

UMB FINANCIAL CORP
Form 10-Q
November 08, 2007

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, 2007

OR

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

For the transition period from _____ to _____

Commission file number 0-4887

UMB FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction of
incorporation or organization)

43-0903811
(I.R.S. Employer
Identification Number)

1010 Grand Boulevard, Kansas City, Missouri
(Address of principal executive offices)

64106
(ZIP Code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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, 2007, UMB Financial Corporation had 41,705,452 shares of common stock outstanding.

UMB FINANCIAL CORPORATION

FORM 10-Q

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

| | September 30, 2007 | December 31, 2006 |
|--|-----------------------|----------------------|
| <u>ASSETS</u> | | |
| Loans | \$ 3,953,804 | \$ 3,753,445 |
| Allowance for loan losses | (46,174) | (44,926) |
| Net loans | 3,907,630 | 3,708,519 |
| Loans held for sale | 12,987 | 14,120 |
| Investment Securities: | | |
| Available for sale | 2,709,973 | 3,238,648 |
| Held to maturity (market value of \$39,808 and \$44,819, respectively) | 39,803 | 44,781 |
| Federal Reserve Bank stock and other | 19,926 | 15,490 |
| Trading securities | 60,652 | 64,534 |
| Total investment securities | 2,830,354 | 3,363,453 |
| Federal funds sold and securities purchased under agreements to resell | 305,553 | 848,922 |
| Cash and due from banks | 499,535 | 531,188 |
| Bank premises and equipment, net | 237,283 | 243,216 |
| Accrued income | 60,845 | 57,313 |
| Goodwill | 94,512 | 93,723 |
| Other intangibles | 17,181 | 19,309 |
| Other assets | 54,180 | 38,002 |
| Total assets | \$ 8,020,060 | \$ 8,917,765 |
| <u>LIABILITIES</u> | | |
| Deposits: | | |
| Noninterest-bearing demand | \$ 1,755,443 | \$ 2,293,096 |
| Interest-bearing demand and savings | 2,853,488 | 2,644,125 |
| Time deposits under \$100,000 | 820,701 | 799,003 |
| Time deposits of \$100,000 or more | 491,412 | 572,740 |
| Total deposits | 5,921,044 | 6,308,964 |
| Federal funds purchased and repurchase agreements | 1,060,585 | 1,620,945 |
| Short-term debt | 16,468 | 17,881 |
| Long-term debt | 36,693 | 38,020 |
| Accrued expenses and taxes | 63,612 | 52,381 |
| Other liabilities | 37,349 | 30,699 |
| Total liabilities | 7,135,751 | 8,068,890 |

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SHAREHOLDERS' EQUITY

| | | |
|---|----------------|----------------|
| Common stock, \$1.00 par value; authorized 80,000,000 shares, 55,056,730 issued, 41,755,015 and 42,266,041 shares outstanding, respectively | 55,057 | 55,057 |
| Capital surplus | 701,620 | 699,794 |
| Retained earnings | 421,729 | 380,464 |
| Accumulated other comprehensive loss | (1,417) | (17,259) |
| Treasury stock, 13,301,715 and 12,790,689 shares, at cost, respectively | (292,680) | (269,181) |
| Total shareholders' equity | 884,309 | 848,875 |
| | | |
| Total liabilities and shareholders' equity | \$ 8,020,060 | \$ 8,917,765 |

See Notes to Condensed Consolidated Financial Statements.

