UMB FINANCIAL CORP
Form 10-Q
May 05, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 0-4887

UMB FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Missouri	**43-0903811**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification Number)**

1010 Grand Boulevard, Kansas City, Missouri	**64106**
(Address of principal executive offices)	**(ZIP Code)**

(Registrant s telephone number, including area code): (816) 860-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

Indicate the number of shares outstanding of each of the issuer s classes of common stock as of the latest practicable date.

As of April 30, 2015, UMB Financial Corporation had 45,771,346 shares of common stock outstanding.

UMB FINANCIAL CORPORATION

FORM 10-Q

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UMB FINANCIAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(unaudited, dollars in thousands, except share and per share data)

	March 31, 2015	December 31, 2014
ASSETS		
Loans:	$ 7,498,308	$ 7,465,794
Allowance for loan losses	(77,479)	(76,140)
Net loans	7,420,829	7,389,654
Loans held for sale	3,141	624
Investment securities:		
Available for sale	6,787,001	6,911,936
Held to maturity (fair value of $377,928 and $304,112, respectively)	346,885	278,054
Trading securities	29,380	27,203
Other securities	67,200	68,474
Total investment securities	7,230,466	7,285,667
Federal funds sold and securities purchased under agreements to resell	24,379	118,105
Interest-bearing due from banks	769,321	1,539,386
Cash and due from banks	449,315	444,299
Premises and equipment, net	263,542	257,835
Accrued income	80,083	79,297
Goodwill	209,758	209,758
Other intangibles, net	41,236	43,991
Other assets	238,053	132,344
Total assets	$ 16,730,123	$ 17,500,960
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 5,617,788	$ 5,643,989
Interest-bearing demand and savings	6,668,991	6,709,281
Time deposits under $100,000	416,497	424,925
Time deposits of $100,000 or more	453,012	838,664
Total deposits	13,156,288	13,616,859

Federal funds purchased and repurchase agreements	1,719,080	2,025,132
Long-term debt	7,600	8,810
Accrued expenses and taxes	135,758	180,074
Other liabilities	29,021	26,327
Total liabilities	15,047,747	15,857,202
SHAREHOLDERS EQUITY		
Common stock, $1.00 par value; 80,000,000 shares authorized, 55,056,730 shares issued, and 45,763,132 and 45,532,188 shares outstanding, respectively	55,057	55,057
Capital surplus	892,658	894,602
Retained earnings	986,923	963,911
Accumulated other comprehensive loss	26,810	11,006
Treasury stock, 9,293,598 and 9,524,542 shares, at cost, respectively	(279,072)	(280,818)
Total shareholders equity	1,682,376	1,643,758
Total liabilities and shareholders equity	$ 16,730,123	$ 17,500,960

See Notes to Consolidated Financial Statements.

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UMB FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(unaudited, dollars in thousands, except share and per share data)

	Three Months Ended March 31,	
	2015	**2014**
INTEREST INCOME		
Loans	$ 64,232	$ 58,900
Securities:		
Taxable interest	18,808	18,961
Tax-exempt interest	9,915	9,907
Total securities income	28,723	28,868
Federal funds and resell agreements	51	33
Interest-bearing due from banks	852	1,123
Trading securities	95	123
Total interest income	93,953	89,047
INTEREST EXPENSE		
Deposits	3,048	3,059
Federal funds purchased and repurchase agreements	492	481
Other	55	62
Total interest expense	3,595	3,602
Net interest income	90,358	85,445
Provision for loan losses	3,000	4,500
Net interest income after provision for loan losses	87,358	80,945
NONINTEREST INCOME		
Trust and securities processing	67,299	71,563
Trading and investment banking	6,122	4,323
Service charges on deposit accounts	21,541	21,558
Insurance fees and commissions	570	603
Brokerage fees	2,854	1,815
Bankcard fees	16,183	15,623
Gain on sales of securities available for sale, net	7,336	1,470
Equity (loss) earnings on alternative investments	(842)	2,530
Other	4,144	3,479

Total noninterest income	125,207	122,964
NONINTEREST EXPENSE		
Salaries and employee benefits	98,537	88,881
Occupancy, net	10,010	9,705
Equipment	14,172	12,663
Supplies and services	4,325	4,637
Marketing and business development	4,618	4,602
Processing fees	12,783	13,651
Legal and consulting	4,378	3,372
Bankcard	4,768	3,688
Amortization of other intangible assets	2,755	3,102
Regulatory fees	2,756	2,516
Contingency reserve		15,000
Other	5,311	10,424
Total noninterest expense	164,413	172,241
Income before income taxes	48,152	31,668
Income tax expense	14,387	8,255
NET INCOME	$ 33,765	$ 23,413
PER SHARE DATA		
Net income - basic	$ 0.75	$ 0.52
Net income diluted	0.74	0.52
Dividends	0.235	0.225
Weighted average shares outstanding basic	45,000,831	44,742,068
Weighted average shares outstanding diluted	45,437,654	45,382,692

See Notes to Consolidated Financial Statements.

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UMB FINANCIAL CORPORATION

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(unaudited, dollars in thousands)

	Three Months Ended March 31, 2015	2014
Net income	$ 33,765	$ 23,413
Other comprehensive income, net of tax:		
Unrealized gains on securities:		
Change in unrealized holding gains, net	32,676	32,459
Less: Reclassifications adjustment for gains included in net income	(7,336)	(1,470)
Change in unrealized gains on securities during the period	25,340	30,989
Income tax expense	(9,536)	(11,646)
Other comprehensive income	15,804	19,343
Comprehensive income	$ 49,569	$ 42,756

See Notes to Consolidated Financial Statements.

