

UMB FINANCIAL CORP  
Form 10-Q  
November 06, 2008  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

(MARK ONE)

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

For the quarterly period ended September 30, 2008

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)

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<b>Missouri</b> (State or other jurisdiction of incorporation or organization)	<b>43-0903811</b> (I.R.S. Employer Identification Number)
<b>1010 Grand Boulevard, Kansas City, Missouri</b> (Address of principal executive offices)	<b>64106</b> (ZIP Code)
<b>(Registrant's telephone number, including area code): (816) 860-7000</b>	

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

Indicate by check mark whether the registrant 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

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

As of October 31, 2008, UMB Financial Corporation had 40,938,258 shares of common stock outstanding.

**Table of Contents**

**UMB FINANCIAL CORPORATION**

**FORM 10-Q**

**INDEX**

<u>PART I. FINANCIAL INFORMATION</u>	3
<u>ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)</u>	3
<u>CONDENSED CONSOLIDATED BALANCE SHEETS</u>	3
<u>CONDENSED CONSOLIDATED STATEMENTS OF INCOME</u>	4
<u>STATEMENTS OF CHANGES IN CONDENSED CONSOLIDATED SHAREHOLDERS' EQUITY</u>	5
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	6
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	7
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	15
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	31
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	35
<u>PART II. OTHER INFORMATION</u>	36
<u>ITEM 1. LEGAL PROCEEDINGS</u>	36
<u>ITEM 1A. RISK FACTORS</u>	36
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	36
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	36
<u>ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS</u>	36
<u>ITEM 5. OTHER INFORMATION</u>	36
<u>ITEM 6. EXHIBITS</u>	37
<u>SIGNATURES</u>	38
<u>CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT</u>	
<u>CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT</u>	
<u>CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002</u>	
<u>CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002</u>	

**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****UMB FINANCIAL CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS***(unaudited, dollars in thousands, except share and per share data)*

	September 30, 2008	December 31, 2007
<b><u>ASSETS</u></b>		
Loans:	\$ 4,224,441	\$ 3,917,125
Allowance for loan losses	(50,428)	(45,986)
Net loans	4,174,013	3,871,139
Loans held for sale	19,887	12,240
Investment Securities:		
Available for sale	3,617,484	3,385,952
Held to maturity (market value of \$47,346 and \$42,209, respectively)	44,604	37,658
Federal Reserve Bank stock and other	21,745	19,287
Trading securities	37,164	43,883
Total investment securities	3,720,997	3,486,780
Federal funds sold and securities purchased under agreements to resell	454,424	712,012
Cash and due from banks	524,849	806,600
Bank premises and equipment, net	222,083	235,528
Accrued income	60,186	62,021
Goodwill	94,512	94,512
Other intangibles	15,705	16,463
Other assets	50,685	45,664
Total assets	\$ 9,337,341	\$ 9,342,959
<b><u>LIABILITIES</u></b>		
Deposits:		
Noninterest-bearing demand	\$ 2,287,377	\$ 2,094,422
Interest-bearing demand and savings	3,448,176	2,959,109
Time deposits under \$100,000	771,936	852,837
Time deposits of \$100,000 or more	573,659	644,434
Total deposits	7,081,148	6,550,802
Federal funds purchased and repurchase agreements	1,186,004	1,734,749
Short-term debt	18,655	33,753
Long-term debt	36,807	36,032
Accrued expenses and taxes	69,048	76,362
Other liabilities	11,591	20,687
Total liabilities	8,403,253	8,452,385

**SHAREHOLDERS EQUITY**

Common stock, \$1.00 par value; 80,000,000 shares authorized, 55,056,730 shares issued, and 40,930,514 and 41,327,624 shares outstanding, respectively	55,057	55,057
Capital surplus	706,584	702,914
Retained earnings	489,012	430,824
Accumulated other comprehensive income	14,323	12,246
Treasury stock, 14,126,216 and 13,729,106 shares, at cost, respectively	(330,888)	(310,467)
<b>Total shareholders equity</b>	<b>934,088</b>	<b>890,574</b>
Total liabilities and shareholders equity	\$ 9,337,341	\$ 9,342,959

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents****UMB FINANCIAL CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF INCOME***(unaudited, dollars in thousands, except share and per share data)*

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b><u>INTEREST INCOME</u></b>				
Loans	\$ 59,208	\$ 68,972	\$ 182,559	\$ 203,385
Securities:				
Taxable interest	25,419	23,251	78,211	71,200
Tax-exempt interest	6,357	6,490	19,561	18,642
Total securities income	31,776	29,741	97,772	89,842
Federal funds and resell agreements	1,948	4,326	7,411	15,658
Trading securities and other	442	561	1,089	1,824
Total interest income	93,374	103,600	288,831	310,709
<b><u>INTEREST EXPENSE</u></b>				
Deposits	22,339	31,412	71,133	89,191
Federal funds and repurchase agreements	4,275	13,647	19,558	47,987
Short-term debt	27	161	184	441
Long-term debt	435	373	1,270	1,265
Total interest expense	27,076	45,593	92,145	138,884
Net interest income	66,298	58,007	196,686	171,825
Provision for loan losses	4,500	2,833	12,350	6,333
Net interest income after provision for loan losses	61,798	55,174	184,336	165,492
<b><u>NONINTEREST INCOME</u></b>				
Trust and securities processing	31,530	28,889	95,892	85,131
Trading and investment banking	2,919	4,353	14,783	14,747
Service charges on deposit accounts	22,624	20,361	64,180	59,936
Insurance fees and commissions	1,355	913	3,432	2,544
Brokerage fees	2,189	1,959	6,430	6,024
Bankcard fees	10,456	10,135	32,884	29,431
Gain on sale of securities transfer product, net	1,090	6,490	1,090	6,490
Gains on sales of securities available for sale, net	2,829	1	3,240	3
Gain on mandatory redemption of Visa, Inc. class B common stock			8,875	
Other	4,129	3,796	12,292	11,606
Total noninterest income	79,121	76,897	243,098	215,912
<b><u>NONINTEREST EXPENSE</u></b>				
Salaries and employee benefits	57,187	51,439	167,331	152,538
Occupancy, net	8,542	7,667	23,952	22,421
Equipment	13,461	13,385	39,932	39,810
Supplies and services	6,254	5,814	18,180	17,327

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Marketing and business development	4,976	3,880	13,325	11,574
Processing fees	8,535	7,491	25,178	21,268
Legal and consulting	2,097	2,329	5,030	5,795
Bankcard	3,103	2,648	8,578	8,084
Amortization of other intangible assets	804	754	2,258	2,222
Covered litigation provision			(4,023)	
Other	4,894	5,992	15,707	16,107
<b>Total noninterest expense</b>	<b>109,853</b>	<b>101,399</b>	<b>315,448</b>	<b>297,146</b>
Income before income taxes	31,066	30,672	111,986	84,258
Income tax provision	9,297	9,145	34,138	25,344
<b>NET INCOME</b>	<b>\$ 21,769</b>	<b>\$ 21,527</b>	<b>\$ 77,848</b>	<b>\$ 58,914</b>
<b><u>PER SHARE DATA</u></b>				
Net income basic	\$ 0.54	\$ 0.52	\$ 1.91	\$ 1.41
Net income diluted	0.53	0.51	1.89	1.40
Dividends	0.17	0.14	0.48	0.42
Weighted average shares outstanding	40,659,564	41,687,476	40,764,371	41,857,927

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents****UMB FINANCIAL CORPORATION****STATEMENTS OF CHANGES IN CONDENSED CONSOLIDATED SHAREHOLDERS' EQUITY***(unaudited, dollars in thousands, except per share data)*

	<b>Common Stock</b>	<b>Capital Surplus</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Treasury Stock</b>	<b>Total</b>
Balance January 1, 2007	\$ 55,057	\$ 699,794	\$ 380,464	\$ (17,259)	\$ (269,181)	\$ 848,875
Comprehensive income						
Net income			58,914			58,914
Change in unrealized losses on securities				15,842		15,842
<b>Total comprehensive income</b>						<b>74,756</b>
Cash dividends (\$0.42 per share)			(17,649)			(17,649)
Purchase of treasury stock					(25,223)	(25,223)
Issuance of equity awards		(928)			1,065	137
Recognition of equity based compensation		2,299				2,299
Sale of treasury stock		232			138	370
Exercise of stock options		223			521	744
Balance September 30, 2007	\$ 55,057	\$ 701,620	\$ 421,729	\$ (1,417)	\$ (292,680)	\$ 884,309
Balance January 1, 2008	\$ 55,057	\$ 702,914	\$ 430,824	\$ 12,246	\$ (310,467)	\$ 890,574
Comprehensive income						
Net income			77,848			77,848
Change in unrealized gains on securities				2,077		2,077
<b>Total comprehensive income</b>						<b>79,925</b>
Cash dividends (\$0.48 per share)			(19,660)			(19,660)
Purchase of treasury stock					(22,574)	(22,574)
Issuance of equity awards		(814)			954	140
Recognition of equity based compensation		3,174				3,174
Net tax benefit related to equity compensation plans		367				367
Sale of treasury stock		289			131	420
Exercise of stock options		654			1,068	1,722
Balance September 30, 2008	\$ 55,057	\$ 706,584	\$ 489,012	\$ 14,323	\$ (330,888)	\$ 934,088

See Notes to Condensed Consolidated Financial Statements.



**Table of Contents****UMB FINANCIAL CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(unaudited, dollars in thousands)*

	<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Operating Activities</b>		
Net Income	\$ 77,848	\$ 58,914
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	12,350	6,333
Depreciation and amortization	28,184	28,000
Deferred income tax benefit	(1,753)	(1,806)
Net increase in trading securities	6,719	3,882
Gains on sale of securities available for sale	(3,240)	(3)
Gains on sale of assets	(202)	(87)
Amortization of securities premiums, net of discount accretion	1,737	(3,439)
Net (increase) decrease in loans held for sale	(7,647)	1,133
Issuance of equity awards	140	137
Equity based compensation	3,174	2,299
Decrease in covered litigation provision	(4,023)	
Changes in:		
Accrued income	1,835	(3,532)
Accrued expenses and taxes	(9,787)	3,061
Other assets and liabilities, net	(6,690)	(2,020)
<b>Net cash provided by operating activities</b>	<b>98,645</b>	<b>92,872</b>
<b>Investing Activities</b>		
Proceeds from maturities of securities held to maturity	110,340	725
Proceeds from sales of securities available for sale	2,228,041	1,481,827
Proceeds from maturities of securities available for sale	7,498	9,242
Purchases of securities available for sale	(2,564,183)	(925,099)
Purchases of securities held to maturity	(17,807)	(9,031)
Net increase in loans	(284,093)	(205,679)
Net decrease in fed funds and resell agreements	257,588	543,369
Net increase in unsettled securities transactions	(23)	(6,931)
Purchases of bank premises and equipment	(13,346)	(20,160)
Net cash paid for acquisition of loans	(33,037)	(688)
Proceeds from sales of bank premises and equipment	1,067	353
<b>Net cash (used in) provided by investing activities</b>	<b>(307,955)</b>	<b>867,928</b>
<b>Financing Activities</b>		
Net increase (decrease) in demand and savings deposits	682,022	(328,290)
Net decrease in time deposits	(151,676)	(59,630)
Net decrease in fed funds and repurchase agreements	(548,745)	(560,360)
Net decrease in short-term debt	(15,098)	(1,413)
Proceeds from long-term debt	4,200	2,480
Repayment of long-term debt	(3,425)	(3,807)
Cash dividends paid	(19,654)	(17,324)
Net tax benefit related to equity compensation plans	367	
Proceeds from exercise of stock options and sales of treasury shares	2,142	1,114

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Purchases of treasury stock	(22,574)	(25,223)
Net cash used in financing activities	(72,441)	(992,453)
Decrease in cash and due from banks	(281,751)	(31,653)
Cash and due from banks at beginning of period	806,600	531,188
Cash and due from banks at end of period	\$ 524,849	\$ 499,535
Supplemental Disclosures:		
Income taxes paid	\$ 36,067	\$ 25,198
Total interest paid	99,773	136,220
See Notes to Condensed Consolidated Financial Statements.		