UMB FINANCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| <u>INTEREST INCOME</u> | | | | |
| Loans | \$ 68,972 | \$ 62,157 | \$ 203,385 | \$ 172,931 |
| Securities: | | | | |
| Taxable interest | 23,251 | 21,004 | 71,200 | 61,937 |
| Tax-exempt interest | 6,490 | 5,864 | 18,642 | 17,388 |
| Total securities income | 29,741 | 26,868 | 89,842 | 79,325 |
| Federal funds and resell agreements | 4,326 | 5,025 | 15,658 | 15,152 |
| Trading securities and other | 561 | 579 | 1,824 | 2,029 |
| Total interest income | 103,600 | 94,629 | 310,709 | 269,437 |
| <u>INTEREST EXPENSE</u> | | | | |
| Deposits | 31,412 | 25,942 | 89,191 | 69,533 |
| Federal funds and repurchase agreements | 13,647 | 13,443 | 47,987 | 37,686 |
| Short-term debt | 161 | 105 | 441 | 429 |
| Long-term debt | 373 | 311 | 1,265 | 1,206 |
| Total interest expense | 45,593 | 39,801 | 138,884 | 108,854 |
| Net interest income | 58,007 | 54,828 | 171,825 | 160,583 |
| Provision for loan losses | 2,833 | 1,500 | 6,333 | 7,734 |
| Net interest income after provision for loan losses | 55,174 | 53,328 | 165,492 | 152,849 |
| <u>NONINTEREST INCOME</u> | | | | |
| Trust and securities processing | 28,889 | 25,038 | 85,131 | 72,698 |
| Trading and investment banking | 4,353 | 4,757 | 14,747 | 13,437 |
| Service charges on deposits | 20,361 | 18,581 | 59,936 | 55,191 |
| Insurance fees and commissions | 913 | 1,056 | 2,544 | 3,149 |
| Brokerage fees | 1,959 | 1,508 | 6,024 | 4,626 |
| Bankcard fees | 10,135 | 9,945 | 29,431 | 28,750 |
| Gain (loss) on sale of other assets, net | 96 | (188) | 87 | 408 |
| Gain on sale of securities transfer, net | 6,490 | | 6,490 | |
| Gain on sale of securities available for sale, net | 1 | 37 | 3 | 120 |
| Other | 3,700 | 3,669 | 11,519 | 11,553 |
| Total noninterest income | 76,897 | 64,403 | 215,912 | 189,932 |
| <u>NONINTEREST EXPENSE</u> | | | | |
| Salaries and employee benefits | 51,439 | 48,894 | 152,538 | 143,928 |
| Occupancy, net | 7,667 | 6,932 | 22,421 | 20,288 |
| Equipment | 13,385 | 12,623 | 39,810 | 36,086 |
| Supplies and services | 5,814 | 5,514 | 17,327 | 16,988 |
| Marketing and business development | 3,880 | 4,001 | 11,574 | 11,645 |

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| | | | | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| Processing fees | 7,491 | 7,137 | 21,268 | 20,692 |
| Legal and consulting | 2,329 | 2,080 | 5,795 | 5,736 |
| Bankcard | 2,648 | 3,410 | 8,084 | 10,220 |
| Amortization of other intangibles | 754 | 365 | 2,222 | 868 |
| Other | 5,992 | 5,309 | 16,107 | 16,238 |
| Total noninterest expense | 101,399 | 96,265 | 297,146 | 282,689 |
| Income before income taxes | 30,672 | 21,466 | 84,258 | 60,092 |
| Income tax provision | 9,145 | 5,601 | 25,344 | 16,127 |
| NET INCOME | \$ 21,527 | \$ 15,865 | \$ 58,914 | \$ 43,965 |

PER SHARE DATA

| | | | | |
|--------------------|---------|---------|---------|---------|
| Net income basic | \$ 0.52 | \$ 0.37 | \$ 1.41 | \$ 1.03 |
| Net income diluted | 0.51 | 0.37 | 1.40 | 1.03 |
| Dividends | 0.14 | 0.13 | 0.42 | 0.39 |

Weighted average shares outstanding 41,687,476 42,531,525 41,857,927 42,675,173

See Notes to Condensed Consolidated Financial Statements.