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UMB FINANCIAL CORPORATION

STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS EQUITY

(unaudited, dollars in thousands, except per share data)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance - January 1, 2014	$ 55,057	$ 882,407	$ 884,630	$ (32,640)	$ (283,389)	$ 1,506,065
Total comprehensive income			23,413	19,343		42,756
Cash dividends ($0.225 per share)			(10,217)			(10,217)
Purchase of treasury stock					(2,867)	(2,867)
Issuance of equity awards		(3,648)			4,117	469
Recognition of equity based compensation		2,212				2,212
Net tax benefit related to equity compensation plans		1,068				1,068
Sale of treasury stock		143			77	220
Exercise of stock options		1,013			1,479	2,492
Balance March 31, 2014	$ 55,057	$ 883,195	$ 897,826	$ (13,297)	$ (280,583)	$ 1,542,198
Balance - January 1, 2015	$ 55,057	$ 894,602	$ 963,911	$ 11,006	$ (280,818)	$ 1,643,758
Total comprehensive income			33,765	15,804		49,569
Cash dividends ($0.235 per share)			(10,753)			(10,753)
Purchase of treasury stock					(5,309)	(5,309)
Issuance of equity awards		(5,848)			6,308	460
Recognition of equity based compensation		2,609				2,609
Net tax benefit related to equity compensation plans		585				585
Sale of treasury stock		141			94	235
Exercise of stock options		569			653	1,222
Balance March 31, 2015	$ 55,057	$ 892,658	$ 986,923	$ 26,810	$ (279,072)	$ 1,682,376

See Notes to Consolidated Financial Statements.

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UMB FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, dollars in thousands)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Operating Activities		
Net Income	$ 33,765	$ 23,413
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	3,000	4,500
Depreciation and amortization	11,792	11,344
Deferred income tax benefit	(1,523)	(2,822)
Net increase in trading securities and other earning assets	(1,335)	(17,121)
Gains on sales of securities available for sale	(7,336)	(1,470)
Losses (gains) on sales of assets	81	(550)
Amortization of securities premiums, net of discount accretion	13,547	13,276
Originations of loans held for sale	(25,586)	(11,545)
Net gains on sales of loans held for sale	(342)	(189)
Proceeds from sales of loans held for sale	23,411	11,983
Equity based compensation	3,069	2,681
Changes in:		
Accrued (expense) income	(786)	2,832
Accrued expenses and taxes	(25,614)	(28,557)
Other assets and liabilities, net	(3,834)	(25,719)
Net cash provided by (used in) operating activities	22,309	(17,944)
Investing Activities		
Proceeds from maturities of securities held to maturity	15,712	4,500
Proceeds from sales of securities available for sale	466,422	77,583
Proceeds from maturities of securities available for sale	338,956	516,001
Purchases of securities held to maturity	(84,631)	(16,600)
Purchases of securities available for sale	(768,272)	(544,487)
Net increase in loans	(33,928)	(242,279)
Net decrease (increase) in fed funds sold and resell agreements	93,726	(21,968)
Net decrease (increase) in interest bearing balances due from other financial institutions	12,691	(53,471)
Purchases of premises and equipment	(14,854)	(6,926)
Proceeds from sales of premises and equipment	29	1,153
Net cash provided by (used in) investing activities	25,851	(286,494)

Financing Activities		
Net decrease in demand and savings deposits	(66,491)	(1,140,073)
Net decrease in time deposits	(394,080)	(234,922)
Net (decrease) increase in fed funds purchased and repurchase agreements	(306,052)	390,518
Net decrease in short-term debt		(107)
Proceeds from long-term debt		1,820
Repayment of long-term debt	(1,210)	(1,060)
Payment of contingent consideration on acquisitions	(18,702)	(5,975)
Cash dividends paid	(10,716)	(10,201)
Net tax benefit related to equity compensation plans	585	1,068
Proceeds from exercise of stock options and sales of treasury shares	1,457	2,712
Purchases of treasury stock	(5,309)	(2,867)
Net cash used in financing activities	(800,518)	(999,087)
Decrease in cash and cash equivalents	(752,358)	(1,303,525)
Cash and cash equivalents at beginning of period	1,787,230	2,582,428
Cash and cash equivalents at end of period	$ 1,034,872	$ 1,278,903
Supplemental Disclosures:		
Income taxes paid	$ 14,469	$ 16,053
Total interest paid	3,668	3,720

See Notes to Consolidated Financial Statements.

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UMB FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

1. Financial Statement Presentation

The consolidated financial statements include the accounts of UMB Financial Corporation and its subsidiaries (collectively, the Company) after elimination of all intercompany transactions. In the opinion of management of the Company, all adjustments, which were of a normal recurring nature and necessary for a fair presentation of the financial position and results of operations, have been made. The results of operations and cash flows for the interim periods presented may not be indicative of the results of the full year. The financial statements should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations within this Form 10-Q filing and in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

2. Summary of Significant Accounting Policies

The Company is a financial holding company, which offers a wide range of banking and other financial services to its customers through its branches and offices in the states of Missouri, Kansas, Colorado, Illinois, Oklahoma, Texas, Arizona, Nebraska, Pennsylvania, South Dakota, Indiana, Utah, and Wisconsin. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also impact reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A summary of the significant accounting policies to assist the reader in understanding the financial presentation is listed in the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Cash and cash equivalents

Cash and cash equivalents include Cash and due from banks and amounts due from the Federal Reserve Bank. Cash on hand, cash items in the process of collection, and amounts due from correspondent banks are included in Cash and due from banks. Amounts due from the Federal Reserve Bank are interest-bearing for all periods presented and are included in the Interest-bearing due from banks line on the Company s Consolidated Balance Sheets.