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**Table of Contents**

**UMB FINANCIAL CORPORATION**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

**1. Financial Statement Presentation**

The condensed consolidated financial statements include the accounts of UMB Financial Corporation and its subsidiaries (collectively, the Company ) after elimination of all material 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 and in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

**2. Summary of Accounting Policies**

The Company is a multi-bank 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, Arizona, Nebraska, Pennsylvania, South Dakota, Indiana, 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, 2007.

**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 quarterly per share data includes the dilutive effect of 504,335 and 328,083 shares issuable upon the exercise of options granted by the Company at September 30, 2008 and 2007, respectively. Diluted year-to-date income per share includes the dilutive effect of 415,982 and 294,431 shares issuable upon the exercise of stock options granted by the Company at September 30, 2008 and 2007, respectively.

Options issued under employee benefit plans to purchase 272,764 shares of common stock were outstanding at September 30, 2007, but were not included in the computation of quarterly diluted EPS because the options were anti-dilutive. Options issued under employee benefit plans to purchase 364,562 shares of common stock were outstanding at September 30, 2007, but were not included in the computation of year-to-date diluted EPS because the options were anti-dilutive. There were no anti-dilutive options outstanding at September 30, 2008.

**3. New Accounting Pronouncements**

**Fair Value Measurements** In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements . The statement establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement is applicable under other accounting pronouncements that require fair value recognition. It does not create new fair value measurements; however, it provides increased consistency in the application of various fair value measurements. The Company adopted this Statement on January 1, 2008 as discussed further in Note 9 to the consolidated financial statements.

**The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115** In February 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115 . This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Company's adoption of this Statement on January 1, 2008 did not have a material effect on its consolidated financial statements.



**Table of Contents****UMB FINANCIAL CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

**Business Combinations** In December 2007, the FASB issued SFAS No. 141 (revised 2007) *Business Combinations*. The purpose of this statement is to improve the information that a reporting entity provides in its financial reports about a business combination and its effects. This Statement establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. It also retains from the original pronouncement, SFAS No. 141, the requirement that the acquisition method (purchase method) be used in all business combinations and the guidance for identifying and recognizing intangible assets separately from goodwill. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply this Statement before that date. The Company cannot currently quantify with precision the effect that this standard would have on the financial position or results of operations in the future.

**Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51** In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements – an amendment of ARB No. 51*. This statement amends Accounting Research Bulletin (ARB) 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. It eliminates the former minority interest presentation. This statement also requires that the parent recognize a gain or loss in net income when a subsidiary is deconsolidated. This statement is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company cannot currently quantify with precision the effect that this standard would have on the financial position or results of operations in the future.

**4. Loans and Allowance for Loan Losses**

This table provides a summary of the major categories of loans as of September 30, 2008 and December 31, 2007 (*in thousands*):

	<b>September 30, 2008</b>	<b>December 31, 2007</b>
Commercial, financial, and agricultural	\$ 2,019,282	\$ 1,769,505
Real estate construction	94,934	83,292
Consumer	604,952	795,826
Real estate	1,499,927	1,262,389
Leases	5,346	6,113
Total loans	4,224,441	3,917,125
Loans held for sale	19,887	12,240
Total loans and loans held for sale	\$ 4,244,328	\$ 3,929,365

**Table of Contents****UMB FINANCIAL CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

This table is an analysis of the allowance for loan losses for the three and nine months ended September 30, 2008 and 2007 (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Beginning allowance July 1 and January 1	\$ 48,101	\$ 45,248	\$ 45,986	\$ 44,926
Additions (deductions):				
Charge-offs	(3,383)	(2,859)	(11,635)	(8,057)
Recoveries	1,210	952	3,727	2,972
Net charge-offs	(2,173)	(1,907)	(7,908)	(5,085)
Provision charged to expense	4,500	2,833	12,350	6,333
Ending allowance September 30	\$ 50,428	\$ 46,174	\$ 50,428	\$ 46,174

**Impaired loans under SFAS No. 114.** SFAS No. 114, Accounting by Creditors for Impairment of a Loan requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or at the fair value of the collateral securing the loan. The summary below provides an analysis of impaired loans under SFAS No. 114 for the nine months ended September 30, 2008 and twelve months ended December 31, 2007 (*in thousands*):

	September 30, 2008	December 31, 2007
Total impaired loans as of September 30 and December 31	\$ 5,558	\$ 5,617
Amount of impaired loans which have a related allowance	1,155	798
Amount of related allowance	583	433
Remaining impaired loans with no allowance	4,403	4,819
Average recorded investment in impaired loans during the period	5,552	5,798

**5. Securities**

Investment securities available for sale which are recorded at fair value consist of the following (*in thousands*):

	September 30, 2008	December 31, 2007
Available for sale		
U.S. Treasuries	\$ 414,195	\$ 432,032
U.S. Agencies	1,184,006	1,169,969
State and political subdivisions	724,403	734,507
Mortgage backed	1,190,232	1,049,444
Commercial paper	104,648	

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Total available for sale	\$ 3,617,484	\$ 3,385,952
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Investment securities held to maturity which are recorded at amortized cost consist of the following (*in thousands*):

	September 30, 2008	December 31, 2007
State and political subdivisions	\$ 44,604	\$ 37,658

Table of Contents

## UMB FINANCIAL CORPORATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 (UNAUDITED)

**6. Other Comprehensive Income**

The Company's only component of other comprehensive income for the three and nine months ended September 30, 2008 and 2007 was the net unrealized gains and losses on available for sale securities (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Change in unrealized holding gains, net	\$ 5,624	\$ 33,877	\$ 6,562	\$ 25,009
Less: Reclassification adjustments for gains included in income	(2,829)	(1)	(3,240)	(3)
Net unrealized holding gains	2,795	33,876	3,322	25,006
Income tax expense	(1,045)	(12,435)	(1,245)	(9,164)
Other comprehensive income	\$ 1,750	\$ 21,441	\$ 2,077	\$ 15,842

**7. 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*):

	September 30, 2008	December 31, 2007
Commitments to extend credit for loans (excluding credit card loans)	\$ 1,599,469	\$ 1,302,101
Commitments to extend credit under credit card loans	1,114,018	1,013,317
Commercial letters of credit	2,776	6,155
Standby letters of credit	277,470	291,661
Futures contracts	17,700	14,900
Forward foreign exchange contracts	4,730	10,295
Spot foreign exchange contracts	18,847	17,475



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In the normal course of business, the Company and its subsidiaries are named defendants in various lawsuits and counter-claims. In the opinion of management, after consultation with legal counsel, none of these lawsuits are expected to have a materially adverse effect on the financial position, results of operations or cash flows of the Company.

### **8. Business Segment Reporting**

The Company has strategically aligned its operations into six major segments, as shown below (collectively, Business Segments ). The Business Segments are differentiated based on the products and services

**Table of Contents**

**UMB FINANCIAL CORPORATION**

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

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

they provide. Business segment financial results produced by the Company's internal management accounting system are evaluated regularly by the Executive Committee in deciding how to allocate resources and assess performance for individual Business Segments. The management accounting 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 are based on allocation methodologies in effect at September 30, 2008, consistent with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information".

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

*Commercial Banking and Lending* serves the commercial lending and leasing as well as the capital markets needs of the Company's mid-market businesses and governmental entities by offering various products and services. The commercial loan and leasing group provides commercial loans and lines of credit, letters of credit, and loan syndication services. This segment provides consultative services and offers a variety of financing for companies that need non-traditional banking services. The services provided include asset based financing, asset securitization, equity and mezzanine financing, factoring, private and public placement of senior debt, as well as merger and acquisition consulting.

*Payment and Technology Solutions* meets the treasury management and healthcare services needs of our commercial clients. Treasury management products and services include account reconciliation services, automated clearing house, controlled disbursements, lockbox services, foreign exchange, and various card products and services. Healthcare services include health savings account and flexible spending account products for healthcare providers, third-party administrators and large employers.

*Banking Services* provides products and services mainly to the Company's correspondent bank customer network in the Midwest. Products and services include bond trading transactions, cash letter collections, FiServ account processing, investment portfolio accounting and safekeeping, reporting for asset/liability management, and Federal funds transactions. Banking Services includes the bank dealer function in which competitive and negotiated underwritings of municipal securities as well as underwritings of government agency securities are performed.

*Consumer Services* delivers products and services through the Company's bank branches, call center, internet banking and ATM network. These services are distributed over a seven state area, as well as through on-line and telephone banking. Consumer Services is a major provider of funds and assets for the Company. This segment offers a variety of consumer products, including deposit accounts, installment loans, credit cards, home equity lines of credit, residential mortgages, small business loans, and insurance services for individuals.

*Asset Management* provides a full spectrum of investment advisory, trust, and custody services to both personal and institutional clients of the Company, focusing on estate planning, trust, retirement planning and investment management and private banking services. The Company's investment advisory services provided to the Company's proprietary funds, the UMB Scout Funds, are also included in this segment. Corporate trust services include serving as corporate and municipal bond trustee, serving as the paying agent/registrar for issued bonds and notes, and providing escrow services.

*Fund Services* provides a broad array of services for mutual funds, partnerships, hedge funds, unitized portfolios, separate accounts, and commingled funds to a wide range of investment advisors, independent money managers, broker/dealers, banks, third-party administrators, insurance companies and other financial service providers. Services provided include fund administration and accounting, investor services and transfer agency, marketing and distribution, custody, and alternative investment services.

*Treasury and Other Adjustments* includes asset and liability management activities and miscellaneous other items of a corporate nature not allocated to specific business lines. The assets within this segment include the Company's investment portfolio. Corporate eliminations are also allocated to this segment.