UMB FINANCIAL CORPORATION

STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(unaudited, dollars in thousands)

| | Common Stock | Capital Surplus | Unearned Compensation | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total |
|---|-----------------|--------------------|--------------------------|----------------------|--|-------------------|------------|
| Balance - January 1, 2006 | \$ 27,528 | \$ 728,108 | \$ (1,904) | \$ 342,675 | \$ (21,550) | \$ (241,394) | \$ 833,463 |
| Adoption of SFAS 123(R) | | (1,904) | 1,904 | | | | |
| Comprehensive income | | | | | | | |
| Net income | | | | 43,965 | | | 43,965 |
| Change in unrealized losses on securities | | | | | 5,785 | | 5,785 |
| Total comprehensive income | | | | | | | 49,750 |
| Cash dividends (\$0.39 per share) | | | | (16,456) | | | (16,456) |
| Stock split two for one | 27,529 | (27,529) | | | | | |
| Purchase of treasury stock | | | | | | (13,813) | (13,813) |
| Issuance of stock awards | | (938) | | | | 1,088 | 150 |
| Recognition of stock based compensation | | 1,046 | | | | | 1,046 |
| Sale of treasury stock | | 182 | | | | 132 | 314 |
| Exercise of stock options | | 64 | | | | 321 | 385 |
| Balance - September 30, 2006 | \$ 55,057 | \$ 699,029 | \$ | \$ 370,184 | \$ (15,765) | \$ (253,666) | \$ 854,839 |
| 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 |
| Total comprehensive income | | | | | | | 74,756 |
| Cash dividends (\$0.42 per share) | | | | (17,649) | | | (17,649) |
| Purchase of treasury stock | | | | | | (25,223) | (25,223) |
| Issuance of stock awards | | (928) | | | | 1,065 | 137 |
| Recognition of stock 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 |

See Notes to Condensed Consolidated Financial Statements

UMB FINANCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, dollars in thousands)

| | Nine Months Ended | |
|---|-------------------|-------------|
| | September 30, | |
| | 2007 | 2006 |
| Operating Activities | | |
| Net Income | \$ 58,914 | \$ 43,965 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 6,333 | 7,734 |
| Depreciation and amortization | 28,000 | 25,323 |
| Deferred income tax benefit | (1,806) | (877) |
| Net increase in trading securities and other | 3,882 | 10,328 |
| Gain on sale of securities available for sale | (3) | (120) |
| (Gain) loss on sale of other assets, net | (87) | 384 |
| Amortization of securities premiums, net of discount accretion | (3,439) | 1,802 |
| Net decrease in loans held for sale | 1,133 | 150 |
| Issuance of stock awards | 137 | 1,046 |
| Stock based compensation | 2,299 | (408) |
| Changes in: | | |
| Accrued income | (3,532) | (2,890) |
| Accrued expenses and taxes | 3,061 | (528) |
| Other assets and liabilities, net | (2,020) | 13,626 |
| Net cash provided by operating activities | 92,872 | 99,535 |
| Investing Activities | | |
| Proceeds from sales of securities available for sale | 725 | 103,741 |
| Proceeds from maturities of securities available for sale | 1,481,827 | 7,947,300 |
| Proceeds from maturities of securities held to maturity | 9,242 | 52,570 |
| Purchases of securities available for sale | (925,099) | (7,274,356) |
| Purchases of securities held to maturity | (9,031) | (36,964) |
| Net increase in loans | (205,679) | (254,147) |
| Net decrease in fed funds and resell agreements | 543,369 | 145,668 |
| Net change in unsettled securities transactions | (6,931) | |
| Purchases of bank premises and equipment | (20,160) | (30,960) |
| Cash received for branch deposits, net of cash paid | (688) | (41,929) |
| Proceeds from sales of bank premises and equipment | 353 | 1,619 |
| Net cash provided by investing activities | 867,928 | 612,542 |
| Financing Activities | | |
| Net decrease in demand and savings deposits | (328,290) | (514,604) |
| Net decrease in time deposits | (59,630) | (122,996) |
| Net decrease in fed funds/ repurchase agreements | (560,360) | (222,446) |
| Net change in short-term debt | (1,413) | (12,447) |
| Proceeds from long-term debt | 2,480 | |
| Repayment of long-term debt | (3,807) | (1,673) |
| Cash dividends | (17,324) | (16,283) |
| Proceeds from exercise of stock options and sales of treasury stock | 1,114 | 699 |
| Purchases of treasury stock | (25,223) | (13,813) |