This table provides a summary of cash and cash equivalents as presented on the Consolidated Statement of Cash Flows as of March 31, 2015 and March 31, 2014 *(in thousands)*:

	March 31,	
	2015	**2014**
Due from the Federal Reserve	$ 585,557	$ 684,947
Cash and due from banks	449,315	593,956
Cash and cash equivalents at end of period	$ 1,034,872	$ 1,278,903

Also included in the Interest-bearing due from banks line, but not considered cash and cash equivalents are interest-bearing accounts held at other financial institutions, which totaled $180.8 million and $85.5 million at March 31, 2015 and March 31, 2014, respectively.

Per Share Data

Basic income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted income per share includes the dilutive effect of 436,823 and 640,622 shares issuable upon the exercise of stock options granted by the Company at March 31, 2015 and 2014, respectively.

Options issued under employee benefit plans to purchase 498,488 and 258,254 shares of common stock were outstanding at March 31, 2015 and 2014, respectively, but were not included in the computation of diluted EPS because the options were anti-dilutive.

UMB FINANCIAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (*CONTINUED)*

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

3. New Accounting Pronouncements

Accounting for Investments in Qualified Affordable Housing Projects In January 2014, the FASB issued ASU No. 2014-01, Accounting for Investments in Qualified Affordable Housing Projects. The amendments permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Regardless of whether the reporting entity chooses to elect the proportional amortization method, this ASU introduces new recurring disclosures about all investments in qualified affordable housing projects. The ASU was effective January 1, 2015, and the adoption of this accounting pronouncement did not have a significant impact on the Company s financial statements or financial statement disclosures.

Reclassification of Residential Real Estate Loans In January 2014, the FASB issued ASU No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The amendment is intended to reduce diversity in practice by clarifying when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loans such that the loan receivable should be derecognized and the real stated property recognized. The ASU was effective January 1, 2015, and the adoption of this accounting pronouncement did not have a significant impact on the Company s financial statements.

Revenue Recognition In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The issuance is part of a joint effort by the FASB and the International Accounting Standards Board (IASB) to enhance financial reporting by creating common revenue recognition guidance for U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) and, thereby, improving the consistency of requirements, comparability of practices and usefulness of disclosures. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The amendments in this update are effective for interim and annual periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Repurchase-to-Maturity Transactions In June 2014, the FASB issued ASU No. 2014-11, Repurchase-to-Maturity Transactions, Repurchased Financings, and Disclosures. The amendment changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with accounting for other repurchase agreements. Additionally, the amendment requires new disclosures on transfers accounted for as sales in transactions that are economically similar to repurchase agreements and requires increased transparency on collateral pledged in secured borrowings. The accounting changes in the standard and the disclosures for transactions accounted for as sales were effective January 1, 2015 and had no impact on the Company s financial statements. The disclosures for repurchase agreements, securities lending transactions, and repos-to-maturity accounted for as secured borrowings are required for annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. Early application is not permitted. The adoption of this accounting pronouncement will have no impact on the Company s consolidated financial statements except for additional financial statement disclosures.

Stock Compensation In June 2014, the FASB issued ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target could be Achieved after the Requisite Service Period. The amendment is intended to reduce diversity in practice by clarifying that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in this update are effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. The adoption of this accounting pronouncement will not have a significant impact on the Company s consolidated financial statements.

Troubled Debt Restructurings by Creditors In August 2014, the FASB issued ASU No. 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure. The amendment is intended to reduce diversity in practice in the classification of mortgage loans extended under certain government-sponsored loan guarantee programs, such as those offered by the Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA), that entitle the creditor to recover all or a portion of the unpaid principal balance from the government if a borrower defaults. This update requires government-guaranteed mortgage loans that meet certain

UMB FINANCIAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ***(CONTINUED)***

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

criteria to be derecognized and a separate receivable be recognized upon foreclosure. The amendments in this update were effective January 1, 2015 and the adoption of this accounting pronouncement did not have a significant impact on the Company s consolidated financial statements.

Going Concern In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern. The amendment addresses management s responsibility in regularly evaluating whether there is substantial doubt about a company s ability to continue as a going concern. The amendments in this update are effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter, although early adoption is permitted. The adoption of this accounting pronouncement will not have a significant impact on the Company s consolidated financial statements.

Derivatives and Hedging In November 2014, the FASB issued ASU No. 2014-16, Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity. The amendment is intended to address how current GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. The amendments in this update are effective for interim and annual periods beginning after December 15, 2015, although early adoption is permitted. The adoption of this accounting pronouncement will not have a significant impact on the Company s consolidated financial statements.

Consolidation In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis. The amendment substantially changes the way reporting entities are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the new amendment. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, eliminate the presumption that a general partner should consolidate a limited partnership, and affect the consolidation analysis of reporting entities that are involved with VIEs. The amendments in this update are effective for interim and annual periods beginning after December 15, 2015. Early adoption is permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the effect that ASU 2015-02 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

UMB FINANCIAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

4. Loans and Allowance for Loan Losses

Loan Origination/Risk Management

The Company has certain lending policies and procedures in place that are designed to minimize the level of risk within the loan portfolio. Diversification of the loan portfolio manages the risk associated with fluctuations in economic conditions. The Company maintains an independent loan review department that reviews and validates the risk assessment on a continual basis. Management regularly evaluates the results of the loan reviews. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Company s policies and procedures.

Commercial loans are underwritten after evaluating and understanding the borrower s ability to operate profitably and prudently expand its business. Commercial loans are made based on the identified cash flows of the borrower and on the underlying collateral provided by the borrower. The cash flows of the borrower, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts from its customers. Commercial credit cards are generally unsecured and are underwritten with criteria similar to commercial loans including an analysis of the borrower s cash flow, available business capital, and overall credit-worthiness of the borrower.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans, in addition to those of real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans is largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. The Company requires an appraisal of the collateral be made at origination and on an as-needed basis, in conformity with current market conditions and regulatory requirements. The underwriting standards address both owner and non-owner occupied real estate.

