3,216	5.53%	211,832	4,022	7.62%
Total interest-bearing liabilities	5,731,942	37,190	2.61%	5,252,179	50,240	3.84%
Non-interest-bearing deposits	1,248,093			1,271,311		
Other liabilities	82,336			77,241		
Total liabilities	7,062,371			6,600,731		
Shareholders equity	1,258,591			1,239,691		
Total liabilities and shareholders equity	$ 8,320,962			$ 7,840,422		
NET INTEREST INCOME (2)		$ 74,290			$ 72,854	
NET INTEREST SPREAD			3.62%			3.49%
AVERAGE YIELD ON EARNING ASSETS (1), (2)			6.23%			7.33%
INTEREST EXPENSE TO EARNING ASSETS			2.08%			2.99%

NET INTEREST INCOME TO EARNING ASSETS OR NET INTEREST MARGIN (1), (2)	4.15%	4.34%

(1) Non-accrual loans and mortgage loans held for sale are included in the average balance.

(2) Tax-exempt income has been adjusted to a tax equivalent basis at a 35% tax rate. The amount of such adjustment was an addition to recorded income of approximately $755,000 and $538,000 for the three months ended June 30, 2008 and 2007, respectively.

(3) Temporary investments include federal funds sold and interest-bearing deposits at other banks.

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Average Rates and Balances (Year-to-Date)

(dollars in thousands)

	Six months ended June 30, 2008			Six months ended June 30, 2007		
	Average Balance	**Interest Income or Expense**	**Average Yields or Rates**	**Average Balance**	**Interest Income or Expense**	**Average Yields or Rates**
INTEREST-EARNING ASSETS:						
Loans and leases (1)	$ 6,098,785	$ 202,115	6.66%	$ 5,597,026	$ 215,778	7.77%
Taxable securities	884,716	20,405	4.61%	702,951	16,392	4.66%
Non-taxable securities (2)	173,460	4,844	5.59%	133,520	3,622	5.42%
Temporary investments (3)	21,612	290	2.70%	58,368	1,510	5.22%
Total interest earning assets	7,178,573	227,654	6.38%	6,491,865	237,302	7.37%
Allowance for loan and lease losses	(85,115)			(62,839)		
Other assets	1,210,844			1,121,191		
Total assets	$ 8,304,302			$ 7,550,217		
INTEREST-BEARING LIABILITIES:						
Interest-bearing checking and savings accounts	$ 3,257,037	$ 31,046	1.92%	$ 2,953,992	$ 43,773	2.99%
Time deposits	1,956,401	40,047	4.12%	1,785,236	41,839	4.73%
Federal funds purchased and repurchase agreements	96,322	1,244	2.60%	71,580	1,227	3.46%
Term debt	170,943	3,136	3.69%	39,672	893	4.54%
Junior subordinated debentures	235,088	7,138	6.11%	208,952	7,885	7.61%
Total interest-bearing liabilities	5,715,791	82,611	2.91%	5,059,432	95,617	3.81%
Non-interest-bearing deposits	1,249,360			1,215,069		
Other liabilities	85,160			75,061		
Total liabilities	7,050,311			6,349,562		
Shareholders equity	1,253,991			1,200,655		
Total liabilities and shareholders equity	$ 8,304,302			$ 7,550,217		
NET INTEREST INCOME (2)		$ 145,043			$ 141,685	
NET INTEREST SPREAD			3.47%			3.56%
AVERAGE YIELD ON EARNING ASSETS (1), (2)			6.38%			7.37%
INTEREST EXPENSE TO EARNING ASSETS			2.32%			2.97%

NET INTEREST INCOME TO EARNING ASSETS OR NET INTEREST MARGIN (1), (2)	4.06%	4.40%

(1) Non-accrual loans and mortgage loans held for sale are included in the average balance.

(2) Tax-exempt income has been adjusted to a tax equivalent basis at a 35% tax rate. The amount of such adjustment was an addition to recorded income of approximately $1.5 million and $1.1 million for the six months ended June 30, 2008 and 2007, respectively.

(3) Temporary investments include federal funds sold and interest-bearing deposits at other banks.

The following table sets forth a summary of the changes in tax equivalent net interest income due to changes in average asset and liability balances (volume) and changes in average rates (rate) for the three and six months ended June 30, 2008 as compared to the same periods in 2007. Changes in tax equivalent interest income and expense, which are not attributable specifically to either volume or rate, are allocated proportionately between both variances.

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Rate/Volume Analysis (Quarterly)

(in thousands)

	Three months ended June 30, 2008 compared to 2007 Increase (decrease) in interest income and expense due to changes in		
	Volume	**Rate**	**Total**
INTEREST-EARNING ASSETS:			
Loans and leases	$ 5,959	$ (19,793)	$ (13,834)
Taxable securities	1,784	406	2,190
Non-taxable securities (1)	338	221	559
Temporary investments	(270)	(259)	(529)
Total (1)	7,811	(19,425)	(11,614)
INTEREST-BEARING LIABILITIES:			
Interest-bearing checking and savings accounts	1,044	(11,164)	(10,120)
Time deposits	1,623	(4,616)	(2,993)
Repurchase agreements and federal funds	58	(387)	(329)
Term debt	1,441	(243)	1,198
Junior subordinated debentures	391	(1,197)	(806)
Total	4,557	(17,607)	(13,050)
Net increase in net interest income (1)	$ 3,254	$ (1,818)	$ 1,436

(1) Tax exempt income has been adjusted to a tax equivalent basis at a 35% tax rate.