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| | | |
|---|------------|------------|
| Net cash used in financing activities | (992,453) | (903,563) |
| Decrease in cash and due from banks | (31,653) | (191,486) |
| Cash and due from banks at beginning of period | 531,188 | 599,580 |
| Cash and due from banks at end of period | \$ 499,535 | \$ 408,094 |
| Supplemental Disclosures: | | |
| Income taxes paid | \$ 25,198 | \$ 18,930 |
| Total interest paid | 136,220 | 107,949 |
| See Notes to Condensed Consolidated Financial Statements. | | |

UMB FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 (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, 2006.

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 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 are 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, 2006.

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 diluted effect of 328,083 and 223,389 shares issuable under options granted by the Company at September 30, 2007 and 2006, respectively. Diluted year-to-date income per share includes the diluted effect of 294,431 and 213,831 shares issuable upon the exercise of stock options granted by the Company at September 30, 2007 and 2006, respectively.

Options issued under employee benefit plans to purchase 272,764 and 243,811 shares of common stock were outstanding at September 30, 2007 and 2006, respectively, but were not included in the computation of diluted quarterly income per share because the options were anti-dilutive. Options issued under employee benefit plans to purchase 364,562 and 243,811 shares of common stock were outstanding at September 30, 2007 and 2006, respectively, but were not included in the computation of diluted year-to-date income per share because the options were anti-dilutive.

3. New Accounting Pronouncements

Accounting for Uncertainty in Income Taxes – an Interpretation of Financial Accounting Standards Board (FASB) Statement No. 109 In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or to be taken on a tax return. This interpretation also provides additional guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted the provisions of FIN 48 effective January 1, 2007, as discussed further in Note 9 to the condensed consolidated financial statements.

Fair Value Measurement In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurement. The Statement establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure 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. This Statement is effective for all financial instruments acquired or issued after January 1, 2008. The Company does not expect adoption of this Statement will have a material effect on its consolidated financial statements.

UMB FINANCIAL CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED)

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. For calendar year companies, the Statement is effective for all financial instruments acquired or issued after January 1, 2008. The Company does not expect adoption of this Statement will have a material effect on its consolidated financial statements.

4. Loans and Allowance for Loan Losses

This table provides a summary of the major categories of loans as of September 30, 2007 and December 31, 2006 (in thousands):

| | September 30, | December 31, |
|---|---------------|--------------|
| | 2007 | 2006 |
| Commercial, financial, and agricultural | \$ 1,801,190 | \$ 1,564,793 |
| Real estate construction | 64,320 | 84,141 |
| Consumer | 863,320 | 982,325 |
| Real estate | 1,218,869 | 1,116,405 |
| Leases | 6,105 | 5,781 |
| Total loans | 3,953,804 | 3,753,445 |
| Loans held for sale | 12,987 | 14,120 |
| Total loans and loans held for sale | \$ 3,966,791 | \$ 3,767,565 |

This table is an analysis of the allowance for loan losses for the three and nine months ended September 30, 2007 and 2006 (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------------|-------------------|---------------|
| | September 30, | September 30, | September 30, | September 30, |
| | 2007 | 2006 | 2007 | 2006 |
| Allowance July 1 and January 1 | \$ 45,248 | \$ 42,120 | \$ 44,926 | \$ 40,825 |
| Allowance for banks and loans acquired | | 2,359 | | 2,359 |
| Additions (deductions): | | | | |
| Charge-offs | (2,859) | (3,595) | (8,057) | (9,946) |
| Recoveries | 952 | 1,154 | 2,972 | 2,566 |
| Net charge-offs | (1,907) | (2,441) | (5,085) | (7,380) |
| Provision charged to expense | 2,833 | 1,500 | 6,333 | 7,734 |
| Allowance September 30 | \$ 46,174 | \$ 43,538 | \$ 46,174 | \$ 43,538 |