Construction loans are underwritten using feasibility studies, independent appraisal reviews, sensitivity analysis or absorption and lease rates and financial analysis of the developers and property owners. Construction loans are based upon estimates of costs and value associated with the complete project. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their repayment being sensitive to interest rate changes, governmental regulation of real property, economic conditions, and the availability of long-term financing.

Underwriting standards for residential real estate and home equity loans are based on the borrower s loan-to-value percentage, collection remedies, and overall credit history.

Consumer loans are underwritten based on the borrower s repayment ability. The Company monitors delinquencies on all of its consumer loans and leases and periodically reviews the distribution of FICO scores relative to historical periods to monitor credit risk on its credit card loans. The underwriting and review practices combined with the relatively small loan amounts that are spread across many individual borrowers, minimizes risk. Consumer loans and leases that are 90 days past due or more are considered non-performing.

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UMB FINANCIAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

This table provides a summary of loan classes and an aging of past due loans at March 31, 2015 and December 31, 2014 *(in thousands):*

	March 31, 2015					
	30-89 Days Past Due and Accruing	Greater than 90 Days Past Due and Accruing	Non-Accrual Loans	Total Past Due	Current	Total Loans
Commercial:						
Commercial	$ 13,812	$ 1,840	$ 9,960	$ 25,612	$ 3,782,939	$ 3,808,551
Commercial credit card	666	102	23	791	129,181	129,972
Real estate:						
Real estate construction	725	544	841	2,110	254,167	256,277
Real estate commercial	1,968	51	16,700	18,719	1,924,338	1,943,057
Real estate residential	3,034		774	3,808	326,426	330,234
Real estate HELOC	3,249		343	3,592	627,258	630,850
Consumer:						
Consumer credit card	2,011	1,967	504	4,482	280,212	284,694
Consumer other	3,451	666	42	4,159	71,697	75,856
Leases					38,817	38,817
Total loans	$ 28,916	$ 5,170	$ 29,187	$ 63,273	$ 7,435,035	$ 7,498,308

	December 31, 2014					
	30-89 Days Past Due and Accruing	Greater than 90 Days Past Due and Accruing	Non-Accrual Loans	Total Past Due	Current	Total Loans
Commercial:						
Commercial	$ 2,509	$ 363	$ 13,114	$ 15,986	$ 3,798,023	$ 3,814,009
Commercial credit card	267	147	37	451	115,258	115,709
Real estate:						
Real estate construction	1,244		983	2,227	253,779	256,006
Real estate commercial	1,727	61	12,037	13,825	1,852,476	1,866,301

Real estate residential	828	113	562	1,503	318,324	319,827
Real estate HELOC	1,371		19	1,390	642,196	643,586
Consumer:						
Consumer credit card	2,268	2,303	560	5,131	305,165	310,296
Consumer other	1,743	843	70	2,656	98,314	100,970
Leases					39,090	39,090
Total loans	$ 11,957	$ 3,830	$ 27,382	$ 43,169	$ 7,422,625	$ 7,465,794

The Company sold residential real estate loans with a face value of $23.1 million and $11.8 million in the secondary market without recourse during the periods ended March 31, 2015 and March 31, 2014, respectively.

The Company has ceased the recognition of interest on loans with a carrying value of $29.2 million and $27.4 million at March 31, 2015 and December 31, 2014, respectively. Restructured loans totaled $7.7 million and $9.3 million at March 31, 2015 and December 31, 2014. Loans 90 days past due and still accruing interest amounted to $5.2 million and $3.8 million at March 31, 2015 and December 31, 2014, respectively. There was an insignificant amount of interest recognized on impaired loans during 2015 and 2014.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

Credit Quality Indicators

As part of the on-going monitoring of the credit quality of the Company s loan portfolio, management tracks certain credit quality indicators including trends related to the risk grading of specified classes of loans, net charge-offs, non-performing loans, and general economic conditions.

The Company utilizes a risk grading matrix to assign a rating to each of its commercial, commercial real estate, and construction real estate loans. The loan rankings are summarized into the following categories: Non-watch list, Watch, Special Mention, and Substandard. Any loan not classified in one of the categories described below is considered to be a Non-watch list loan. A description of the general characteristics of the loan ranking categories is as follows:

Watch This rating represents credit exposure that presents higher than average risk and warrants greater than routine attention by Company personnel due to conditions affecting the borrower, the borrower s industry or the economic environment. These conditions have resulted in some degree of uncertainty that results in higher than average credit risk.

Special Mention This rating reflects a potential weakness that deserves management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or the institution s credit position at some future date. The rating is not adversely classified and does not expose an institution to sufficient risk to warrant adverse classification.

Substandard This rating represents an asset inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Loans in this category are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified substandard. This category may include loans where the collection of full principal is doubtful or remote.

All other classes of loans are generally evaluated and monitored based on payment activity. Non-performing loans include restructured loans on non-accrual and all other non-accrual loans.