Rate/Volume Analysis (Year-to-Date)
(in thousands)

	Six months ended June 30, 2008 compared to 2007 Increase (decrease) in interest income and expense due to changes in		
	Volume	**Rate**	**Total**
INTEREST-EARNING ASSETS:			
Loans and leases	$ 18,286	$ (31,949)	$ (13,663)
Taxable securities	4,194	(181)	4,013
Non-taxable securities (1)	1,112	110	1,222
Temporary investments	(691)	(529)	(1,220)
Total (1)	22,901	(32,549)	(9,648)
INTEREST-BEARING LIABILITIES:			
Interest-bearing checking and savings accounts	4,133	(16,860)	(12,727)
Time deposits	3,793	(5,585)	(1,792)
Repurchase agreements and federal funds	364	(347)	17

Term debt	2,437	(194)	2,243
Junior subordinated debentures	912	(1,659)	(747)
Total	11,639	(24,645)	(13,006)
Net increase in net interest income (1)	$ 11,262	$ (7,904)	$ 3,358

(1) Tax exempt income has been adjusted to a tax equivalent basis at a 35% tax rate.

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PROVISION FOR LOAN AND LEASE LOSSES

The provision for loan and lease losses was $25.1 million and $40.3 million for the three and six months ended June 30, 2008, compared to $3.4 million and $3.5 million for the same periods in 2007. As an annualized percentage of average outstanding loans, the provision for loan losses recorded for the three and six months ended June 30, 2008 was 1.66% and 1.33% as compared to 0.24% 0.13% in the same periods in 2007.

The increase in the provision for loan and lease losses in the three and six months ended June 30, 2008 as compared to the same periods in 2007 is principally attributable to an increase in non-performing loans and leases and downgrades within the portfolio related primarily to the housing market downturn and its impact on our residential development portfolio, and the increase in loans charged-off during the year.

The Company identified $24.2 million of impairment related to non-accrual loans as of June 30, 2008, which had been specifically reserved as estimates for potential future loss. Prior to the second quarter, the Company recognized the charge-off of an impairment reserve when the loan was resolved, sold, or foreclosed and transferred to other real estate owned. Due to declining real estate values in our markets, it is increasingly likely that an impairment reserve on collateral dependent real estate loan represents a confirmed loss. As a result, in the second quarter, the Company began recognizing the charge-off of impaired loans within the period when it arises for collateral dependent loans. Therefore, the non-accrual loans of $94.7 million as of June 30, 2008 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.

The provision for loan and lease losses is based on management s evaluation of inherent risks in the loan portfolio and a corresponding analysis of the allowance for loan and lease losses. Additional discussion on loan quality and the allowance for loan and lease losses is provided under the heading *Asset Quality and Non-Performing Assets* below.

NON-INTEREST INCOME

Non-interest income in the three months ended June 30, 2008 was $17.1 million, an increase of $1.2 million, or 8%, as compared to the same period in 2007. Non-interest income in the six months ended June 30, 2008 was $46.1 million, an increase of $16.2 million, or 54%, as compared to the same period in 2007. The following table presents the key components of non-interest income for the three and six months ended June 30, 2008 and 2007:

Non-Interest Income

(in thousands)

	Three months ended June 30,				Six months ended June 30,			
	2008	2007	Change Amount	Change Percent	2008	2007	Change Amount	Change Percent
Service charges on deposit accounts	$ 8,819	$ 8,148	$ 671	8%	$ 17,196	$ 15,200	$ 1,996	13%
Brokerage commissions and fees	2,070	2,679	(609)	-23%	4,245	5,096	(851)	-17%
Mortgage banking revenue, net	3,687	2,607	1,080	41%	1,817	4,406	(2,589)	-59%
Net gain on sale of investment securities	(2)	(2)	-	0%	3,899	3	3,896	NM
Proceeds from Visa mandatory partial redemption	-	-	-	NM	12,633	-	12,633	NM
Other income	2,554	2,498	56	2%	6,321	5,190	1,131	22%
Total	$ 17,128	$ 15,930	$ 1,198	8%	$ 46,111	$ 29,895	$ 16,216	54%

NM - Not meaningful

The increase in deposit service charges in 2008 over the same periods in 2007 is principally attributable to increased volume of deposit accounts. Brokerage commissions and fees declined as a result of deteriorating conditions in the trading market during 2008, as compared to the same periods in 2007. The increase in mortgage banking revenue for the three months ended June 30, 2008 compared to the same quarter of the prior year primary resulted from the difference between the $1.8 million gain and $237,000 gain on the MSR asset, respectively. The decrease in mortgage banking revenue for the six months ended June 30, 2008 compared to the same period of the prior year primary resulted from the $2.4 million realized loss on the MSR hedge due to significant market volatility in the first quarter of 2008. The Company realized a $3.9 million gain in the first quarter of 2008 on sale of investment securities as part of a repositioning of the investment portfolio to reduce the weighted average life in response to the current economic outlook. Other income for the three months ended June 30, 2008 included a $3.2 million gain on the junior subordinated debentures measured at fair value as a result of widening spreads for comparable new issuances, offset by a $2.9 million loss on impairment or sales of other real estate owned. This compares to a $279,000 gain on the junior subordinated debentures measured at fair value and no loss on impairment or sale of other real estate owned for the three months ended June 30, 2007. Other income for the six months ended June 30, 2008 included a $4.8 million gain on the junior subordinated debentures measured at fair value as a result of widening

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spreads for comparable new issuances, offset by a $3.5 million loss on impairment or sales of other real estate owned. This compares to a $608,000 gain on the junior subordinated debentures measured at fair value and no loss on impairment or sale of other real estate owned for the six months ended June 30, 2007.

Other income also increased from the completion of the Visa initial public offering and subsequent mandatory partial redemption of shares with proceeds of $12.6 million. As part of this offering, Visa also established a $3.0 billion escrow account to cover settlements, the resolution of pending litigation and related claims (covered litigation).

The Company s remaining 468,659 shares of Visa Class B common stock are restricted and may not be transferred until the later of (1) three years from the date of the initial public offering or (2) the period of time necessary to resolve the covered litigation. A conversion ratio of 0.71429 was established for the conversion rate of Class B shares into Class A shares. If the funds in the escrow account are insufficient to settle all the covered litigation, Visa may sell additional Class A shares, use the proceeds to settle litigation, and further reduce the conversion ratio. If funds remain in the escrow account after all litigation is settled, the Class B conversion ratio will be increased to reflect that surplus. As of June 30, 2008, the value of the Class A shares was $81.31 per share. The value of unredeemed Class A equivalent shares owned by the Company was $27.2 million as of June 30, 2008, and has not been reflected in the accompanying financial statements.