**Table of Contents****UMB FINANCIAL CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 (UNAUDITED)****Business Segment Information**

Segment financial results were as follows (*in thousands*):

	Three Months Ended September 30,			
	Commercial Banking and Lending		Payment and Technology Solutions	
	2008	2007	2008	2007
Net interest income	\$ 13,769	\$ 13,781	\$ 20,731	\$ 16,888
Provision for loan losses	1,894	548	46	34
Noninterest income	589	595	17,428	21,616
Noninterest expense	9,583	7,764	23,310	20,586
Income before income taxes	\$ 2,881	\$ 6,064	\$ 14,803	\$ 17,884
Average assets	\$ 3,233,000	\$ 2,800,000	\$ 88,000	\$ 67,000
Depreciation and amortization	442	491	2,652	2,362
Expenditures for additions to premises and equipment	143	368	868	1,697
	Banking Services		Consumer Services	
	2008	2007	2008	2007
Net interest income	\$ 1,124	\$ 977	\$ 25,913	\$ 24,185
Provision for loan losses			2,547	2,248
Noninterest income	6,369	5,988	19,188	17,645
Noninterest expense	8,369	7,223	39,739	39,740
(Loss) income before income taxes	\$ (876)	\$ (258)	\$ 2,815	\$ (158)
Average assets	\$ 97,000	\$ 95,000	\$ 1,138,000	\$ 1,335,000
Depreciation and amortization	398	358	4,463	4,468
Expenditures for additions to premises and equipment	136	214	3,042	3,495
	Asset Management		Fund Services	
	2008	2007	2008	2007
Net interest income	\$ 2,500	\$ 1,863	\$ 2,261	\$ 375
Provision for loan losses	13	3		
Noninterest income	24,296	22,769	11,175	9,733
Noninterest expense	20,116	18,764	9,849	8,849
Income before income taxes	\$ 6,667	\$ 5,865	\$ 3,587	\$ 1,259
Average assets	\$ 145,000	\$ 88,000	\$ 38,000	\$ 35,000
Depreciation and amortization	782	874	345	451
Expenditures for additions to premises and equipment	395	651	278	221



**Table of Contents****UMB FINANCIAL CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

	Treasury and Other Adjustments		Total Consolidated Company	
	2008	2007	2008	2007
Net interest income	\$	\$ (62)	\$ 66,298	\$ 58,007
Provision for loan losses			4,500	2,833
Noninterest income		(1,449)	79,121	76,897
Noninterest expense	(1,113)	(1,527)	109,853	101,399
Income before income taxes	\$ 1,189	\$ 16	\$ 31,066	\$ 30,672
Average assets	\$ 3,879,000	\$ 3,420,000	\$ 8,618,000	\$ 7,840,000
Depreciation and amortization	417	369	9,499	9,373
Expenditures for additions to premises and equipment	806	275	5,668	6,921

	Nine Months Ended September 30,			
	Commercial Banking and Lending		Payment and Technology Solutions	
	2008	2007	2008	2007
Net interest income	\$ 42,678	\$ 41,867	\$ 62,859	\$ 49,267
Provision for loan losses	5,118	2,823	121	34
Noninterest income	1,729	2,021	50,822	53,108
Noninterest expense	26,460	22,171	67,356	61,572
Income before income taxes	\$ 12,829	\$ 18,894	\$ 46,204	\$ 40,769
Average assets	\$ 3,162,000	\$ 2,796,000	\$ 88,000	\$ 65,000
Depreciation and amortization	1,344	1,408	7,880	7,112
Expenditures for additions to premises and equipment	309	925	1,688	4,405

	Banking Services		Consumer Services	
	2008	2007	2008	2007
Net interest income	\$ 3,216	\$ 2,672	\$ 76,211	\$ 72,627
Provision for loan losses			7,053	3,473
Noninterest income	22,846	18,794	54,523	50,222
Noninterest expense	25,375	22,246	115,649	117,715
Income (loss) before income taxes	\$ 687	\$ (780)	\$ 8,032	\$ 1,661
Average assets	\$ 118,000	\$ 117,000	\$ 1,175,000	\$ 1,358,000
Depreciation and amortization	1,141	1,092	13,407	13,386
Expenditures for additions to premises and equipment	206	651	8,364	10,055

	Asset Management		Fund Services	
	2008	2007	2008	2007
Net interest income	\$ 6,551	\$ 5,390	\$ 5,122	\$ 388
Provision for loan losses	58	3		
Noninterest income	71,693	66,570	35,943	27,858
Noninterest expense	56,867	52,193	29,880	24,919

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Income before income taxes	\$ 21,319	\$ 19,764	\$ 11,185	\$ 3,327
Average assets	\$ 119,000	\$ 69,000	\$ 36,000	\$ 34,000
Depreciation and amortization	2,361	2,537	1,158	1,359
Expenditures for additions to premises and equipment	997	1,757	587	615

**Table of Contents****UMB FINANCIAL CORPORATION****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

	Treasury and Other Adjustments		Total Consolidated Company	
	2008	2007	2008	2007
Net interest income	\$ 49	\$ (386)	\$ 196,686	\$ 171,825
Provision for loan losses			12,350	6,333
Noninterest income	5,542	(2,661)	243,098	215,912
Noninterest expense	(6,139)	(3,670)	315,448	297,146
<b>Income before income taxes</b>	<b>\$ 11,730</b>	<b>\$ 623</b>	<b>\$ 111,986</b>	<b>\$ 84,258</b>
Average assets	\$ 3,921,000	\$ 3,533,000	\$ 8,619,000	\$ 7,972,000
Depreciation and amortization	1,213	1,106	28,504	28,000
Expenditures for additions to premises and equipment	1,195	1,752	13,346	20,160

**9. Fair Value Measurements**

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. The following table presents information about the Company's assets measured at fair value on a recurring basis as of September 30, 2008, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets and liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the hierarchy. In such cases, the fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets measured at fair value on a recurring basis as of September 30, 2008 (*in thousands*):

Description	September 30, 2008	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Trading securities	37,164	8,955	28,209	
Available for sale securities	3,617,484	1,598,201	2,019,283	
<b>Total</b>	<b>3,654,648</b>	<b>1,607,156</b>	<b>2,047,492</b>	

**10. FDIC One-Time Assessment Credit**

Effective November 17, 2006, the FDIC implemented a one time credit of \$4.7 billion to eligible institutions. The purpose of the credit was to recognize contributions made by certain institutions to capitalize the Bank Insurance Fund and Savings Association Insurance Fund, which have now been merged into the Deposit Insurance Fund. The affiliate banks of the Company are eligible institutions and have received notice from the FDIC that their remaining share of the credit is approximately \$2.8 million at September 30, 2008. This amount is not reflected in the

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accompanying financial statements as it represents contingent future credits against future insurance assessment payments. As such, the timing of the one-time credit may change.



**Table of Contents**

**UMB FINANCIAL CORPORATION**

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

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 (UNAUDITED)**

**11. Visa**

During the fourth quarter of 2007, the Company recorded a \$4.6 million litigation provision based on an estimate of its contingent indemnification liability associated with the covered litigation of Visa, Inc. In March of 2008, Visa, Inc. completed an initial public offering. With the funds received in this offering, Visa, Inc. conducted a mandatory redemption of a portion of its class B common stock and funded a \$3.0 billion escrow account to fund claims resulting from the covered litigation. The Company recorded an \$8.9 million gain for cash received from the mandatory redemption. Additionally, the Company recorded \$4.0 million for its proportional share of the escrow account funds. The Company has presented the contingent indemnification liability net of the escrowed funds as a component of other liabilities on the Condensed Consolidated Balance Sheet. These entries have also been disclosed on separate line items on the Condensed Consolidated Statement of Income.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This review highlights the material changes in the results of operations and changes in financial condition for the three-month and nine-month periods ended September 30, 2008. It should be read in conjunction with the accompanying condensed consolidated financial statements, notes to condensed consolidated financial statements and other financial statistics appearing elsewhere in this report. Results of operations for the periods included in this review are not necessarily indicative of results to be attained during any future period.

**SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

The information included or incorporated by reference in this report contains forward-looking statements of expected future developments within the meaning of and pursuant to the safe harbor provisions established by Section 21E of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may refer to financial condition, results of operations, plans, objectives, future financial performance and business of the Company, including, without limitation:

Statements that are not historical in nature;

Statements preceded by, followed by or that include the words believes, expects, may, will, should, could, anticipates, estimates, intends, or similar words or expressions;

Forward-looking statements are not guarantees of future performance or results. You are cautioned not to put undue reliance on any forward-looking statement which speaks only as of the date it was made. Forward-looking statements reflect management's expectations and are based on currently available data; however, they involve risks, uncertainties and assumptions. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

General economic and political conditions, either nationally, internationally or in the Company's footprint, may be less favorable than expected;

Changes in the interest rate environment;

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Changes in the securities markets impacting mutual fund performance and flows;

Legislative or regulatory changes may adversely affect the Company's business;

Changes in operations;

Changes in accounting rules;

The ability to successfully and timely integrate acquisitions into existing charters;

Competitive pressures among financial services companies may increase significantly;

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## **Table of Contents**

Changes in technology may be more difficult or expensive than anticipated;

Changes in the ability of customers to repay loans;

Changes in loan demand may adversely affect liquidity needs; and

Changes in employee costs.

Any forward-looking statements should be read in conjunction with information about risks and uncertainties set forth in this report and in documents incorporated herein by reference. Forward-looking statements speak only as of the date they are made, and the Company does not intend to review or revise any particular forward-looking statement in light of events that occur thereafter or to reflect the occurrence of unanticipated events.

### **Overview**

The Company focuses on the following five core strategies. Management believes these strategies will continue to improve net income and strengthen the balance sheet.

The first strategy is a focus on net interest income. This is a multi-pronged strategy emphasizing the investment portfolio, loan portfolio and deposit base. During the third quarter of 2008, progress on this strategy was illustrated by an increase in net interest income of 14.3 percent from the previous year. By optimizing the effects of volume and mix in its balance sheet, the Company has increased net interest margin in a declining rate environment. Average earning assets increased by \$773.7 million, or 11.1 percent, compared to the third quarter of 2007. This earning asset growth was attributable to an average securities growth of \$439.0 million, or 16.4 percent, and an average loan growth of \$305.3 million, or 7.8 percent. On a tax equivalent basis, net interest spread increased by 52 basis points and net interest margin increased by 9 basis points compared to the third quarter of 2007.

The second strategy is to grow the Company's fee-based businesses. The Company continues to emphasize its fee-based operations to help reduce the Company's exposure to changes in interest rates. During the third quarter of 2008, noninterest income increased \$2.2 million, or 2.9 percent, compared to the same period of 2007. The Company continues to emphasize its asset management, bankcard services, health care services, and payment and technology solutions businesses. A focus in asset management continues to show results and is discussed in the fourth strategy below. In particular, during the third quarter of 2008, the increase in noninterest income is attributable to higher trust and securities processing income and an increase in service charges on deposits. Trust and securities processing increased \$2.6 million, or 9.1 percent, for the three months ended September 30, 2008 compared to the same period in 2007. This increase was primarily due to the increase in fund administration and distribution services. Service charges on deposits increased \$2.3 million, or 11.1 percent, for the three months ended September 30, 2008 compared to the same period in 2007. This increase is primarily due to improved processing technology and an increase in transaction volume. The Company also continues to focus on its wholesale health savings and flexible spending account strategy by servicing healthcare providers, third-party administrators and large employers.

The third strategy is a focus on the retail distribution network. At September 30, 2008, the Company had 136 branches. Repositioning and increasing utilization of our regional distribution network remains a priority. The Company continues to emphasize increasing its primary retail customer base by providing a broad offering of services through our existing branch network. These efforts have resulted in a total deposits increase of \$1.2 billion, or 19.6 percent, since September 30, 2007.

The fourth strategy is to strengthen the asset management business of the Company. In particular, the focus is to continue growing the UMB Scout Funds (which are a family of proprietary mutual funds managed by a subsidiary of the Company) by adding and offering new products, achieving strong performance, and leveraging distribution networks. The Company continues to develop an investment advisory model. To that end, the Company will continue to evolve proprietary and non-proprietary products and services to support this approach. In addition, the Company continues to integrate private banking, wealth solutions, and brokerage capabilities for our customer base. Total assets under management remained flat at \$10.7 billion at September 30, 2008 compared to September 30, 2007. The Company's proprietary family of mutual funds continue to play a key role, with strong inflows to the funds in 2008, offset by net asset decline due to market depreciation. Total assets under management



**Table of Contents**

for the UMB Scout Funds were flat at \$5.7 billion at September 30, 2008 compared to September 30, 2007. As some of the revenue from the Company's asset management business is the direct result of the market value of its customers' investments, the overall health of the equity and financial markets plays an important role in the recognition of fee income.