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This table provides an analysis of the credit risk profile of each loan class at March 31, 2015 and December 31, 2014 *(in thousands):*

Credit Exposure

Credit Risk Profile by Risk Rating

	Commercial		Real estate- construction	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Non-watch list	$ 3,522,496	$ 3,532,611	$ 253,579	$ 253,895
Watch	54,250	72,283	786	181
Special Mention	91,327	98,750		756
Substandard	140,478	110,365	1,912	1,174
Total	$ 3,808,551	$ 3,814,009	$ 256,277	$ 256,006

	Real estate - commercial	
	March 31, 2015	December 31, 2014
Non-watch list	$ 1,860,121	$ 1,780,323
Watch	35,868	31,984
Special Mention	8,196	8,691
Substandard	38,872	45,303
Total	$ 1,943,057	$ 1,866,301

Credit Exposure

Credit Risk Profile Based on Payment Activity

	Commercial	credit card	Real estate- residential	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014

Performing	$ 129,949	$ 115,672	$ 329,460	$ 319,265
Non-performing	23	37	774	562
Total	$ 129,972	$ 115,709	$ 330,234	$ 319,827

	Real estate - HELOC		**Consumer credit card**	
	March 31, 2015	**December 31, 2014**	**March 31, 2015**	**December 31, 2014**
Performing	$ 630,507	$ 643,567	$ 284,190	$ 309,736
Non-performing	343	19	504	560
Total	$ 630,850	$ 643,586	$ 284,694	$ 310,296

	Consumer - other		**Leases**	
	March 31, 2015	**December 31, 2014**	**March 31, 2015**	**December 31, 2014**
Performing	$ 75,814	$ 100,900	$ 38,817	$ 39,090
Non-performing	42	70		
Total	$ 75,856	$ 100,970	$ 38,817	$ 39,090

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

Allowance for Loan Losses

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management s judgment of inherent probable losses within the Company s loan portfolio as of the balance sheet date. The allowance is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. Accordingly, the methodology is based on historical loss trends. The Company s process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. The provision for probable loan losses reflects loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors.

The level of the allowance reflects management s continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and estimated losses inherent in the current loan portfolio. Portions of the allowance may be allocated for specific loans; however, the entire allowance is available for any loan that, in management s judgment, should be charged off. While management utilizes its best judgment and information available, the adequacy of the allowance is dependent upon a variety of factors beyond the Company s control, including, among other things, the performance of the Company s loan portfolio, the economy, changes in interest rates and changes in the regulatory environment.

The Company s allowance for loan losses consists of specific valuation allowances and general valuation allowances based on historical loan loss experience for similar loans with similar characteristics and trends, general economic conditions and other qualitative risk factors both internal and external to the Company.

The allowances established for probable losses on specific loans are based on a regular analysis and evaluation of impaired loans. Loans are classified based on an internal risk grading process that evaluates the obligor s ability to repay, the underlying collateral, if any, and the economic environment and industry in which the borrower operates. When a loan is considered impaired, the loan is analyzed to determine the need, if any, to specifically allocate a portion of the allowance for loan losses to the loan. Specific valuation allowances are determined by analyzing the borrower s ability to repay amounts owed, collateral deficiencies, the relative risk ranking of the loan and economic conditions affecting the borrower s industry.

General valuation allowances are calculated based on the historical loss experience of specific types of loans including an evaluation of the time span and volume of the actual charge-off. The Company calculates historical loss ratios for pools of similar loans with similar characteristics based on the proportion of actual charge-offs experienced to the total population of loans in the pool. The historical loss ratios are updated based on actual charge-off experience. A valuation allowance is established for each pool of similar loans based upon the product of the historical loss ratio, time span to charge-off, and the total dollar amount of the loans in the pool. The Company s pools of similar loans include similarly risk-graded groups of commercial loans, commercial real estate loans, commercial credit card, home equity loans, consumer real estate loans and consumer and other loans. The Company also considers a loan migration analysis for criticized loans. This analysis includes an assessment of the probability that a loan will move to a loss position based on its risk rating. The consumer credit card pool is evaluated based on delinquencies and credit scores.

In addition, a portion of the allowance is determined by a review of qualitative factors by Management.

Generally, the unsecured portion of a commercial or commercial real estate loan is charged off when, after analyzing the borrower s financial condition, it is determined that the borrower is incapable of servicing the debt, little or no prospect for near term improvement exists, and no realistic and significant strengthening action is pending. For collateral dependent commercial or commercial real estate loans, an analysis is completed regarding the Company s collateral position to determine if the amounts due from the borrower are in excess of the calculated current fair value of the collateral. Specific allocations of the allowance for loan losses are made for any collateral deficiency. If a collateral deficiency is ultimately deemed to be uncollectible, the amount is charged off. Revolving commercial loans (such as commercial credit cards) which are past due 90 cumulative days are classified as a loss and charged off.

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Generally, a consumer loan, or a portion thereof, is charged off in accordance with regulatory guidelines which provide that such loans be charged off when the Company becomes aware of the loss, such as from a triggering event that may include, but is not limited to, new information about a borrower s intent and ability to repay the loan, bankruptcy, fraud, or death. However, the charge-off timeframe should not exceed the specified delinquency time frames, which state that closed-end retail loans (such as real estate mortgages, home equity loans and consumer installment loans) that become past due 120 cumulative days and open-end retail loans (such as home equity lines of credit and consumer credit cards) that become past due 180 cumulative days are classified as a loss and charged off.

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ALLOWANCE FOR LOAN LOSSES AND RECORDED INVESTMENT IN LOANS

This table provides a rollforward of the allowance for loan losses by portfolio segment for three months ended March 31, 2015 *(in thousands):*

	Three Months Ended March 31, 2015				
	Commercial	**Real estate**	**Consumer**	**Leases**	**Total**
Allowance for loan losses:					
Beginning balance	$ 55,349	$ 10,725	$ 9,921	$ 145	$ 76,140
Charge-offs	(412)	(32)	(2,704)		(3,148)
Recoveries	810	15	662		1,487
Provision	(88)	1,204	1,901	(17)	3,000
Ending balance	$ 55,659	$ 11,912	$ 9,780	$ 128	$ 77,479
Ending balance: individually evaluated for impairment	$ 1,223	$ 2,925	$	$	$ 4,148
Ending balance: collectively evaluated for impairment	54,436	8,987	9,780	128	73,331
Loans:					
Ending balance: loans	$ 3,938,523	$ 3,160,418	$ 360,550	$ 38,817	$ 7,498,308
Ending balance: individually evaluated for impairment	13,839	14,844			28,683
Ending balance: collectively evaluated for impairment	3,924,684	3,145,574	360,550	38,817	7,469,625