NON-INTEREST EXPENSE

Non-interest expense for the three months ended June 30, 2008 was $51.4 million, a decrease of $2.5 million or 5% compared to the three months ended June 30, 2007. Non-interest expense for the six months ended June 30, 2008 was $98.3 million, a decrease of $5.6 million or 5% compared to the six months ended June 30, 2007. The following table presents the key elements of non-interest expense for the three and six months ended June 30, 2008 and 2007:

Non-Interest Expense

(in thousands)

	Three months ended June 30,				Six months ended June 30,			
	2008	2007	Change Amount	Change Percent	2008	2007	Change Amount	Change Percent
Salaries and employee benefits	$ 27,668	$ 28,898	$ (1,230)	-4%	$ 55,912	$ 57,167	$ (1,255)	-2%
Net occupancy and equipment	9,149	8,782	367	4%	18,265	17,608	657	4%
Communications	1,610	1,683	(73)	-4%	3,388	3,486	(98)	-3%
Marketing	1,137	1,576	(439)	-28%	1,908	2,423	(515)	-21%
Services	4,368	4,598	(230)	-5%	9,075	9,202	(127)	-1%
Supplies	730	808	(78)	-10%	1,395	1,588	(193)	-12%
Intangible amortization	1,491	1,490	1	0%	2,982	2,633	349	13%
Merger-related expenses	-	2,383	(2,383)	-100%	-	2,937	(2,937)	-100%
Visa litigation	-	-	-	NM	(5,183)	-	(5,183)	NM
Other	5,285	3,727	1,558	42%	10,572	6,913	3,659	53%
Total	$ 51,438	$ 53,945	$ (2,507)	-5%	$ 98,314	$ 103,957	$ (5,643)	-5%

NM - Not meaningful

Salaries and employee benefits have decreased despite the effects of the North Bay acquisition in April 2007. The decline in salaries, communications, marketing, services and supplies expense are a result of aggressive cost saving initiatives implemented in late 2007. Net occupancy and equipment increased reflecting 10 new banking locations as a result of the North Bay acquisition in April 2007 and the addition of three de novo branches in 2007. The increase in intangible amortization for the six months ending June 30, 2008 as compared to the prior year same period is due to the increase in core deposit and other intangibles as a result of the North Bay acquisition. We also incur significant expenses in connection with the completion and integration of bank acquisitions that are not capitalizable. Classification of expenses as merger-related is done in accordance with the provisions of a Board-approved policy. The merger-related expenses incurred in 2007 related to the North Bay Bancorp acquisition.

In connection with Visa establishing a $3.0 billion litigation escrow account from the proceeds of their initial public offering, the Company reversed a $5.2 million reserve in the first quarter of 2008, reflected as a reduction of other non-interest expense. We were required to recognize an estimate of Visa s pending litigation settlements in the fourth quarter of 2007 based on our ownership position prior to their initial public company. Now that the offering is complete and an escrow litigation account funded, we were able to reverse the accrual. Excluding the reversal of the litigation accrual, other non-interest expense increased due to expenses related to other real estate owned of $151,000 and $675,000 for the three and six months ended June 30, 2008, respectively, and FDIC deposit insurance assessments of $1.1 million and $2.4 million for the three and six months ended June 30, 2008, respectively. For the three and six months ended June 30, 2007, there were no expenses in conjunction with other real estate owned and the Company utilized a one-time FDIC assessment credit resulting in no expense for the period.

INCOME TAXES

Our consolidated effective tax rate as a percentage of pre-tax income for the three and six months ended June 30, 2008 was 27.9% and 31.8%, compared to 35.5% and 35.7% for the three and six months ended June 30, 2007. The effective tax rates were below the federal statutory rate of 35% and the apportioned state rate of 5% (net of the federal tax benefit) principally because of non-taxable income arising from bank-owned life insurance, income on tax-exempt investment securities, tax credits arising from low income housing investments, Business Energy tax credits and exemptions related to loans and hiring in designated enterprise zones.

FINANCIAL CONDITION

INVESTMENT SECURITIES

Trading securities consist of securities held in inventory by Strand for sale to its clients and securities invested in trust for former employees of acquired institutions as required by agreements. Trading securities were $2.1 million at June 30, 2008, as compared to $2.8 million at December 31, 2007.

Investment securities available for sale decreased $52.4 million to $998.3 million as of June 30, 2008, as compared to December 31, 2007. This decrease is principally attributable to purchases of $355.8 million of investment securities available for sale, offset by the proceeds from the sales and maturities of $395.1 million of investment securities available for sale (of which $3.9 million represents net gains on sale), and a decrease in fair value of investment securities available for sale of $12.4 million.

Investment securities held to maturity were $5.1 million as of June 30, 2008, as compared to $6.0 million at December 31, 2007. This decrease is principally attributable to paydowns and maturities of investment securities held to maturity.