The fifth strategy is a focus on capital management. Specifically, the Company continues to invest in organic growth; analyze acquisition opportunities that make sense strategically, financially, operationally, and culturally; and focus on returning capital to shareholders. The Company repurchased 26,017 shares of common stock at an average price of \$54.44 per share during the third quarter of 2008. These repurchases, coupled with the repurchases during the first two quarters of 2008, result in year-to-date repurchases of 562,851 shares of common stock at an average price of \$40.11 per share for a total cost of \$22.6 million. The Company places a significant emphasis on the maintenance of a strong capital position, which management believes promotes investor confidence, provides access to funding sources under favorable terms, and enhances the Company's ability to capitalize on business growth and acquisition opportunities. At September 30, 2008, the Company had a total risk-based capital ratio of 14.77 percent, which is substantially higher than the 10 percent regulatory minimum to be considered well-capitalized.

**Earnings Summary**

The Company recorded consolidated net income of \$21.8 million for the three-month period ended September 30, 2008 compared to \$21.5 million for the same period a year earlier. This represents a 1.1 percent increase over the three-month period ended September 30, 2007. Basic earnings per share for the third quarter of 2008 were \$0.54 per share (\$0.53 per share fully-diluted) compared to \$0.52 per share (\$0.51 per share fully-diluted) for the third quarter of 2007. Return on average assets and return on average common shareholders' equity for the three-month period ended September 30, 2008 were 1.00 and 9.25 percent, respectively, compared to 1.09 and 9.70 percent for the three-month period ended September 30, 2007.

The Company recorded consolidated net income of \$77.8 million for the nine-month period ended September 30, 2008 compared to \$58.9 million for the same period a year earlier. This represents a 32.1 percent increase over the nine-month period ended September 30, 2007. Basic earnings per share for the nine-month period ended September 30, 2008 were \$1.91 per share (\$1.89 per share fully-diluted) compared to \$1.41 per share (\$1.40 per share fully-diluted) for the period in 2007. Return on average assets and return on average common shareholders' equity for the nine-month period ended September 30, 2008 were 1.21 and 11.23 percent, respectively, compared to 0.99 and 9.08 percent for the same period in 2007.

Net interest income for the three and nine-month periods ended September 30, 2008 increased 14.3 percent and 14.5 percent, respectively, compared to the same periods in 2007. The Company has increased average earning assets and net interest margin in a declining rate environment. For the three and nine-month periods ended September 30, 2008, average earning assets increased by \$773.7 million, or 11.1 percent, and \$607.2 million, or 8.6 percent, compared to the same periods in 2007. Net interest margin, on a tax-equivalent basis, increased to 3.57 percent and 3.59 percent for the three and nine months ended September 30, 2008 compared to 3.48 percent and 3.41 percent for the same periods in 2007.

The provision for loan losses increased by \$1.7 million and \$6.0 million for the three and nine-month periods ended September 30, 2008, compared to the same periods in 2007. These changes are a direct result of applying the Company's methodology for computing the allowance for loan losses. With the increased provision, the allowance for loan losses as a percentage of total loans slightly increased by 2 basis points to 1.19 percent as of September 30, 2008 compared to September 30, 2007. Management calculates a range in determining the appropriate level of allowance for loan losses. For a description of the Company's methodology for computing the allowance for loan losses, please see the summary discussion of the Allowance for Loan Losses within the Critical Accounting Policies and Estimates subsection of the Management's Discussion and Analysis of Financial Condition and Results of Operations section on the Company's 2007 Annual Report on Form 10-K.

Noninterest income increased by \$2.2 million, or 2.9 percent, for the three-month period ended September 30, 2008, and increased by \$27.2 million, or 12.6 percent, for the nine-month period ended September 30, 2008, compared to the same periods one year ago. For the three and nine-month periods, the increases are primarily due to increases in trust and securities processing income, service charges on deposits and gains on the sale of securities

**Table of Contents**

available for sale. For both periods, these increases were offset with the impact from the sale of securities transfer during the third quarter of 2007. For the nine-month period, these contributors were coupled with an increase in bankcard fees and the impact from the Visa transaction as discussed in Note 11 of the condensed consolidated financial statements. These increases are discussed in greater detail below under Noninterest Income.

Noninterest expense increased by \$8.5 million, or 8.3 percent, for the three-month period ended September 30, 2008, and increased by \$18.3 million, or 6.2 percent, for the nine-month period ended September 30, 2008, compared to the same periods in 2007. For the three and nine-month periods, the increases were primarily due to increases in salaries and employee benefits, marketing and business development, and processing fees. For the nine-month period, these contributors were coupled with the impact from the Visa transaction. These increases are discussed in greater detail below under Noninterest Expense.

**Net Interest Income**

Net interest income is a significant source of the Company's earnings and represents the amount by which interest income on earning assets exceeds the interest expense paid on liabilities. The volume of interest-earning assets and the related funding sources, the overall mix of these assets and liabilities, and the rates paid on each affect net interest income. For the three-month period ended September 30, 2008, net interest income increased \$8.3 million, or 14.3 percent, compared to the same period in 2007. For the nine-month period ended September 30, 2008, net interest income increased \$24.9 million, or 14.5 percent, compared to the same period in 2007.

Table 1 shows the impact of earning asset rate changes compared to changes in the cost of interest-bearing liabilities. The Company continues to experience a repricing of these earning assets and interest-bearing liabilities during the recent interest rate cycle. The Company has been able to improve net interest spreads and net interest margin. As illustrated on this table, net interest spread for the three and nine months ended September 30, 2008 increased by 52 basis points and 54 basis points, and overall net interest margin increased by 9 basis points and 18 basis points, compared to the same periods in 2007. These results are primarily due to the interest-bearing liabilities repricing quicker than the earning assets, coupled with the contribution from noninterest-bearing demand deposits (free funds). For the impact of the contribution from free funds, see the Analysis of Net Interest Margin within Table 2 below. Table 2 also illustrates how the changes in volume and rates have resulted in an increase in net interest income.

*Table 1***AVERAGE BALANCES/YIELDS AND RATES (tax-equivalent basis) (unaudited, dollars in thousands)**

The following table presents, for the periods indicated, the average earning assets and resulting yields, as well as the average interest-bearing liabilities and resulting yields, expressed in both dollars and rates. All average balances are daily average balances. The average yield on earning assets without the tax equivalent basis adjustment would have been 4.78 percent for the three-month period ended September 30, 2008 and 5.89 percent for the same period in 2007.

	Three Months Ended September 30,			
	2008		2007	
	Average Balance	Average Yield/Rate	Average Balance	Average Yield/Rate
<b>Assets</b>				
Loans, net of unearned interest	\$ 4,211,114	5.60%	\$ 3,905,847	7.01%
Securities:				
Taxable	2,386,983	4.24	1,948,907	4.73
Tax-exempt	737,617	5.19	736,715	5.21
Total securities	3,124,600	4.46	2,685,622	4.86
Federal funds and resell agreements	370,291	2.09	331,443	5.18
Trading securities and other	49,325	3.69	58,750	3.98
Total earning assets	7,755,330	4.96	6,981,662	6.07
Allowance for loan losses	(49,877)		(45,913)	
Other assets	912,501		904,440	

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Total assets	\$ 8,617,954		\$ 7,840,189	
<b>Liabilities and Shareholders' Equity</b>				
Interest-bearing deposits	\$ 4,656,627	1.91%	\$ 3,947,820	3.16%
Federal funds and repurchase agreements	1,038,779	1.64	1,159,531	4.67
Borrowed funds	41,801	4.40	49,981	4.24
Total interest-bearing liabilities	5,737,207	1.88	5,157,332	3.51
Noninterest-bearing demand deposits	1,863,035		1,731,499	
Other liabilities	81,630		71,081	
Shareholders' equity	936,082		880,277	
Total liabilities and shareholders' equity	\$ 8,617,954		\$ 7,840,189	
Net interest spread		3.08%		2.56%
Net interest margin		3.57		3.48

**Table of Contents**

	Nine Months Ended September 30,			
	2008	Average Yield/Rate	2007	Average Yield/Rate
	Average Balance		Average Balance	
<b>Assets</b>				
Loans, net of unearned interest	\$ 4,143,287	5.89%	\$ 3,897,257	6.98%
<b>Securities:</b>				
Taxable	2,376,901	4.40	2,019,521	4.71
Tax-exempt	755,499	5.23	716,106	5.11
Total securities	3,132,400	4.60	2,735,627	4.82
Federal funds and resell agreements	375,759	2.63	392,659	5.33
Trading securities and other	43,715	3.54	62,397	4.06
Total earning assets	7,695,161	5.19	7,087,940	6.03
Allowance for loan losses	(48,593)		(45,289)	
Other assets	972,405		929,192	
Total assets	\$ 8,618,973		\$ 7,971,843	
<b>Liabilities and Shareholders' Equity</b>				
Interest-bearing deposits	\$ 4,438,631	2.14%	\$ 3,884,511	3.07%
Federal funds and repurchase agreements	1,228,640	2.13	1,320,837	4.86
Borrowed funds	46,407	4.19	49,147	4.64
Total interest-bearing liabilities	5,713,678	2.15	5,254,495	3.53
Noninterest-bearing demand deposits	1,887,034		1,769,917	
Other liabilities	92,323		80,368	
Shareholders' equity	925,938		867,063	
Total liabilities and shareholders' equity	\$ 8,618,973		\$ 7,971,843	
Net interest spread		3.04%		2.50%
Net interest margin		3.59		3.41

Table 2 presents the dollar amount of change in net interest income and margin due to volume and rate. Table 2 also reflects the effect that interest-free funds have on net interest margin. Although interest free funds (total earning assets less interest-bearing liabilities) increased \$193.8 million for the three-month period ended September 30, 2008 compared to the same period in 2007 and increased \$148.0 million for the nine-month period ended September 30, 2008 compared to the same period in 2007, the benefit from interest free funds declined by 43 basis points from the three months ended September 30, 2007 and declined by 36 basis points from the nine months ended September 30, 2007 due to decreases in interest rates.