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

ALLOWANCE FOR LOAN LOSSES AND RECORDED INVESTMENT IN LOANS

This table provides a rollforward of the allowance for loan losses by portfolio segment for three months ended March 31, 2014 *(in thousands):*

	Three Months Ended March 31, 2014				
	Commercial	**Real estate**	**Consumer**	**Leases**	**Total**
Allowance for loan losses:					
Beginning balance	$ 48,886	$ 15,342	$ 10,447	$ 76	$ 74,751
Charge-offs	(1,471)	(126)	(3,088)		(4,685)
Recoveries	67	9	872		948
Provision	881	866	2,753		4,500
Ending balance	$ 48,363	$ 16,091	$ 10,984	$ 76	$ 75,514
Ending balance: individually evaluated for impairment	$ 2,541	$ 1,719	$	$	$ 4,260
Ending balance: collectively evaluated for impairment	45,822	14,372	10,984	76	71,254
Loans:					
Ending balance: loans	$ 3,611,383	$ 2,761,664	$ 361,989	$ 24,053	$ 6,759,089
Ending balance: individually evaluated for impairment	14,719	14,555	2		29,276
Ending balance: collectively evaluated for impairment	3,596,664	2,747,109	361,987	24,053	6,729,813

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

Impaired Loans

This table provides an analysis of impaired loans by class at March 31, 2015 and December 31, 2014 *(in thousands):*

	As of March 31, 2015					
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial:						
Commercial	$ 17,416	$ 12,054	$ 1,785	$ 13,839	$ 1,223	$ 15,450
Commercial credit card						
Real estate:						
Real estate construction	1,472	840	123	963	94	974
Real estate commercial	13,704	3,933	8,966	12,899	2,831	10,625
Real estate residential	1,110	982		982		945
Real estate HELOC						
Consumer:						
Consumer credit card						
Consumer other						
Leases						
Total	$ 33,702	$ 17,809	$ 10,874	$ 28,683	$ 4,148	$ 27,994

	As of December 31, 2014					
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial:						
Commercial	$ 21,758	$ 13,928	$ 3,132	$ 17,060	$ 972	$ 16,022
Commercial credit card						
Real estate:						

Real estate construction	1,540	983		983		939
Real estate commercial	9,546	4,454	3,897	8,351	935	11,298
Real estate residential	1,083	909		909		1,006
Real estate HELOC						
Consumer:						
Consumer credit card						
Consumer other	1	1		1		12
Leases						
Total	$ 33,928	$ 20,275	$ 7,029	$ 27,304	$ 1,907	$ 29,277

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FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

Troubled Debt Restructurings

A loan modification is considered a troubled debt restructuring (TDR) when a concession has been granted to a debtor experiencing financial difficulties. The Company s modifications generally include interest rate adjustments, principal reductions, and amortization and maturity date extensions. These modifications allow the debtor short-term cash relief to allow them to improve their financial condition. The Company s restructured loans are individually evaluated for impairment and evaluated as part of the allowance for loan loss as described above in the Allowance for Loan Losses section of this note.

The Company had $221 thousand in commitments to lend to borrowers with loan modifications classified as TDR s. The Company monitors loan payments on an on-going basis to determine if a loan is considered to have a payment default. Determination of payment default involves analyzing the economic conditions that exist for each customer and their ability to generate positive cash flows during the loan term. During the three month period ended March 31, 2015, the Company had one commercial real estate loan classified as a TDR with a payment default totaling $178 thousand. A specific valuation allowance for the full amount of this loan had previously been established within the Company s ALL, and this loan was charged off against the ALL during the current period.

This table provides a summary of loans restructured by class during the three months ended March 31, 2015 and 2014 *(in thousands)*:

	Three Months Ended March 31, 2015			Three Months Ended March 31, 2014		
	Number of Contracts	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**	**Number of Contracts**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**
Troubled Debt Restructurings						
Commercial:						
Commercial		$	$	1	$ 469	$ 469
Commercial credit card						
Real estate:						
Real estate construction						
Real estate commercial						
Real estate residential						
Real estate HELOC						
Consumer:						
Consumer credit card						

Consumer other								
Leases								
Total	$		$	1	$	469	$	469

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UMB FINANCIAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ***(CONTINUED)***

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

5. Securities

Securities Available for Sale

This table provides detailed information about securities available for sale at March 31, 2015 and December 31, 2014 *(in thousands):*

March 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 427,493	$ 825	$ (7)	$ 428,311
U.S. Agencies	855,784	1,366	(269)	856,881
Mortgage-backed	3,323,545	36,008	(16,032)	3,343,521
State and political subdivisions	2,027,851	25,363	(3,727)	2,049,487
Corporates	109,263	31	(493)	108,801
Total	$ 6,743,936	$ 63,593	$ (20,528)	$ 6,787,001

December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 519,484	$ 501	$ (525)	$ 519,460
U.S. Agencies	991,084	780	(1,175)	990,689
Mortgage-backed	3,276,009	28,470	(26,875)	3,277,604
State and political subdivisions	1,983,549	22,973	(5,165)	2,001,357
Corporates	124,096		(1,270)	122,826
Total	$ 6,894,222	$ 52,724	$ (35,010)	$ 6,911,936

The following table presents contractual maturity information for securities available for sale at March 31, 2015 *(in thousands):*

	Amortized Cost	Fair Value

Due in 1 year or less	$ 612,411	$ 613,451
Due after 1 year through 5 years	1,930,654	1,943,217
Due after 5 years through 10 years	783,266	793,111
Due after 10 years	94,060	93,701
Total	3,420,391	3,443,480
Mortgage-backed securities	3,323,545	3,343,521
Total securities available for sale	$ 6,743,936	$ 6,787,001

Securities may be disposed of before contractual maturities due to sales by the Company or because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

For the three months ended March 31, 2015, proceeds from the sales of securities available for sale were $466.4 million compared to $77.6 million for the same period in 2014. Securities transactions resulted in gross realized gains of $7.3 million and $1.5 million for the three months ended March 31, 2015 and 2014. The gross realized losses for the three months ended March 31, 2014 were $11 thousand.