The following table presents the available for sale and held to maturity investment securities portfolio by major type as of June 30, 2008 and December 31, 2007:

Investment Securities Composition

(in thousands)

	Investment Securities Available for Sale			
	June 30, 2008		December 31, 2007	
	Fair Value	%	Fair Value	%
U.S. Treasury and agencies	$ 137,587	14%	$ 158,432	15%
Mortgage-backed securities and collateralized mortgage obligations	670,098	67%	672,344	64%
Obligations of states and political subdivisions	164,853	17%	169,994	16%
Other debt securities	948	0%	967	0%
Investments in mutual funds and other equity securities	24,821	2%	49,019	5%
Total	$ 998,307	100%	$ 1,050,756	100%

	Investment Securities Held to Maturity			
	June 30, 2008		December 31, 2007	
	Amortized Cost	%	Amortized Cost	%
Obligations of states and political subdivisions	$ 4,540	89%	$ 5,403	90%
Mortgage-backed securities and collateralized mortgage obligations	200	4%	227	4%

Other investment securities		375	7%		375	6%
Total	$	5,115	100%	$	6,005	100%

Unrealized loss in the investment portfolio was $16.9 million at June 30, 2008. This consisted primarily of unrealized loss on mortgage backed securities and collateralized mortgage obligations of $9.6 million, unrealized loss on an intermediate mortgage mutual fund of $5.7 million and unrealized loss on obligations of states and political subdivisions of $1.7 million. The unrealized

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losses were primarily caused by interest rate increases subsequent to the purchase of the securities, and not credit quality.

LOANS AND LEASES

Total loans and leases outstanding at June 30, 2008 were $6.1 billion, an increase of $55.9 million as compared to year-end 2007. The pace of loan growth slowed from the prior period primarily as a result of the economic downturn experienced in some of the communities we serve. The following tables present the concentration distribution of our loan portfolio at June 30, 2008 and December 31, 2007:

Loan Concentrations

(in thousands)

	June 30, 2008		December 31, 2007	
	Amount	**Percentage**	**Amount**	**Percentage**
Construction and development	$ 1,083,499	17.7%	$ 1,202,173	19.9%
Farmland	99,269	1.6%	94,687	1.6%
Home equity credit lines	235,483	3.9%	196,895	3.3%
Single family first lien mortgage	194,232	3.2%	200,570	3.3%
Single family second lien mortgage	27,334	0.4%	29,451	0.5%
Multifamily	147,979	2.4%	155,855	2.6%
Commercial real estate	3,050,458	49.9%	2,918,056	48.0%
Total real estate secured	4,838,254	79.1%	4,797,687	79.2%
Commercial and industrial	1,121,753	18.4%	1,108,774	18.3%
Agricultural production	63,131	1.0%	61,165	1.0%
Consumer	35,872	0.6%	37,865	0.6%
Leases	40,839	0.7%	40,207	0.7%
Other	23,042	0.4%	21,226	0.4%
Deferred loan fees, net	(11,403)	-0.2%	(11,289)	-0.2%
Total loans	$ 6,111,488	100.0%	$ 6,055,635	100.0%

ASSET QUALITY AND NON-PERFORMING ASSETS

Non-performing loans, which include non-accrual loans and accruing loans past due over 90 days, totaled $98.6 million, or 1.61% of total loans, at June 30, 2008, as compared to $91.1 million, or 1.50% of total loans, at December 31, 2007. Non-performing assets, which include non-performing loans and foreclosed real estate (other real estate owned), totaled $104.4 million, or 1.25% of total assets, as of June 30, 2008, as compared to $98.0 million, or 1.18% of total assets, as of December 31, 2007. This represents an 8% increase in non-performing loans and a 6% increase in non-performing assets since December 31, 2007.

Loans are classified as non-accrual when collection of principal or interest is doubtful generally if they are past due as to maturity or payment of principal or interest by 90 days or more unless such loans are well-secured and in the process of collection. Additionally, all loans that are impaired in accordance with SFAS No. 114, *Accounting by Creditors for the Impairment of a Loan,* are considered for non-accrual status. Loans placed on non-accrual will typically remain on non-accrual status until all principal and interest payments are brought current and the prospects for future payments in accordance with the loan agreement appear relatively certain. Foreclosed properties held as other real estate owned are recorded at the lower of the recorded investment in the loan or market value of the property less expected selling costs. Other real estate owned at June 30, 2008 totaled $5.8 million and consisted of 7 properties.

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The following table summarizes our non-performing assets as of June 30, 2008 and December 31, 2007:

Non-Performing Assets

(dollars in thousands)

	June 30, 2008	December 31, 2007
Loans on nonaccrual status	$ 94,666	$ 81,317
Loans past due 90 days or more and accruing	3,911	9,782
Total non-performing loans	98,577	91,099
Other real estate owned	5,826	6,943
Total non-performing assets	$ 104,403	$ 98,042
Allowance for loan losses	$ 73,721	$ 84,904
Reserve for unfunded commitments	1,112	1,182
Allowance for credit losses	$ 74,833	$ 86,086
Asset quality ratios:		
Non-performing assets to total assets	1.25%	1.18%
Non-performing loans to total loans	1.61%	1.50%
Allowance for loan losses to total loans	1.21%	1.40%
Allowance for credit losses to total loans	1.22%	1.42%
Allowance for credit losses to total non-performing loans	76%	94%

The following table summarizes our non-performing assets by region as of June 30, 2008:

Non-Performing Assets by Region

(dollars in thousands)

	June 30, 2008		
	Oregon/ Washington	California	Total
Loans on nonaccrual status	$ 20,371	$ 74,295	$ 94,666
Loans past due 90 days or more and accruing	1,922	1,989	3,911
Total non-performing loans	22,293	76,284	98,577
Other real estate owned	4,036	1,790	5,826
Total non-performing assets	$ 26,329	$ 78,074	$ 104,403

At June 30, 2008, $71.5 million of the total $94.7 million of non-accrual loans were residential development loans. These loans, a subset of the construction and development category, have been adversely impacted by the housing market downturn. The following table is a geographic distribution of the residential development portfolio:

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Residential Development Loans

(dollars in thousands)

			June 30, 2008			
	December 31, 2007	March 31, 2008	Outstanding Balance	Non-accrual loans	Remaining balance	Remaining average loan balance
Northwest Oregon	$ 237,780	$ 201,368	$ 158,588	$ 4,366	$ 154,222	$ 871
Central Oregon	57,933	56,346	51,594	2,050	49,544	1,270
Southern Oregon	50,437	48,220	44,781	4,503	40,278	671
Washington	45,206	42,519	36,324	5,645	30,679	1,058
Greater Sacramento	167,245	146,140	135,648	32,188	103,460	924
Northern California	115,604	87,424	74,730	22,744	51,986	553
Total	$ 674,205	$ 582,017	$ 501,665	$ 71,496	$ 430,169	$ 842
Quarterly change amount		$ (92,188)	$ (80,352)			
Quarterly change amount		-14%	-14%			

At June 30, 2008, $44.5 million of loans were classified as restructured as compared to no loans at December 31, 2007. The restructurings were granted in response to borrower financial difficulty, and generally provide for a temporary modification of loan repayment terms. While all of the restructured loans as of June 30, 2008 were classified as impaired, only $18.0 million were placed on non-accrual.