**Table of Contents**

Table 2

**ANALYSIS OF CHANGES IN NET INTEREST INCOME AND MARGIN** (unaudited, dollars in thousands)**ANALYSIS OF CHANGES IN NET INTEREST INCOME**

	Three Months Ended September 30, 2008 vs. 2007			Nine Months Ended September 30, 2008 vs. 2007		
	Volume	Rate	Total	Volume	Rate	Total
Change in interest earned on:						
Loans	\$ 4,251	\$ (14,015)	\$ (9,764)	\$ 10,896	\$ (31,722)	\$ (20,826)
Securities:						
Taxable	4,624	(2,456)	2,168	11,806	(4,795)	7,011
Tax-exempt	(14)	(119)	(133)	652	267	919
Federal funds sold and resell agreements	203	(2,581)	(2,378)	(332)	(7,915)	(8,247)
Trading securities and other	(80)	(39)	(119)	(296)	(439)	(735)
Interest income	8,984	(19,210)	(10,226)	22,726	(44,604)	(21,878)
Change in interest incurred on:						
Interest-bearing deposits	3,381	(12,454)	(9,073)	8,900	(26,958)	(18,058)
Federal funds purchased and repurchase agreements	(499)	(8,873)	(9,372)	(1,466)	(26,963)	(28,429)
Borrowed funds	(92)	20	(72)	(85)	(167)	(252)
Interest expense	2,790	(21,307)	(18,517)	7,349	(54,088)	(46,739)
Net interest income	\$ 6,194	\$ 2,097	\$ 8,291	\$ 15,377	\$ 9,484	\$ 24,861

**ANALYSIS OF NET INTEREST MARGIN**

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2008	2007	Change	2008	2007	Change
Average earning assets	\$ 7,755,330	\$ 6,981,662	\$ 773,668	\$ 7,695,161	\$ 7,087,940	\$ 607,221
Average interest-bearing liabilities	5,737,207	5,157,332	579,875	5,713,678	5,254,495	459,183
Average interest free funds	\$ 2,018,123	\$ 1,824,330	\$ 193,793	\$ 1,981,483	\$ 1,833,445	\$ 148,038
Free funds ratio (free funds to earning assets)	26.02%	26.13%	(0.11)%	25.75%	25.87%	(0.12)%
Tax-equivalent yield on earning assets	4.96%	6.07%	(1.11)%	5.19%	6.03%	(0.84)%
Cost of interest-bearing liabilities	1.88	3.51	(1.63)	2.15	3.53	(1.38)
Net interest spread	3.08%	2.56%	0.52%	3.04%	2.50%	0.54%
Benefit of interest free funds	0.49	0.92	(0.43)	0.55	0.91	(0.36)
Net interest margin	3.57%	3.48%	0.09%	3.59%	3.41%	0.18%

**Provision and Allowance for Loan Losses**

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The allowance for loan losses (ALL) represents management's judgment of the losses inherent in the Company's loan portfolio as of the balance sheet date. An analysis is performed quarterly to determine the appropriate balance of the ALL. This analysis considers items such as historical loss trends, a review of individual loans, migration analysis, current economic conditions, loan growth and characteristics, industry or segment concentration and other factors. This analysis is performed separately for each bank as regulatory agencies require that the adequacy of the ALL be maintained on a bank-by-bank basis. After the balance sheet analysis is performed for the ALL, the provision for loan losses is computed as the amount required to adjust the ALL to the appropriate level.

**Table of Contents**

Based on the factors above, management of the Company expensed \$4.5 million and \$12.4 million related to the provision for loan losses for the three and nine-month periods ended September 30, 2008, compared to \$2.8 million and \$6.3 million for the same periods in 2007. As illustrated in Table 3 below, the ALL increased to 1.19 percent of total loans as of September 30, 2008 compared to 1.17 percent of total loans as of the same period in 2007.

Table 3 presents a summary of the Company's ALL for the nine months ended September 30, 2008 and 2007 and for the year ended December 31, 2007. Net charge-offs were \$7.9 million for the first nine months of 2008 compared to \$5.1 million for the same period in 2007. See Credit Risk Management under Item 3. Quantitative and Qualitative Disclosures About Market Risk in this report for information relating to nonaccrual loans, past due loans, restructured loans and other credit risk matters.

Table 3

**ANALYSIS OF ALLOWANCE FOR LOAN LOSSES** (unaudited, dollars in thousands)

	Nine Months Ended September 30,		Year Ended December 31,
	2008	2007	2007
Allowance-January 1	\$ 45,986	\$ 44,926	\$ 44,926
Provision for loan losses	12,350	6,333	9,333
Charge-offs:			
Commercial	(2,825)	(926)	(2,615)
Consumer:			
Bankcard	(5,728)	(4,287)	(5,684)
Other	(3,070)	(2,816)	(3,857)
Real estate	(12)	(28)	(318)
Total charge-offs	(11,635)	(8,057)	(12,474)
Recoveries:			
Commercial	993	660	1,046
Consumer:			
Bankcard	950	819	1,107
Other	1,769	1,492	2,032
Real estate	15	1	16
Total recoveries	3,727	2,972	4,201
Net charge-offs	(7,908)	(5,085)	(8,273)
Allowance-end of period	50,428	46,174	45,986
Average loans, net of unearned interest	\$ 4,126,022	\$ 3,883,250	\$ 3,888,149
Loans at end of period, net of unearned interest	4,224,441	3,953,804	3,917,125
Allowance to loans at end of period	1.19%	1.17%	1.17%
Allowance as a multiple of net charge-offs	4.77x	6.79x	5.56x
Net charge-offs to:			
Provision for loan losses	64.03%	80.29%	88.64%
Average loans	0.26	0.18	0.21

**Table of Contents****Noninterest Income**

A key objective of the Company is the growth of noninterest income to enhance profitability and provide steady income. Fee-based services are typically non-credit related and not generally affected by fluctuations in interest rates.

The Company's fee-based services provide the opportunity to offer multiple products and services, which management believes will more closely align the customer with the Company. The Company is currently emphasizing fee-based services including trust and securities processing, bankcard, brokerage and treasury management. Management believes it can offer these products and services both efficiently and profitably, as most share common platforms and support structures.

Table 4

**SUMMARY OF NONINTEREST INCOME** (dollars in thousands)

	<b>Three Months Ended September 30,</b>			
	<b>2008</b>	<b>2007</b>	<b>Dollar Change 08-07</b>	<b>Percent Change 08-07</b>
Trust and securities processing	\$ 31,530	\$ 28,889	\$ 2,641	9.14%
Trading and investment banking	2,919	4,353	(1,434)	(32.94)
Service charges on deposit accounts	22,624	20,361	2,263	11.11
Insurance fees and commissions	1,355	913	442	48.41
Brokerage fees	2,189	1,959	230	11.74
Bankcard fees	10,456	10,135	321	3.17
Gain on sale of securities transfer product, net	1,090	6,490	(5,400)	(83.20)
Gains on sales of securities available for sale, net	2,829	1	2,828	>100.00
Gain on mandatory redemption of Visa, Inc. class B common stock				
Other	4,129	3,796	333	8.77
<b>Total noninterest income</b>	<b>\$ 79,121</b>	<b>\$ 76,897</b>	<b>\$ 2,224</b>	<b>2.89%</b>

	<b>Nine Months Ended September 30,</b>			
	<b>2008</b>	<b>2007</b>	<b>Dollar Change 08-07</b>	<b>Percent Change 08-07</b>
Trust and securities processing	\$ 95,892	\$ 85,131	\$ 10,761	12.64%
Trading and investment banking	14,783	14,747	36	0.24
Service charges on deposit accounts	64,180	59,936	4,244	7.08
Insurance fees and commissions	3,432	2,544	888	34.91
Brokerage fees	6,430	6,024	406	6.74
Bankcard fees	32,884	29,431	3,453	11.73
Gain on sale of securities transfer product, net	1,090	6,490	(5,400)	(83.20)
Gains on sales of securities available for sale, net	3,240	3	3,237	>100.00
Gain on mandatory redemption of Visa, Inc. class B common stock	8,875		8,875	100.00
Other	12,292	11,606	686	5.91
<b>Total noninterest income</b>	<b>\$ 243,098</b>	<b>\$ 215,912</b>	<b>\$ 27,186</b>	<b>12.59%</b>

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## **Table of Contents**

### **Quarter-To-Date**

Fee-based, or noninterest income (summarized in Table 4), increased by \$2.2 million, or 2.9 percent, during the three months ended September 30, 2008, compared to the same period in 2007. Table 4 above summarizes the components of noninterest income and the respective year-over-year comparison for each category.

Trust and securities processing consists of fees earned on personal and corporate trust accounts, custody of securities services, trust investments and money management services, and servicing of mutual fund assets. The increase in these fees compared to the same period last year was primarily attributable to \$1.7 million in fee income related to the fund administration and custody services of mutual funds and \$1.0 million in trust fee income, specifically related to the Company's investment advisor group. Total assets under management remained flat at 10.7 billion at September 30, 2008, compared to September 30, 2007. Leading this growth is the Company's proprietary family of mutual funds, which continue to play a key role. Total assets under management for the UMB Scout Funds were flat at \$5.7 billion at September 30, 2008 compared to September 30, 2007. Trust and securities processing fees are asset-based. As such, they are highly correlated to the change in market value of the assets. Thus, the related income for the remainder of the year will be affected by changes in the securities markets. Management continues to emphasize sales of services to both new and existing clients as well as increasing and improving the distribution channels which lead to increased inflows into the UMB Scout Funds.

Service charges on deposits increased by \$2.3 million for the three months ended September 30, 2008, primarily due to improved processing technology and an increase of \$1.1 million in individual overdraft and return item charges.

During the third quarter of 2008, the Company recognized \$2.8 million in gains on the sale of securities available for sale.

A \$1.1 million gain was recognized in the third quarter of 2008 as a result of the final contingent payment received on the sale of the securities transfer product which originated in the third quarter of 2007 for a net gain of \$6.5 million. These two transactions resulted in a period-over-period change of \$5.4 million.

### **Year-To-Date**

Noninterest income (summarized in Table 4), increased by \$27.2 million, or 12.6 percent, during the nine months ended September 30, 2008, compared to the same period in 2007. The majority of the increase is attributable to items described below.

Trust and securities processing fees increased \$10.8 million, or 12.6 percent, for the nine-months ended September 30, 2008, compared to the same period in 2007. The increase is primarily a result of fund administration and custody fees of \$8.5 million, and additional fee income related to the UMB Scout Funds of \$3.2 million.

Service charges on deposits increased by \$4.2 million for the nine months ended September 30, 2008, primarily due to an increase of \$2.3 million in corporate fees and an increase of \$2.4 individual overdraft and return item charges.

Bankcard fees increased by \$3.5 million for the nine months ended September 30, 2008, primarily due to increased credit card transaction volume.

During the nine months ended September 30, 2008, the Company recognized \$3.2 million in gains on the sale of securities available for sale.

During the first quarter of 2008, the Company recognized a gain of \$8.9 million on the mandatory redemption of Visa class B common stock. This gain was a direct result of Visa's initial public offering and the Company's membership in Visa prior to its change in ownership structure.

A \$1.1 million gain was recognized in the third quarter of 2008 as a result of the final contingent payment received on the sale of the securities transfer product which was completed in the third quarter of 2007 for a net gain of \$6.5 million. This resulted in a period-over-period change of \$5.4 million.

**Table of Contents****Noninterest Expense**

The components of noninterest expense are shown below on Table 5.

Table 5

**SUMMARY OF NONINTEREST EXPENSE (in thousands)**

	<b>Three Months Ended September 30,</b>			
	<b>2008</b>	<b>2007</b>	<b>Dollar Change 08-07</b>	<b>Percent Change 08-07</b>
Salaries and employee benefits	\$ 57,187	\$ 51,439	\$ 5,748	11.17%
Occupancy, net	8,542	7,667	875	11.41
Equipment	13,461	13,385	76	0.57
Supplies and services	6,254	5,814	440	7.57
Marketing and business development	4,976	3,880	1,096	28.25
Processing fees	8,535	7,491	1,044	13.94
Legal and consulting	2,097	2,329	(232)	(9.96)
Bankcard	3,103	2,648	455	17.18
Amortization of other intangible assets	804	754	50	6.63
Covered litigation provision				
Other	4,894	5,992	(1,098)	(18.32)
<b>Total noninterest expense</b>	<b>\$ 109,853</b>	<b>\$ 101,399</b>	<b>\$ 8,454</b>	<b>8.34%</b>

	<b>Nine Months Ended September 30,</b>			
	<b>2008</b>	<b>2007</b>	<b>Dollar Change 08-07</b>	<b>Percent Change 08-07</b>
Salaries and employee benefits	\$ 167,331	\$ 152,538	\$ 14,793	9.70%
Occupancy, net	23,952	22,421	1,531	6.83
Equipment	39,932	39,810	122	0.31
Supplies and services	18,180	17,327	853	4.92
Marketing and business development	13,325	11,574	1,751	15.13
Processing fees	25,178	21,268	3,910	18.38
Legal and consulting	5,030	5,795	(765)	(13.20)
Bankcard	8,578	8,084	494	6.11
Amortization of other intangible assets	2,258	2,222	36	1.62
Covered litigation provision	(4,023)		(4,023)	(100.00)
Other	15,707	16,107	(400)	(2.48)
<b>Total noninterest expense</b>	<b>\$ 315,448</b>	<b>\$ 297,146</b>	<b>\$ 18,302</b>	<b>6.16%</b>

Noninterest expense increased by \$8.5 million, or 8.3 percent, for the three months ended September 30, 2008, and \$18.3 million, or 6.2 percent, for the nine months ended September 30, 2008 compared to the same periods in 2007. Table 5 above summarizes the components of noninterest expense and the respective year-over-year comparison for each category.