Securities available for sale with a market value of $4.9 billion at March 31, 2015 and $5.7 billion at December 31, 2014 were pledged to secure U.S. Government deposits, other public deposits and certain trust deposits as required by law. Of this amount, securities with a market value of $1.2 billion at March 31, 2015 and December 31, 2014 were pledged at the Federal Reserve Discount Window but were unencumbered as of those dates.

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FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

The following table shows the Company s available for sale investments gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2015 and December 31, 2014 *(in thousands).*

March 31, 2015	**Less than 12 months**		**12 months or more**		**Total**	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury	$ 4,981	$ (3)	$ 4,981	$ (4)	$ 9,962	$ (7)
U.S. Agencies	85,462	(91)	64,849	(178)	150,311	(269)
Mortgage-backed	649,813	(5,455)	420,959	(10,577)	1,070,772	(16,032)
State and political subdivisions	441,883	(2,368)	69,485	(1,359)	511,368	(3,727)
Corporates	27,068	(40)	55,245	(453)	82,313	(493)
Total temporarily-impaired debt securities available for sale	$ 1,209,207	$ (7,957)	$ 615,519	$ (12,571)	$ 1,824,726	$ (20,528)

December 31, 2014	**Less than 12 months**		**12 months or more**		**Total**	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury	$ 236,591	$ (329)	$ 14,863	$ (196)	$ 251,454	$ (525)
U.S. Agencies	387,999	(689)	81,593	(486)	469,592	(1,175)
Mortgage-backed	727,142	(8,370)	616,044	(18,504)	1,343,186	(26,874)
State and political subdivisions	401,934	(1,406)	226,678	(3,760)	628,612	(5,166)
Corporates	36,655	(243)	86,171	(1,027)	122,826	(1,270)
Total temporarily-impaired debt securities available for sale	$ 1,790,321	$ (11,037)	$ 1,025,349	$ (23,973)	$ 2,815,670	$ (35,010)

The unrealized losses in the Company s investments in U.S. treasury obligations, U.S. government agencies, Government Sponsored Entity (GSE) mortgage-backed securities, municipal securities, and corporates were caused by changes in interest rates. The Company does not have the intent to sell these securities and does not believe it is more likely than not that the Company will be required to sell these securities before a recovery of amortized cost. The Company expects to recover its cost basis in the securities and does not consider these investments to be other-than-temporarily impaired at March 31, 2015.

Securities Held to Maturity

The table below provides detailed information for securities held to maturity at March 31, 2015 and December 31, 2014 *(in thousands):*

March 31, 2015	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
State and political subdivisions	$ 346,885	$ 31,043	$	$ 377,928
December 31, 2014				
State and political subdivisions	$ 278,054	$ 26,058	$	$ 304,112

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

The following table presents contractual maturity information for securities held to maturity at March 31, 2015 *(in thousands):*

	Amortized Cost	Fair Value
Due in 1 year or less	$ 2,238	$ 2,438
Due after 1 year through 5 years	31,713	34,551
Due after 5 years through 10 years	219,314	238,941
Due after 10 years	93,620	101,998
Total securities held to maturity	$ 346,885	$ 377,928

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

There were no sales of securities held to maturity during the first three months of 2015 or 2014.

Trading Securities

The net unrealized gains on trading securities at March 31, 2015 and March 31, 2014 were $30 thousand and $297 thousand, respectively, and were included in trading and investment banking income on the consolidated statements of income.

Other Securities

The table below provides detailed information for Federal Reserve Bank stock and other securities at March 31, 2015 and December 31, 2014 *(in thousands):*

March 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
FRB and FHLB stock	$ 26,279	$	$	$ 26,279
Other securities marketable		18,384		18,384
Other securities non-marketable	21,249	1,367	(79)	22,537
Total Federal Reserve Bank stock and other	$ 47,528	$ 19,751	$ (79)	$ 67,200

December 31, 2014				
FRB and FHLB stock	$ 26,279	$	$	$ 26,279
Other securities marketable		16,668		16,668
Other securities non-marketable	21,669	3,937	(79)	25,527
Total Federal Reserve Bank stock and other	$ 47,948	$ 20,605	$ (79)	$ 68,474

Investment in Federal Reserve Bank (FRB) stock is based on the capital structure of the investing bank, and investment in Federal Home Loan Bank (FHLB) stock is mainly tied to the level of borrowings from the FHLB. These holdings are carried at cost. Other marketable and non-marketable securities include PCM alternative investments in hedge funds and private equity funds, which are accounted for as equity-method investments. The fair value of other marketable securities includes alternative investment securities of $18.4 million at March 31, 2015 and $16.7 million at December 31, 2014. The fair value of other non-marketable securities includes alternative investment securities of $6.0 million at March 31, 2015 and $8.5 million at December 31, 2014. Unrealized gains or losses on alternative investments are recognized in the Equity Earnings on Alternative Investments line of the Company s Consolidated Statements of Income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ***(CONTINUED)***

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

6. Goodwill and Other Intangibles

Changes in the carrying amount of goodwill for the periods ended March 31, 2015 and December 31, 2014 by reportable segment are as follows *(in thousands):*