A decline in the economic conditions in our general market areas or other factors could adversely impact individual borrowers or the loan portfolio in general. Accordingly, there can be no assurance that loans will not become 90 days or more past due, become impaired or placed on non-accrual status, restructured or transferred to other real estate owned in the future.

ALLOWANCE FOR LOAN AND LEASE LOSSES AND RESERVE FOR UNFUNDED COMMITMENTS

The allowance for loan and lease losses (ALLL) totaled $73.7 million at June 30, 2008, a decrease from the $84.9 million at December 31, 2007. The following table shows the activity in the ALLL for the three and six months ending June 30, 2008 and 2007:

Allowance for Loan and Lease Losses

(in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Balance, beginning of period	$ 86,560	$ 60,263	$ 84,904	$ 60,090
Acquisitions	-	5,078	-	5,078
Provision for loan and lease losses	25,137	3,413	40,269	3,496
Loans charged-off	(38,752)	(870)	(52,722)	(1,583)
Charge-off recoveries	776	839	1,270	1,642
Net (charge-offs) recoveries	(37,976)	(31)	(51,452)	59
Total allowance for loan and lease losses	73,721	68,723	73,721	68,723

Reserve for unfunded commitments	1,112	1,273	1,112	1,273
Allowance for credit losses	$ 74,833	$ 69,996	$ 74,833	$ 69,996
As a percentage of average loans and leases (annualized):				
Net (charge-offs) recoveries	-2.51%	-0.00%	-1.70%	0.00%
Provision for loan and lease losses	1.66%	0.24%	1.33%	0.13%

The decrease in the allowance for loan and lease losses as of June 30, 2008 is a result of the increase in charge-offs in 2008. The increase in charge-offs is primarily driven by two factors. First, the significant slowdown in the housing industry which has affected our residential development portfolio, resulted in an increase in non-performing loans and related charge-offs. Of the $52.7 million in charge-offs year-to-date, $40.6 million are residential development related. The second factor involves the timing of charge-offs on collateral dependent impaired loans. The Company establishes reserves within the allowance for loan and lease loss for specifically identified impairments on non-accrual loans. Prior to the second quarter, the Company recognized the charge-off of an impairment

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reserve when the loan was resolved, sold, or foreclosed and transferred to other real estate owned. Due to declining real estate values in our markets, it is increasingly likely that an impairment reserve on collateral dependent real estate loan represents a confirmed loss. As a result, in the second quarter, the Company began recognizing the charge-off of the impaired loans within the period when it arises for collateral dependent loans. Depending on the characteristics of a loan, the fair value of collateral is estimated by obtaining external appraisals. The Company identified $24.2 million of impairment related to non-accrual loans as of June 30, 2008. These amounts were charged-off in the current quarter. Therefore, the non-accrual loans of $94.7 million as of June 30, 2008 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. The increase in non-performing loans and charge-offs combined has led to an increased provision for loan and lease losses during the three and six months ended June 30, 2008, as compared to the same periods in 2007. Additional discussion on the increase in provision for loan and lease losses is provided under the heading *Provision for Loan and Lease Losses* above.

The following table presents a summary of activity in the reserve for unfunded commitments (RUC):

Summary of Reserve for Unfunded Commitments Activity

(in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2008	**2007**	**2008**	**2007**
Balance, beginning of period	$ 1,141	$ 1,231	$ 1,182	$ 1,313
Acquisitions	-	134	-	134
Net decrease credited to other expenses	(29)	(92)	(70)	(174)
Balance, end of period	$ 1,112	$ 1,273	$ 1,112	$ 1,273

We believe that the ALLL and RUC at June 30, 2008 are sufficient to absorb losses inherent in the loan portfolio and credit commitments outstanding as of that date, respectively, based on the best information available. This assessment, based in part on historical levels of net charge-offs, loan growth, and a detailed review of the quality of the loan portfolio, involves uncertainty and judgment. Therefore, the adequacy of the ALLL and RUC cannot be determined with precision and may be subject to change in future periods. 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.

MORTGAGE SERVICING RIGHTS

The following table presents the key elements of our mortgage servicing rights asset for the three and six months ended June 30, 2008 and 2007, respectively:

Summary of Mortgage Servicing Rights

(in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2008	**2007**	**2008**	**2007**
Balance, beginning of period	$ 8,640	$ 9,524	$ 10,088	$ 9,952
Additions for new mortgage servicing rights capitalized	1,136	205	1,611	343
Changes in fair value:				
Due to changes in model inputs or assumptions(1)	1,276	905	617	895
Other(2)	524	(668)	(740)	(1,224)

Balance, end of period	$ 11,576	$ 9,966	$ 11,576	$ 9,966
Balance of loans serviced for others	$ 922,039	$ 897,696		
MSR as a percentage of serviced loans	1.26%	1.11%		

(1) Principally reflects changes in discount rates and prepayment speed assumptions, which are primarily affected by changes in interest rates.
(2) Represents changes due to collection/realization of expected cash flows over time.

As of June 30, 2008, we serviced residential mortgage loans for others with an aggregate outstanding principal balance of $922.0 million for which servicing assets have been recorded. Prior to the adoption of SFAS No.156 on January 1, 2007, the servicing asset recorded at the time of sale was amortized over the term of, and in proportion to, net servicing revenues. Subsequent to adoption, the

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mortgage servicing rights are adjusted to fair value quarterly with the change recorded in mortgage banking revenue.