Salaries and employee benefits increased by \$5.7 million, or 11.2 percent, for the three months ended September 30, 2008, and \$14.8 million, 9.7 percent, for the nine months ended September 30, 2008 compared to the same periods in 2007. These increases are primarily due to a \$1.7 million and a \$7.9 million increase in commissions and bonuses and a \$2.2 million and \$4.4 million increase in employee salaries for the three and nine months ended September 30, 2008, respectively. These increases are directly correlated to the Company's improved product delivery, improved financial performance and the hiring of strategic personnel throughout the organization.



**Table of Contents**

Marketing and business development increased \$1.1 million, or 28.3 percent, for the three months ended September 30, 2008, and \$1.8 million, or 15.1 percent, for the nine months ended September 30, 2008, compared to the same periods in 2007. These increases are a direct result of strategic targeting of core deposits through customer acquisition campaigns.

Processing fees increased \$1.0 million, or 13.9 percent, for the three months ended September 30, 2008, and \$3.9 million, or 18.4 percent, for the nine months ended September 30, 2008, compared to the same periods in 2007. These increases are a direct result of increased third party custodian fees related to international transactions from mutual fund clients and sub-transfer agency fees paid for the shareholder servicing of the UMB Scout Funds.

During the first quarter of 2008, a reduction of the Visa covered litigation provision was recorded. This reduction was a direct result of Visa's funding of a litigation escrow account with funds from its initial public offering. As a Visa member bank, the Company has reduced this provision in relationship to the Company's member ownership proportion of Visa.

**Income Tax Expense**

The effective tax rate is 30.5 percent for the nine months ended September 30, 2008, compared to 30.1 percent for the same period in 2007. The increase in the effective tax rate is primarily attributable to tax-exempt income representing a smaller percentage of total income in 2008 compared to 2007.

**Strategic Lines of Business**

The Company's operations are strategically aligned into six major segments: Commercial Banking and Lending, Payment and Technology Solutions, Banking Services, Consumer Services, Asset Management, and Fund Services (formerly Investment Services Group). Business segment financial results produced by the Company's internal management accounting system are evaluated regularly by the Executive Committee in deciding how to allocate resources and assess performance of individual business segments. The management accounting 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 are based on methodologies in effect at September 30, 2008 consistent with SFAS No. 131,

Disclosures about Segments of an Enterprise and Related Information. The segments are differentiated by both the customers and the products and services offered. The Treasury and Other Adjustments category includes items not directly associated with the other segments.

Table 6

**NET INCOME (LOSS) BEFORE TAXES BY SEGMENT** (in thousands):

Segment	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Commercial Banking & Lending	\$ 2,881	\$ 6,064	\$ 12,829	\$ 18,894
Payment and Technology Solutions	14,803	17,884	46,204	40,769
Banking Services	(876)	(258)	687	(780)
Consumer Services	2,815	(158)	8,032	1,661
Asset Management	6,667	5,865	21,319	19,764
Fund Services	3,587	1,259	11,185	3,327
Treasury and Other Adjustments	1,189	16	11,730	623
<b>Total Consolidated Company</b>	<b>\$ 31,066</b>	<b>\$ 30,672</b>	<b>111,986</b>	<b>84,258</b>

Commercial Banking and Lending's net income before taxes for the first nine months of 2008 decreased \$6.1 million, or 32.1 percent, to \$12.8 million. The decrease in net income was driven primarily by an increase in noninterest expense of \$4.3 million, or 19.4 percent, from 2007, and an increase in the provision for loan losses of \$2.3 million, or 81.3 percent. The non-interest expense increase was mostly attributable to an increase in salaries and benefits. Provision has increased due to total loans in this segment increasing by \$341.0 million, or 12.9





**Table of Contents**

percent, and the decline in the economic environment. Management anticipates a recessionary economic environment through the remainder of the year which will continue to place pressure on income growth during the fourth quarter of 2008.

**Payment and Technology Solutions** net income before taxes increased \$5.4 million, or 13.3 percent, to \$46.2 million for the first nine months of 2008. The increase was primarily a result of a \$13.6 million increase in net interest income as a result of increased deposit balances and enhanced margin. Noninterest income decreased \$2.3 million, or 4.3 percent, due to the 2007 sale of the securities transfer product for an initial gain of \$6.5 million, which was partially offset by increases in treasury management deposit service charge income and in card services income related to commercial cards and health care solutions. Noninterest expense increased \$5.8 million, or 9.4 percent, compared to 2007 primarily from an increase in technology allocations driven by increased investments in technology by this segment. The Company has focused significant resources into creating and enhancing products and services to keep the Company in step with clients' changing needs. Investments in technology have helped this segment focus on creating innovative solutions, and management anticipates these technologies will create efficiencies in the coming year.

**Banking Services** net income before taxes was \$0.7 million for the first nine months of 2008. This was a \$1.5 million increase from 2007. The increase in net income before taxes was primarily attributable to an increase in noninterest income of \$4.1 million, or 21.6 percent, from 2007. The volatile market conditions associated with the credit issues within the financial markets led many customers to the relative safety of fixed income instruments earlier this year, increasing trading revenue substantially in this segment for the first four months of 2008. During the second and third quarters of 2008, activity decreased significantly from the first quarter, although third quarter revenue was still above 2007 levels. Management expects trading activity to stabilize during the remainder of 2008 but to improve over activity one year ago.

**Consumer Services** net income before taxes increased by \$6.4 million to \$8.0 million for the first nine months of 2008 as compared to the same period in 2007. The increase in net income before taxes was driven by an increase in net interest income of \$3.6 million, or 4.9 percent, and offset by an increase in provision for loan losses of \$3.6 million, or 103.1 percent, from the same period in 2007. Noninterest income increased \$4.3 million, or 8.6 percent, primarily due to an increase in individual return item and overdraft activity, growth in credit card services income, and commissions from insurance sales. Noninterest expense decreased by \$2.1 million, or 1.8 percent, primarily from a decrease in salary expense from a reclassification of associates from this segment. Management believes the recessionary environment and intense marketplace pricing for deposits could hamper net income growth in this segment during the fourth quarter of 2008.

**Asset Management**'s net income before taxes for the nine months ended September 30, 2008 was \$21.3 million, an increase of \$1.6 million from the same period in 2007. The increase in net income before taxes was primarily attributable to increases in noninterest income and net interest income offset by increases in noninterest expense. Noninterest income increased \$5.1 million mostly due to fees associated with the UMB Scout Funds and corporate trust income. Noninterest expense increased \$4.7 million because of higher fees related to the UMB Scout Funds resulting from the increased asset base in the funds. Salaries and benefits were higher because of increased base salaries, increased commissions, and the addition of strategic sales associates in this segment. Interest income for the nine months ended September 30, 2008 increased \$1.2 million, or 21.5 percent, over the same period in 2007 primarily due to increases in loan and deposit balances in this segment. Net flows to the UMB Scout Funds were \$725.0 million for the first three quarters of 2008 compared to net outflows of \$9.0 million for the same period in 2007. Management will continue to focus sales efforts to increase net flows to the UMB Scout Funds. Overall, the industry has seen net outflows to equity funds this year due to the unstable equity markets. Flows into the Scout Funds decreased dramatically in September due to the major instability of the equity markets. The ability of the Company to maintain or grow the fee income from this segment is related to the overall health of the equity and financial markets because a significant portion of the fee income from this segment is related to total assets under management. Revenue has been adversely affected by the drop in all sectors of the equity markets in 2008. The assets under management in this segment are diversified across multiple asset classes with approximately 36 percent in the international class, 31 percent in the fixed income class, 16 percent in the U.S. large capital class, 11 percent in the short term investment class, and 6 percent in the small and middle capital class. Management believes this diversification should provide protection against significant market changes in any one asset class. The revenues of the corporate trust business remain strong as management continues to focus its efforts on growth of this line of business. During the third quarter, the Company opened a corporate trust office in Indianapolis, adding to our offices in Kansas City, St. Louis and Denver.

**Table of Contents**

Fund Services net income before taxes increased \$7.9 million, or 236.2 percent, in 2008 as compared to the first nine months of 2007 as a result of significantly higher net interest margin and increased noninterest income, partially offset by greater noninterest expense. Net income before taxes for the quarter increased only 7.3 percent over the second quarter of 2008 as market changes reduced asset and transaction based fees. Net interest income increased \$4.7 million year-to-date over 2007 as mutual fund managers continued to increase money market deposits to over \$550 million, despite lower rates, in reaction to the extreme volatility of stock prices, and increased redemption needs. Noninterest income for the nine months ended September 30, 2008 was \$8.1 million, or 29.0 percent, higher than the same period in 2007 due in part to additions to the mutual fund and alternative investment client base and higher asset-based fees. Approximately two-thirds of the increase represents increased custody fees related largely to increased international transaction volumes over 2007. Noninterest income declined \$1.4 million from the second quarter of 2008 due to a decline in international transactions as well as the impact of reduced values on asset-based fees. Noninterest expense for the first nine months of 2008 increased \$5.0 million, or 19.9 percent, over the same period in 2007. Higher third party custody fees related to international transactions account for over half of the increase. System costs increased as additional clients and enhancements were added. Salary and benefit expenses were also higher and reflected base salary increases as well as staffing additions to serve the segment's expanded client base.

The net income before tax for the Treasury and Other Adjustments category was \$11.7 million for the first nine months of 2008, compared to net income before tax of \$0.6 million for the same period in 2007. Included in this segment was the gain on the mandatory redemption of Visa class B common stock and the reduction of the liability accrual related to the Company's estimated share of Visa's covered litigation. These items are discussed in Noninterest Income and Noninterest Expense on pages 24 through 26.

**Balance Sheet Analysis**

Total assets of the Company were flat at \$9.3 billion as of September 30, 2008 compared to December 31, 2007 and increased \$1.3 billion, or 16.4 percent, compared to September 30, 2007. The increase in total assets from September, 2007 to September, 2008 is a result of increased loan balances of \$270.6 million, or 6.8 percent. Investment security balances also increased \$890.6 million, or 31.5 percent. These asset balance increases are directly related to a corresponding increase in deposit balances between the same periods of \$1.2 billion, or 19.6 percent.

Total deposits and federal funds purchased and securities sold under agreement to repurchase were flat at September 30, 2008 compared to December 31, 2007. Deposits increased by \$530.3 million, or 8.1 percent, from December to September and federal funds purchased and securities sold under agreement to repurchase decreased by \$548.7 million, or 31.6 percent, from December to September.