	Bank	Institutional Investment Management	Asset Servicing	Total
Balances as of January 1, 2015	$ 142,753	$ 47,529	$ 19,476	$ 209,758
Balances as of March 31, 2015	$ 142,753	$ 47,529	$ 19,476	$ 209,758
Balances as of January 1, 2014	$ 142,753	$ 47,529	$ 19,476	$ 209,758
Balances as of December 31, 2014	$ 142,753	$ 47,529	$ 19,476	$ 209,758

Following are the finite-lived intangible assets that continue to be subject to amortization as of March 31, 2015 and December 31, 2014 *(in thousands)*:

	As of March 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangible assets	$ 36,497	$ 32,954	$ 3,543
Customer relationships	104,560	67,445	37,115
Other intangible assets	3,247	2,669	578
Total intangible assets	$ 144,304	$ 103,068	$ 41,236

	As of December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangible assets	$ 36,497	$ 32,721	$ 3,776
Customer relationships	104,560	64,980	39,580

Other intangible assets	3,247	2,612	635
Total intangible assets	$ 144,304	$ 100,313	$ 43,991

Following is the aggregate amortization expense recognized in each period *(in thousands):*

	Three Months Ended March 31,	
	2015	**2014**
Aggregate amortization expense	$ 2,755	$ 3,102

Estimated amortization expense of intangible assets on future years *(in thousands):*

For the nine months ending December 31, 2015	$ 6,881
For the year ending December 31, 2016	8,428
For the year ending December 31, 2017	7,185
For the year ending December 31, 2018	4,994
For the year ending December 31, 2019	4,204
For the year ending December 31, 2020	3,458

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FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

7. Business Segment Reporting

The Company has strategically aligned its operations into the following four reportable segments (collectively, Business Segments): Bank, Payment Solutions, Institutional Investment Management, and Asset Servicing. Business segment financial results produced by the Company s internal management reporting system are evaluated regularly by senior executive officers in deciding how to allocate resources and assess performance for individual Business Segments. The management reporting system assigns balance sheet and income statement items to each business segment using methodologies that are refined on an ongoing basis. For comparability purposes, amounts in all periods presented are based on methodologies in effect at March 31, 2015. Previously reported results have been reclassified to conform to the current organizational structure.

The following summaries provide information about the activities of each segment:

Bank provides a full range of banking services to commercial, retail, government and correspondent bank customers through the Company s branches, call center, internet banking, and ATM network. Services include traditional commercial and consumer banking, treasury management, leasing, foreign exchange, merchant bankcard, wealth management, brokerage, insurance, capital markets, investment banking, corporate trust, and correspondent banking.

Payment Solutions provides consumer and commercial credit and debit card, prepaid debit card solutions, healthcare services, and institutional cash management. Healthcare services include health savings account and flexible savings account products for healthcare providers, third-party administrators and large employers.

Institutional Investment Management provides equity and fixed income investment strategies in the intermediary and institutional markets via mutual funds, traditional separate accounts and sub-advisory relationships.

Asset Servicing provides services to the asset management industry, supporting a range of investment products, including mutual funds, alternative investments and managed accounts. Services include fund administration, fund accounting, investor services, transfer agency, distribution, marketing, custody, alternative investment services, and collective and multiple-series trust services.

Business Segment Information

Segment financial results were as follows (in thousands):

	Three Months Ended March 31, 2015				
	Bank	Payment Solutions	Institutional Investment	Asset Servicing	Total

			Management		
Net interest income	$ 75,327	$ 14,033	$ 1	$ 997	$ 90,358
Provision for loan losses	1,600	1,400			3,000
Noninterest income	51,551	23,138	27,084	23,434	125,207
Noninterest expense	100,748	24,396	17,973	21,296	164,413
Income before taxes	24,530	11,375	9,112	3,135	48,152
Income tax expense	7,344	3,406	2,717	920	14,387
Net income	$ 17,186	$ 7,969	$ 6,395	$ 2,215	$ 33,765
Average assets	$ 12,749,000	$ 3,086,000	$ 73,000	$ 924,000	$ 16,832,000

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UMB FINANCIAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ***(CONTINUED)***

FOR THE THREE MONTHS ENDED MARCH 31, 2015 (UNAUDITED)

	Three Months Ended March 31, 2014				
	Bank	Payment Solutions	Institutional Investment Management	Asset Servicing	Total
Net interest income	$ 71,122	$ 12,388	$ (3)	$ 1,938	$ 85,445
Provision for loan losses	2,426	2,074			4,500
Noninterest income	47,435	20,219	34,095	21,215	122,964
Noninterest expense	107,861	20,948	25,889	17,543	172,241
Income before taxes	8,270	9,585	8,203	5,610	31,668
Income tax expense	2,005	2,593	2,146	1,511	8,255
Net income	$ 6,265	$ 6,992	$ 6,057	$ 4,099	$ 23,413
Average assets	$ 12,399,000	$ 1,906,000	$ 73,000	$ 2,126,000	$ 16,504,000

8. Commitments, Contingencies and Guarantees

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, commercial letters of credit, standby letters of credit, futures contracts, forward foreign exchange contracts and spot foreign exchange contracts. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheet. The contract or notional amount of those instruments reflects the extent of involvement the Company has in particular classes of financial instruments. Many of the commitments expire without being drawn upon, therefore, the total amount of these commitments does not necessarily represent the future cash requirements of the Company.

The Company s exposure to credit loss in the event of nonperformance by the counterparty to the financial instruments for commitments to extend credit, commercial letters of credit, and standby letters of credit is represented by the contract or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The following table summarizes the Company s off-balance sheet financial instruments.

Contract or Notional Amount *(in thousands):*

	March 31, 2015	December 31, 2014
Commitments to extend credit for loans (excluding credit card loans)	$ 4,201,410	$ 3,509,841
Commitments to extend credit under credit card loans	2,752,325	2,690,752
Commercial letters of credit	3,223	