In the fourth quarter of 2007, the Company began using derivative instruments to hedge the risk of changes in the fair value of MSR due to changes in interest rates. Starting in late February 2008 and continuing into March 2008, the bond markets experienced extraordinary volatility. This volatility resulted in widening spreads and price declines on the derivative instruments that were not offset by corresponding gains in the MSR asset. As a result, a $2.4 million charge was recognized within mortgage banking revenue in the first quarter of 2008. In March, the Company suspended the MSR hedge, given the continued volatility.

GOODWILL AND CORE DEPOSIT INTANGIBLE ASSETS

At June 30, 2008, we had goodwill and other intangible assets of $723.0 million and $38.7 million, respectively, as compared to $723.3 million and $41.6 million, respectively, at year-end 2007. The goodwill recorded in connection with acquisitions represents the excess of the purchase price over the estimated fair value of the net assets acquired. A portion of the purchase price is allocated to the value other intangible assets such as the merchant servicing portfolio or core deposits, which included all deposits except certificates of deposit. The value of other intangible assets was determined by a third party based on the net present value of future cash flows for the merchant servicing portfolio and an analysis of the cost differential between the core deposits and alternative funding sources for the core deposit intangible.

We amortize other intangible assets on an accelerated or straight-line basis over an estimated ten to fifteen year life. Substantially all of the goodwill is associated with our community banking operations. We evaluate goodwill for possible impairment on a quarterly basis and determined no impairment should be recognized for the three and six months ended June 30, 2008 and 2007.

DEPOSITS

Total deposits were $6.4 billion at June 30, 2008, a decrease of $229.4 million as compared to year-end 2007. The decline resulted primarily from reductions in deposits held by title and 1031 exchange companies a result of the slowing real estate segment of our economy and government agencies carrying lower balances. Information on average deposit balances and average rates paid is included under the *Net Interest Income* section of this report.

The following table presents the deposit balances by major category as of June 30, 2008 and December 31, 2007:

Deposits

(in thousands)

	June 30, 2008		December 31, 2007	
	Amount	**Percentage**	**Amount**	**Percentage**
Non-interest bearing	$ 1,256,236	20%	$ 1,272,872	19%
Interest bearing demand	773,866	12%	820,122	12%
Savings and money market	2,393,792	38%	2,538,252	40%
Time, $100,000 or greater	1,152,784	18%	1,138,538	17%
Time, less than $100,000	783,231	12%	819,542	12%
Total	$ 6,359,909	100%	$ 6,589,326	100%

BORROWINGS

At June 30, 2008, the Bank had outstanding $41.3 million of securities sold under agreements to repurchase and $147.9 million of federal funds purchased. The Bank had outstanding term debt of $236.8 million at June 30, 2008. The $78.4 million increase in federal funds purchased and the $162.9 increase in FHLB advances in the year were taken to offset the $229.4 decrease of deposits. Advances from the Federal Home Loan Bank (FHLB) amounted to $236.0 million of the total and are secured by investment securities and residential mortgage loans. The FHLB advances outstanding at June 30, 2008 had fixed interest rates ranging from 3.07% to 7.44% and $30.0 million, or 13%, mature prior to December 31, 2008, while another $130.0 million, or 55%, mature prior to December 31, 2009. Management expects continued use of FHLB advances as a source of short and long-term funding.

JUNIOR SUBORDINATED DEBENTURES

We had junior subordinated debentures with carrying values of $230.7 million and $236.4 million at June 30, 2008 and December 31, 2007, respectively. Umpqua early adopted SFAS No. 159 and selected the fair value measurement option for junior subordinated debentures not acquired through acquisitions and new junior subordinated debentures issued in 2007.

At June 30, 2008, approximately $191.8 million, or 83% of the total issued amount, had interest rates that are adjustable on a quarterly basis based on a spread over LIBOR. Interest expense for junior subordinated debentures has decreased for the three and six months ended June 30, 2008, compared to the same periods in 2007. The increase in expense resulting from additional outstanding issued amounts has been more than offset by the decreases in short-term market interest rates and LIBOR. Although increases in short-term market interest rates will increase the interest expense for junior subordinated debentures, we believe that other attributes of our balance sheet will serve to mitigate the impact to net interest income on a consolidated basis.

All of the debentures issued to the Trusts, less the common stock of the Trusts, qualified as Tier 1 capital as of June 30, 2008, under guidance issued by the Board of Governors of the Federal Reserve System. Additional information regarding the terms of the junior subordinated debentures, including maturity/redemption dates, interest rates and the adoption of SFAS No. 159, is included in Note 4 of the *Notes to Condensed Consolidated Financial Statements*.

LIQUIDITY AND CASH FLOW

The principal objective of our liquidity management program is to maintain the Bank s ability to meet the day-to-day cash flow requirements of our customers who either wish to withdraw funds or to draw upon credit facilities to meet their cash needs.

We monitor the sources and uses of funds on a daily basis to maintain an acceptable liquidity position. In addition to liquidity from core deposits and the repayments and maturities of loans and investment securities, the Bank can utilize established uncommitted federal funds lines of credit, sell securities under agreements to repurchase, borrow on a secured basis from the FHLB or issue brokered certificates of deposit.

The Bank had available lines of credit with the FHLB totaling $1.4 billion at June 30, 2008 subject to certain collateral requirements. The Bank had uncommitted federal funds line of credit agreements with additional financial institutions totaling $200.0 million at June 30, 2008. Availability of lines is subject to federal funds balances available for loan and continued borrower eligibility. These lines are intended to support short-term liquidity needs, and the agreements may restrict consecutive day usage.