Table 7

**SELECTED BALANCE SHEET INFORMATION** (in thousands)

	September 30, 2008	September 30, 2007	December 31, 2007
Total assets	\$ 9,337,341	\$ 8,020,060	\$ 9,342,959
Loans, net of unearned interest	4,224,441	3,953,804	3,917,125
Total investment securities	3,720,997	2,830,354	3,486,780
Total earning assets	8,369,321	7,056,524	8,082,171
Total deposits	7,081,148	5,921,044	6,550,802
Total borrowed funds	1,241,466	1,113,746	1,804,534

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**Table of Contents****Loans**

Total loan balances have increased \$302.9 million, or 7.8 percent, compared to December 31, 2007. This increase is primarily a result of a 14.1 percent increase in commercial loans and an 18.8 percent increase in real estate loans offset by a 24.0 percent decrease in consumer loans, primarily related to the run-off of the indirect consumer loan portfolio. During the third quarter of 2007, the Company made the decision to phase out its indirect loan portfolio. This is part of a strategy to enhance asset yields. The Company will continue to service existing loans until maturity or payoff. The increase in commercial loans is a result of a continued sales focus on new commercial relationships. The increase in real estate is driven by home equity loans.

Loans represent the Company's largest source of interest income. In addition to growing the commercial loan portfolio, management believes its middle market commercial business and its consumer business, including home equity and credit card loan products, are the market niches that represent its best opportunity to cross-sell fee-related services.

Nonaccrual, past due and restructured loans are discussed under **Credit Risk Management** within **Item 3. Quantitative and Qualitative Disclosures About Market Risk** in this report.

**Securities**

The Company's security portfolio provides liquidity as a result of the composition and average life of the underlying securities. This liquidity can be used to fund loan growth or to offset the outflow of traditional funding sources. In addition to providing a potential source of liquidity, the security portfolio can be used as a tool to manage interest rate sensitivity. The Company's goal in the management of its security portfolio is to maximize return within the Company's parameters of liquidity goals, interest rate risk and credit risk. The Company maintains strong liquidity levels while investing in only high-grade securities. The security portfolio generates the Company's second largest component of interest income.

Investment securities totaled \$3.7 billion at September 30, 2008, compared to \$2.8 billion at September 30, 2007, and \$3.5 billion at December 31, 2007. Management expects collateral pledging requirements for public funds, loan demand, and deposit funding to be the primary factors impacting changes in the level of security holdings. Investment securities comprised 44.5 percent, 43.1 percent, and 40.1 percent, respectively, of the earning assets as of September 30, 2008, December 31, 2007, and September 30, 2007. There were \$3.4 billion of these securities pledged to secure U.S. Government deposits, other public deposits, securities sold under repurchase agreements, and certain trust deposits as required by law at September 30, 2008.

Investment securities had an average tax-equivalent yield of 4.60 percent for the first nine months of 2008 compared to 4.82 percent for the same period in 2007, or a decrease of 22 basis points. The average life of the securities portfolio was 25.4 months at September 30, 2008 compared to 29.3 months at December 31, 2007. The decrease in average life was related to a modest shortening of the portfolio due to shorter investments in the low interest rate environment. The average life will reduce further at the end of the year as there is an increase in public fund deposits and repurchase agreements as governmental units receive tax dollars. The Company generally offsets these short-term public fund deposits with short-term investments such as short-term agencies and reverse repurchase agreements. These seasonal deposits run off over the first half of the year.

**Deposits and Borrowed Funds**

Deposits increased \$530.3 million, or 8.1 percent, from December 31, 2007 to September 30, 2008 and increased \$1.2 billion from September 30, 2007. Noninterest-bearing deposits increased \$193.0 million and interest-bearing deposits increased \$337.4 million from December 31, 2007. Noninterest-bearing deposits increased \$531.9 million and interest-bearing deposits increased \$628.2 million from September 30, 2007. The increase in deposits came primarily from our public funds, mutual fund processing and treasury management businesses, and personal savings accounts.

Deposits represent the Company's primary funding source for its asset base. In addition to the core deposits garnered by the Company's retail branch structure, the Company continues to focus on its cash management services, as well as its trust and mutual fund servicing segments, in order to attract and retain additional core deposits. Management believes a strong core deposit composition is one of the Company's key competencies given its competitive product mix.

**Table of Contents**

Borrowed funds decreased \$563.1 million from December 31, 2007. Borrowed funds are typically higher at year end due to repurchase agreements related to public funds. Borrowings, other than repurchase agreements, are a function of the source and use of funds and will fluctuate to cover short term gaps in funding.

Federal funds purchased and securities sold under agreement to repurchase totaled \$1.2 billion at September 30, 2008, compared to \$1.7 billion at December 31, 2007. Repurchase agreements are transactions involving the exchange of investment funds by the customer for securities by the Company under an agreement to repurchase the same or similar issues at an agreed-upon price and date.

**Capital and Liquidity**

The Company places a significant emphasis on the maintenance of a strong capital position, which promotes investor confidence, provides access to funding sources under favorable terms, and enhances the Company's ability to capitalize on business growth and acquisition opportunities. Higher levels of liquidity, however, bear corresponding costs, measured in terms of lower yields on short-term, more liquid earning assets and higher expenses for extended liability maturities. Management manages capital for each subsidiary based upon the subsidiary's respective risks and growth opportunities as well as regulatory requirements.

Total shareholders' equity was \$934.1 million at September 30, 2008, compared to \$890.6 million at December 31, 2007. The Company's Board of Directors authorized, at its April 22, 2008 meeting, the repurchase of up to two million shares of the Company's common stock during the twelve months following the meetings. During the nine months ended September 30, 2008 and 2007, the Company acquired 562,851 shares and 651,291 shares, respectively, of its common stock. The Company has not made any purchases other than through these plans.

On October 21, 2008, the Board of Directors also declared a dividend of \$0.175 per share. The dividend will be paid on January 2, 2009 to shareholders of record on December 11, 2008.

Risk-based capital guidelines established by regulatory agencies set minimum capital standards based on the level of risk associated with a financial institution's assets. A financial institution's total capital is required to equal at least 8 percent of risk-weighted assets. At least half of that 8 percent must consist of Tier 1 core capital, and the remainder may be Tier 2 supplementary capital. The risk-based capital guidelines indicate the specific risk weightings by type of asset. Certain off-balance-sheet items (such as standby letters of credit and binding loan commitments) are multiplied by credit conversion factors to translate them into balance sheet equivalents before assigning them specific risk weightings. Due to the Company's high level of core capital and substantial portion of earning assets invested in government securities, the Tier 1 capital ratio of 13.88 percent and total capital ratio of 14.77 percent substantially exceed the regulatory minimums.

For further discussion of capital and liquidity, see "Liquidity Risk" under "Item 3. Quantitative and Qualitative Disclosures About Market Risk" in this report.

*Table 8*

The Company's capital position is summarized in the table below and exceeds regulatory requirements:

RATIOS	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Return on average assets	1.00%	1.09%	1.21%	0.99%
Return on average equity	9.25	9.70	11.23	9.08
Average equity to assets	10.86	11.23	10.74	10.88
Tier 1 risk-based capital ratio	13.88	14.27	13.88	14.27
Total risk-based capital ratio	14.77	15.14	14.77	15.14
Leverage ratio	9.50	10.01	9.50	10.01

**Table of Contents**

The Company's per share data is summarized in the table below.

Per Share Data	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income - basic	\$ 0.54	\$ 0.52	\$ 1.91	\$ 1.41
Net income - diluted	0.53	0.51	1.89	1.40
Cash dividends	0.17	0.14	0.48	0.42
Dividend payout ratio	31.48%	26.92%	25.13%	29.79%
Book value	\$ 22.82	\$ 21.18	\$ 22.82	\$ 21.18

**Off-balance Sheet Arrangements**

The Company's main off-balance sheet arrangements are loan commitments, commercial and standby letters of credit, futures contracts and forward exchange contracts, which have maturity dates rather than payment due dates. Please see Note 7, "Commitments, Contingencies and Guarantees" in the Notes to Condensed Consolidated Financial Statements for detailed information on these arrangements.

**Critical Accounting Policies and Estimates**

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to customers and suppliers, allowance for loan losses, bad debts, investments, financing operations, long-lived assets, contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which have formed the basis for making such judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the recorded estimates under different assumptions or conditions. A summary of critical accounting policies is listed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Company's Annual Report Form 10-K for the fiscal year ended December 31, 2007.

## **Table of Contents**

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Risk Management**

Market risk is a broad term for the risk of economic loss due to adverse changes in the fair value of financial instruments. These changes may be the result of various factors, including interest rates, foreign exchange prices, commodity prices or equity prices. Financial instruments that are subject to market risk can be classified either as held for trading or held for purposes other than trading.

The Company is subject to market risk primarily through the effect of changes in interest rates of its assets held for purposes other than trading. The following discussion of interest rate risk, however, combines instruments held for trading and instruments held for purposes other than trading because the instruments held for trading represent such a small portion of the Company's portfolio that the interest rate risk associated with them is immaterial.

#### **Interest Rate Risk**

In the banking industry, a major risk exposure is changing interest rates. To minimize the effect of interest rate changes to net interest income and exposure levels to economic losses, the Company manages its exposure to changes in interest rates through asset and liability management within guidelines established by its Funds Management Committee ( FMC ) and approved by the Company's Board of Directors. The FMC has the responsibility for approving and ensuring compliance with asset/liability management policies, including interest rate exposure. The Company's primary method for measuring and analyzing consolidated interest rate risk is the Net Interest Income Simulation Analysis. The Company also uses a Net Portfolio Value model to measure market value risk under various rate change scenarios and a gap analysis to measure maturity and repricing relationships between interest-earning assets and interest-bearing liabilities at specific points in time. The Company does not use hedges or swaps to manage interest rate risk except for limited use of futures contracts to offset interest rate risk on certain securities held in its trading portfolio.

Overall, the Company manages interest rate risk by positioning the balance sheet to maximize net interest income while maintaining an acceptable level of interest rate and credit risk, remaining mindful of the relationship among profitability, liquidity, interest rate risk and credit risk.

#### **Net Interest Income Modeling**

The Company's primary interest rate risk tool, the Net Interest Income Simulation Analysis, measures interest rate risk and the effect of interest rate changes on net interest income and net interest margin. This analysis incorporates substantially all of the Company's assets and liabilities together with forecasted changes in the balance sheet and assumptions that reflect the current interest rate environment. Through these simulations, management estimates the impact on net interest income of a 200 basis point upward or downward gradual change of market interest rates over a one year period. Assumptions are made to project rates for new loans and deposits based on historical analysis, management outlook, and repricing strategies. Asset prepayments and other market risks are developed from industry estimates of prepayment speeds and other market changes. Since the results of these simulations can be significantly influenced by assumptions utilized, management evaluates the sensitivity of the simulation results to changes in assumptions.

Table 9 shows the net interest income increase or decrease over the next twelve months as of September 30, 2008 and 2007 based on hypothetical changes in interest rates.

**Table of Contents**

Table 9

**MARKET RISK** (dollars in thousands)

Hypothetical change in interest rate (Rates in Basis Points)	September 30, 2008 Amount of change	September 30, 2007 Amount of change
200	\$ (7,245)	\$ (1,146)
100	(3,623)	(573)
Static		
(100)	199	219
(200)	397	437

The Company is liability sensitive at September 30, 2008 to increases or decreases in rates. A decrease in interest rates will have little impact on net interest income. Increases in interest rates will cause larger decreases in net interest income than in the declining rate environment. The liabilities are more sensitive in 2008 partially related to an increase in net interest income of 14.5 percent in 2008 compared to 2007. The Company also has a greater percentage of interest expense from overnight liabilities compared to 2007. The result of this is the hypothetical impact of rate changes on interest expense from these overnight liabilities is magnified in 2008 compared to 2007. This contributes to liabilities repricing more frequently and becoming more sensitive to rate changes than assets. The Company is positioned with the current low rate environment to be very neutral to further interest rate decreases over the next twelve months.