The Company is a separate entity from the Bank and must provide for its own liquidity. Substantially all of the Company s revenues are obtained from dividends declared and paid by the Bank. In the three and six months ended June 30, 2008, the Bank paid the Company $15.0 million and $30.0 million in dividends to fund regular operations. There are statutory and regulatory provisions that could limit the ability of the Bank to pay dividends to the Company. We believe that such restrictions will not have an adverse impact on the ability of the Company to fund its quarterly cash dividend distributions to shareholders and meet its ongoing cash obligations, which consist principally of debt service on the $230.1 million (issued amount) of outstanding junior subordinated debentures. As of June 30, 2008, the Company had a $40.0 million line of credit agreement with a financial institution. The line was opened to ensure liquidity, and the Company has no current plans to draw upon this line.

As disclosed in the *Consolidated Statements of Cash Flows*, net cash provided by operating activities was $83.7 million during the six months ended June 30, 2008. The principal source of cash provided by operating activities was net income. Net cash of $74.6 million used in investing activities consisted principally of $106.7 million of net loan growth and purchases of investment securities available for sale of $355.8 million, offset by proceeds from investment securities of $395.1 million. The $5.3 million of cash used by financing activities primarily consisted of $345.0 million increase in term debt borrowings, and $78.4 million increase in Federal funds purchased, offset by a $229.4 million decrease in net deposits, repayment of $182.1 million in term debt borrowings, and $22.9 million in dividend payments.

Although we expect the Bank s and the Company s liquidity positions to remain satisfactory during 2008, it is possible that our deposit growth for 2008 may not be maintained at previous levels due to pricing pressure or, in order to generate deposit growth, our pricing may need to be adjusted in a manner that results in increased interest expense on deposits.

OFF-BALANCE-SHEET ARRANGEMENTS

Information regarding Off-Balance-Sheet Arrangements is included in Note 5 of the *Notes to Condensed Consolidated Financial Statements.*

CONCENTRATIONS OF CREDIT RISK

Information regarding Concentrations of Credit Risk is included in Note 5 of the *Notes to Condensed Consolidated Financial Statements.*

CAPITAL RESOURCES

Shareholders equity at June 30, 2008 was $1.2 billion, an increase of $4.3 million from December 31, 2007. The increase in shareholders equity during the six months ended June 30, 2008 was principally due to the retention of $11.9 million, or approximately 34%, of net income for the six month period, offset by unrealized losses on available for sale securities of $9.8 million (net of tax).

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The following table shows Umpqua Holdings consolidated and Umpqua Bank capital adequacy ratios, as calculated under regulatory guidelines, compared to the regulatory minimum capital ratio and the regulatory minimum capital ratio needed to qualify as a well-capitalized institution at June 30, 2008 and December 31, 2007:

(dollars in thousands)

	Actual		For Capital Adequacy purposes		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2008:						
Total Capital						
(to Risk Weighted Assets)						
Consolidated	$ 785,942	11.01%	$ 571,075	8.00%	$ 713,844	10.00%
Umpqua Bank	$ 769,196	10.80%	$ 569,775	8.00%	$ 712,219	10.00%
Tier I Capital						
(to Risk Weighted Assets)						
Consolidated	$ 711,109	9.96%	$ 285,586	4.00%	$ 428,379	6.00%
Umpqua Bank	$ 694,363	9.75%	$ 284,867	4.00%	$ 427,300	6.00%
Tier I Capital						
(to Average Assets)						
Consolidated	$ 711,109	9.40%	$ 302,600	4.00%	$ 378,249	5.00%
Umpqua Bank	$ 694,363	9.20%	$ 301,897	4.00%	$ 377,371	5.00%
As of December 31, 2007:						
Total Capital						
(to Risk Weighted Assets)						
Consolidated	$ 771,855	10.89%	$ 567,019	8.00%	$ 708,774	10.00%
Umpqua Bank	$ 761,510	10.77%	$ 565,653	8.00%	$ 707,066	10.00%
Tier I Capital						
(to Risk Weighted Assets)						
Consolidated	$ 695,662	9.82%	$ 283,365	4.00%	$ 425,048	6.00%
Umpqua Bank	$ 685,317	9.70%	$ 282,605	4.00%	$ 423,907	6.00%
Tier I Capital						
(to Average Assets)						
Consolidated	$ 695,662	9.24%	$ 301,152	4.00%	$ 376,441	5.00%
Umpqua Bank	$ 685,317	9.12%	$ 300,578	4.00%	$ 375,722	5.00%

The following table presents cash dividends declared and dividend payout ratios (dividends declared per share divided by basic earnings per share) for the three and six months ended June 30, 2008 and 2007:

Cash Dividends and Payout Ratios

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Dividend declared per share	$ 0.19	$ 0.18	$ 0.38	$ 0.36
Dividend payout ratio	112%	55%	66%	53%

On April 19, 2007, the Company announced an expansion of the Board of Directors approved common stock repurchase plan, increasing the repurchase limit to 6.0 million shares and extending the plan s expiration date from June 30, 2007 to June 30, 2009. As of June 30, 2008, a total of 1.5 million shares remained available for repurchase. No shares were repurchased under the repurchase plan during the second quarter of 2008. The timing and amount of future repurchases will depend upon the market price for our common stock, securities laws restricting repurchases, asset growth, earnings and our capital plan. In addition, our stock plans provide that option and restricted stock award holders may pay for the exercise price and tax withholdings in part or whole by tendering previously held shares.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our assessment of market risk as of June 30, 2008 indicates there are no material changes in the quantitative and qualitative

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disclosures from those in our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 4. Controls and Procedures

Our management, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, has concluded that our disclosure controls and procedures are effective in timely alerting them to information relating to us that is required to be included in our periodic SEC filings. The disclosure controls and procedures were last evaluated by management as of June 30, 2008.

There have been no changes in our internal controls or in other factors that have materially affected or are likely to materially affect our internal controls over financial reporting subsequent to the date of the evaluation.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Because of the nature of our business, we are involved in legal proceedings in the regular course of business. At this time, we do not believe that there is pending litigation the unfavorable outcome of which would result in a material adverse change to our financial condition, results of operations or cash flows.

Item 1A. Risk Factors

Except as noted below, there have been no material changes to the risk factors as of June 30, 2008 from those presented in our Annual Report on Form 10-K for the year ended December 31, 2007.

Our banking and brokerage operations are subject to extensive government regulation that is expected to become more burdensome, increase our costs and/or make us less competitive compared to financial services firms that are not subject to the same regulation. In addition, the results of our regulatory examinations could restrict our ability to make acquisitions, add new stores, develop new lines of business or otherwise continue to grow.

We and our subsidiaries are subject to extensive regulation under federal and state laws. These laws and regulations are primarily intended to protect customers, depositors and the deposit insurance fund, rather than shareholders. The Bank is an Oregon state-chartered commercial bank whose primary regulator is the Oregon Division of Finance and Corporate Securities. The Bank is also subject to the supervision by and the regulations of the Washington Department of Financial Institutions, the California Department of Financial Institutions and the Federal Deposit Insurance Corporation (FDIC), which insures bank deposits. Strand is subject to extensive regulation by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority. Umpqua is subject to regulation and supervision by the Board of Governors of the Federal Reserve System, the SEC and NASDAQ. Federal and state regulations may place banks and brokerage firms at a competitive disadvantage compared to less regulated competitors such as finance companies, credit unions, mortgage banking companies and leasing companies. If we receive less than satisfactory results on regulatory examinations, we could be restricted from making acquisitions, adding new stores, developing new lines of business or otherwise continuing our growth strategy for a period of time. Furthermore, future changes in federal and state banking and brokerage regulations could adversely affect our operating results and ability to continue to compete effectively.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Not Applicable

(b) Not Applicable

(c) The following table provides information about repurchases of common stock by the Company during the quarter ended June 30, 2008:

Period	Total number of Shares Purchased (1)		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (2)	Maximum Number of Remaining Shares that May be Purchased at Period End under the Plan
4/1/08 - 4/30/08	163	$	15.50	-	1,542,945
5/1/08 - 5/31/08	206	$	14.44	-	1,542,945
6/1/08 - 6/30/08	-	$	-	-	1,542,945
Total for quarter	369	$	14.91	-	

(1) Shares repurchased by the Company during the quarter consist of cancellation of 369 restricted shares to pay withholding taxes. During the three months ended June 30, 2008, no shares were tendered in connection with option exercised and no shares were repurchased pursuant to the

Company s publicly announced corporate stock repurchase plan described in (2) below.

(2) The repurchase plan, which was approved by the Board and announced in August 2003, originally authorized the repurchase of up to 1.0 million shares. The authorization was amended to increase the repurchase limit initially to 1.5 million shares and subsequently to 2.5 million shares. On April 19, 2007, the Company announced an expansion of the repurchase plan by increasing the repurchase limit to 6.0 million shares and extending the plan s expiration date to June 30, 2009.

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Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submissions of Matters to a Vote of Security Holders

(a) The Company conducted its annual meeting of shareholders on April 15, 2008. On February 15, 2008, the record date, there were 60,055,272 shares of common stock outstanding. Holders of 48,027,722 shares (79.97%) were present at the meeting in person or by proxy.

(b)(c) The following persons, who comprise the entire board of directors, were elected as directors to serve a term expiring at the 2009 annual meeting. Each nominee received the votes stated below:

Nominee	Votes For	Votes Withheld
Ronald F. Angell	47,294,910	732,811
Scott D. Chambers	47,023,121	1,004,600
Raymond P. Davis	47,008,680	1,019,041
Allyn C. Ford	47,278,102	749,619
David B. Frohnmayer	46,267,340	1,760,381
Stephen M. Gambee	47,173,946	853,775
Dan Giustina	47,239,049	788,672
William A. Lansing	46,888,274	1,139,447
Theodore S. Mason	47,249,988	777,733
Diane D. Miller	46,948,919	1,078,802
Bryan L. Timm	46,958,172	1,069,549

At the annual meeting, shareholders voted to ratify Moss Adams LLP as the Company s independent auditors by the following vote:

For	Against	Abstain
47,593,652	228,797	205,272

(d) Not Applicable

Item 5. Other Information

(a) Not Applicable

(b) Not Applicable

Item 6. Exhibits

The exhibits filed as part of this Report and exhibits incorporated herein by reference to other documents are listed in the Exhibit Index to this Report, which follows the signature page.

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SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	UMPQUA HOLDINGS CORPORATION (Registrant)
Dated August 07, 2008	/s/ Raymond P. Davis Raymond P. Davis President and Chief Executive Officer
Dated August 07, 2008	/s/ Ronald L. Farnsworth Ronald L. Farnsworth Executive Vice President/ Chief Financial Officer and Principal Financial Officer
Dated August 07, 2008	/s/ Neal T. McLaughlin Neal T. McLaughlin Executive Vice President/Treasurer and Principal Accounting Officer

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EXHIBIT INDEX

Exhibit	
3.1	(a) Restated Articles of Incorporation
3.2	(b) Bylaws, as amended
4.1	(c) Specimen Stock Certificate
10.1	(d) Third Restated Supplemental Executive Retirement Plan dated and effective April 16, 2008 between the Company and Raymond P. Davis
10.2	(e) Split Dollar Insurance Agreement (Endorsement Method) dated and effective April 16, 2008 between the Company and Raymond P. Davis.
31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.3	Certification of Principal Accounting Officer under Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(a) Incorporated by reference to Exhibit 3.1 to Form 10-Q filed August 7, 2006
(b) Incorporated by reference to Exhibit 3.2 to Form 8-K filed April 22, 2008
(c) Incorporated by reference to the Registration Statement on Form S-8 (No. 333-77259) filed April 28, 1999
(d) Incorporated by reference to Exhibit 99.1 to Form 8-K/A filed April 23, 2008
(e) Incorporated by reference to Exhibit 99.2 to Form 8-K filed April 22, 2008