**Repricing Mismatch Analysis**

The Company also evaluates its interest rate sensitivity position in an attempt to maintain a balance between the amount of interest-bearing assets and interest-bearing liabilities which are expected to mature or reprice at any point in time. While a traditional repricing mismatch analysis ( gap analysis ) provides a snapshot of interest rate risk, it does not take into consideration that assets and liabilities with similar repricing characteristics may not in fact reprice at the same time or the same degree. Also, it does not necessarily predict the impact of changes in general levels of interest rates on net interest income.

**Trading Account**

The Company's subsidiary UMB Bank, n.a. carries taxable governmental securities in a trading account that is maintained according to a board-approved policy and relevant procedures. The policy limits the amount and type of securities that can be carried in the trading account as well as requiring that any limits under applicable law and regulations also be complied with, and mandates the use of a value at risk methodology to manage price volatility risks within financial parameters. The risk associated with carrying trading securities is offset by the sale of exchange traded futures contracts, with both the trading account and futures contracts marked to market daily. This account had a balance of \$37.2 million as of September 30, 2008 compared to \$43.9 million as of December 31, 2007.

The Manager of the Investment Banking Division of UMB Bank, n.a. presents documentation of the methodology used in determining value at risk at least annually to the Board for approval in compliance with OCC Banking Circular 277, Risk Management of Financial Derivatives, and other banking laws and regulations. The aggregate value at risk is reviewed quarterly. The aggregate value at risk in the trading account was insignificant as of September 30, 2008 and December 31, 2007.

**Other Market Risk**

The Company does not have material commodity price risks or derivative risks. The Company does have minimal foreign currency risk as a result of foreign exchange contracts. See Note 7 Commitments, Contingencies and Guarantees in the notes to the Condensed Consolidated Financial Statements.



**Table of Contents****Credit Risk Management**

Credit risk represents the risk that a customer may not perform in accordance with contractual terms. Credit risk is inherent in the financial services business and results from extending credit to customers. The Company utilizes a centralized credit administration function, which provides information on affiliate bank risk levels, delinquencies, an internal ranking system and overall credit exposure. In addition, loan requests are centrally reviewed to ensure the consistent application of the loan policy and standards. The Company has an internal loan review staff that operates independently of the affiliate banks. This review team performs periodic examinations of each bank's loans for credit quality, documentation and loan administration. The respective regulatory authority of each affiliate bank also reviews loan portfolios.

A primary indicator of credit quality and risk management is the level of nonperforming loans. Nonperforming loans include both nonaccrual loans and restructured loans. The Company's nonperforming loans increased \$1.1 million to \$6.9 million at September 30, 2008, compared to September 30, 2007 and increased \$0.2 million compared to December 31, 2007.

The Company had \$1.6 million of other real estate owned as of September 30, 2008, compared to \$1.2 million as of September 30, 2007 and \$1.2 million as of December 31, 2007. Loans past due more than 90 days totaled \$7.9 million as of September 30, 2008, compared to \$1.9 million at September 30, 2007 and \$2.9 million as of December 31, 2007.

A loan is generally placed on nonaccrual status when payments are past due 90 days or more and/or when management has considerable doubt about the borrower's ability to repay on the terms originally contracted. The accrual of interest is discontinued and recorded thereafter only when actually received in cash.

Certain loans are restructured to provide a reduction or deferral of interest or principal due to deterioration in the financial condition of the respective borrowers. The Company had \$142,000 of restructured loans at September 30, 2008, \$145,000 at September 30, 2007 and \$144,000 at December 31, 2007.

*TABLE 10***LOAN QUALITY** (dollars in thousands)

	September 30,		December 31,
	2008	2007	2007
Nonaccrual loans	\$ 6,795	\$ 5,564	\$ 6,437
Restructured loans	142	145	144
<b>Total nonperforming loans</b>	<b>6,937</b>	<b>5,709</b>	<b>6,581</b>
Other real estate owned	1,557	1,230	1,151
<b>Total nonperforming assets</b>	<b>\$ 8,494</b>	<b>\$ 6,939</b>	<b>\$ 7,732</b>
Loans past due 90 days or more	\$ 7,925	\$ 1,946	\$ 2,922
Allowance for Loan Losses	50,428	46,174	45,986
<b>Ratios</b>			
Nonperforming loans as a percent of loans	0.16%	0.14%	0.17%
Nonperforming assets as a percent of loans plus other real estate owned	0.20	0.18	0.20
Nonperforming assets as a percent of total assets	0.09	0.09	0.08
Loans past due 90 days or more as a percent of loans	0.19	0.05	0.07
Allowance for loan losses as a percent of loans	1.19	1.17	1.17
Allowance for loan losses as a multiple of nonperforming loans	7.41x	8.09x	6.99x

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## **Table of Contents**

### **Liquidity Risk**

Liquidity represents the Company's ability to meet financial commitments through the maturity and sale of existing assets or availability of additional funds. The most important factor in the preservation of liquidity is maintaining public confidence that facilitates the retention and growth of a large, stable supply of core deposits and wholesale funds. Ultimately, public confidence is generated through profitable operations, sound credit quality and a strong capital position. The primary source of liquidity for the Company is regularly scheduled payments and maturity of assets, which include \$3.7 billion of high-quality investment securities. Investment securities with a market value of \$3.4 billion at September 30, 2008 were pledged to secure U.S. Government deposits, other public deposits, securities sold under repurchase agreements, and certain trust deposits as required by law. The liquidity of the Company and its affiliate banks is also enhanced by its activity in the federal funds market and by its core deposits. Neither the Company nor its subsidiaries are active in the debt market. The traditional funding source for the Company's subsidiary banks has been core deposits. Based upon regular contact with investment banking firms, management believes it can raise debt or equity capital on favorable terms, should the need arise.

The Company also has other commercial commitments that may impact liquidity. These commitments include unused commitments to extend credit, standby letters of credit and financial guarantees, and commercial letters of credit. The total amount of these commercial commitments at September 30, 2008 was \$3.0 billion. Since many of these commitments expire without being drawn upon, the total amount of these commercial commitments does not necessarily represent the future cash requirements of the Company.

The Company's cash requirements consist primarily of dividends to shareholders, debt service and treasury stock purchases. Management fees and dividends received from subsidiary banks traditionally have been sufficient to satisfy these requirements and are expected to be sufficient in the future. The Company's subsidiary banks are subject to various rules regarding payment of dividends to the Company. For the most part, all banks can pay dividends at least equal to their current year's earnings without seeking prior regulatory approval. From time to time, approvals have been requested to allow a subsidiary bank to pay a dividend in excess of its current earnings.

### **Operational Risk**

The Company is exposed to numerous types of operational risk. Operational risk generally refers to the risk of loss resulting from the Company's operations, including, but not limited to: the risk of fraud by employees or persons outside the Company; the execution of unauthorized transactions by employees or others, errors relating to transaction processing and systems, and breaches of the internal control system and compliance requirements. This risk of loss also includes the potential legal or regulatory actions that could arise as a result of an operational deficiency, or as a result of noncompliance with applicable regulatory standards. Included in the legal and regulatory issues with which the Company must comply are a number of imposed rules resulting from the enactment of the Sarbanes-Oxley Act of 2002.

The Company operates in many markets and places reliance on the ability of its employees and systems to properly process a high number of transactions. In the event of a breakdown in the internal control systems, improper operation of systems or improper employee actions, the Company could suffer financial loss, face regulatory action and suffer damage to its reputation. In order to address this risk, management maintains a system of internal controls with the objective of providing proper transaction authorization and execution, safeguarding of assets from misuse or theft, and ensuring the reliability of financial and other data.

The Company maintains systems of controls that provide management with timely and accurate information about the Company's operations. These systems have been designed to manage operational risk at appropriate levels given the Company's financial strength, the environment in which it operates, and considering factors such as competition and regulation. The Company has also established procedures that are designed to ensure that policies relating to conduct, ethics and business practices are followed on a uniform basis. In certain cases, the Company has experienced losses from operational risk. Such losses have included the effects of operational errors that the Company has discovered and included as expense in the statement of income. While there can be no assurance that the Company will not suffer such losses in the future, management continually monitors and works to improve its internal controls, systems and corporate-wide processes and procedures.

**Table of Contents**

**ITEM 4. CONTROLS AND PROCEDURES**

The Sarbanes-Oxley Act of 2002 requires Chief Executive Officers and Chief Financial Officers to make certain certifications with respect to this report and to the Company's disclosure controls and procedures and internal control over financial reporting. The Company has a Code of Ethics that expresses the values that drive employee behavior and maintains the Company's commitment to the highest standards of ethics.

**Disclosure Controls and Procedures**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's Disclosure Controls and Procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by the report, the Company's disclosure controls and procedures are effective for recording, processing, summarizing and reporting, within the time period specified in the Exchange Act rules and forms. Disclosure Controls and Procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files and submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

While the Company believes that its existing disclosure controls and procedures have been effective to accomplish the Company's objectives, the Company intends to continue to examine, refine, and formalize its disclosure controls and procedures and to monitor ongoing developments in this area.

**Internal Control Over Financial Reporting**

There has been no change in the Company's internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the period to which this report relates that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents****PART II OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

In the normal course of business, the Company and its subsidiaries are named defendants in various lawsuits and counter-claims. In the opinion of management, after consultation with legal counsel, none of these lawsuits are expected to have a materially adverse effect on the financial position, results of operations, or cash flows of the Company.

**ITEM 1A. RISK FACTORS**

There were no material changes to the risk factors as previously disclosed in response to Item 1A to Part 1 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The table below sets forth the information with respect to purchases made by or on behalf of the Company or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the three months ended September 30, 2008.

**ISSUER PURCHASE OF EQUITY SECURITIES**

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1-July 31, 2008	11,912	\$ 53.17	11,912	1,943,973
August 1-August 31, 2008	4,285	56.56	4,285	1,939,688
September 1-September 30, 2008	9,820	55.06	9,820	1,929,868
Total	26,017	\$ 49.52	26,017	

On April 22, 2008 the Company announced a plan to repurchase up to two million shares of common stock. This plan will terminate on April 22, 2009. The Company has not made any repurchases other than through these plans. All open market share purchases under the share repurchase plans are intended to be within the scope of Rule 10b-18 promulgated under the Exchange Act. Rule 10b-18 provides a safe harbor for purchases in a given day if the Company satisfies the manner, timing and volume conditions of the rule when purchasing its own common shares.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS**

None.

**ITEM 5. OTHER INFORMATION**

None.

**Table of Contents**

**ITEM 6. EXHIBITS**

a) The following exhibits are filed herewith:

- i. 3.1 Articles of Incorporation restated as of April 25, 2006 incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and filed with the Commission on May 9, 2006.
- ii. 3.2 Bylaws, restated as of April 22, 2008 incorporated by reference to Exhibit 3.(ii).2 to the Company's Current Report on Form 8-K dated April 22, 2008, and filed with the Commission on April 23, 2008.
- iii. 4 Description of the Registrant's common stock in Amendment No. 1 on Form 8, incorporated by reference to its General Form for Registration of Securities on Form 10 dated March 5, 1993.
- iv. 31.1 CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act.
- v. 31.2 CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act.
- vi. 32.1 CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act.
- vii. 32.2 CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**UMB FINANCIAL CORPORATION**

/s/ Brian J. Walker  
Brian J. Walker  
Senior Vice President, Corporate Controller  
(Authorized Officer and Chief Accounting Officer)

Date: November 6, 2008