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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, 2007 and December 31, 2006 (*in thousands*):

| | September 30, | December 31, |
|---|---------------|--------------|
| | 2007 | 2006 |
| Total impaired loans as of September 30 and December 31 | \$ 4,798 | \$ 5,485 |
| Amount of impaired loans which have a related allowance | 965 | 1,117 |
| Amount of related allowance | 253 | 318 |
| Remaining impaired loans with no allowance | 3,833 | 4,368 |
| Average recorded investment in impaired loans during the period | 5,843 | 6,522 |

UMB FINANCIAL CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED)

5. Securities

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

| | September 30, | December 31, |
|----------------------------------|---------------|--------------|
| | 2007 | 2006 |
| Available for sale | | |
| U.S. Treasuries | \$ 465,886 | \$ 493,362 |
| U.S. Agencies | 573,130 | 1,151,069 |
| State and political subdivisions | 711,050 | 671,093 |
| Mortgage backed | 959,907 | 923,124 |
| Total available for sale | \$ 2,709,973 | \$ 3,238,648 |

Investment securities held to maturity which are recorded at book value consist of the following (*in thousands*):

| | September 30, | December 31, |
|----------------------------------|---------------|--------------|
| | 2007 | 2006 |
| State and political subdivisions | \$ 39,803 | \$ 44,781 |

6. Other Comprehensive Loss

The Company's only component of other comprehensive loss for the three months and nine months ended September 30, 2007 and 2006 was the net unrealized gains and losses on available for sale securities (*in thousands*):

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|---------------|-------------------|---------------|
| | September 30, | September 30, | September 30, | September 30, |
| | 2007 | 2006 | 2007 | 2006 |
| Change in unrealized holding losses, net | \$ 33,877 | \$ 34,565 | \$ 25,009 | \$ 9,253 |
| Less: Reclassification adjustments for net gains included in income | (1) | (37) | (3) | (120) |
| Net unrealized holding loss | 33,876 | 34,528 | 25,006 | 9,133 |
| Income tax benefit | (12,435) | (12,703) | (9,164) | (3,348) |
| Other comprehensive loss | \$ 21,441 | \$ 21,825 | \$ 15,842 | \$ 5,785 |

7. Commitments, Contingencies and Guarantees

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In the normal course of business, the Company is a 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, and futures contracts. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount 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.

The Company's exposure to credit loss in the event of nonperformance by the other party 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.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the agreement. These conditions generally include, but are not limited to, each customer

UMB FINANCIAL CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED)

being current as to repayment terms of existing loans and no deterioration in the customer's financial condition. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The interest rate is generally a variable rate. If the commitment has a fixed interest rate, the rate is generally not set at current market conditions until such time as credit is extended. For credit card customers, the Company has the right to change or terminate terms or conditions of the credit card account at any time. Since a large portion of the commitments and unused credit card lines are never actually drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on an individual basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, real estate, plant and equipment, stock, securities and certificates of deposit.

Commercial letters of credit are issued specifically to facilitate trade or commerce. Under the terms of a commercial letter of credit, as a general rule, drafts will be drawn when the underlying transaction is consummated as intended.

Standby letters of credit are conditional commitments issued by the Company payable upon the non-performance of a customer's obligations to a third party. The Company issues standby letters of credit for terms ranging from three months to three years. The maximum liability to the Company under standby letters of credit at September 30, 2007 and December 31, 2006 was \$293.4 million and \$291.9 million, respectively. As of September 30, 2007 and December 31, 2006, standby letters of credit totaling \$42.4 million and \$43.1 million, respectively, were with related parties to the Company.

The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities. The Company holds collateral supporting those commitments when deemed necessary. Collateral varies but may include such items as those described for commitments to extend credit.

Futures contracts are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date, of a specified instrument, at a specified yield. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in securities values and interest rates. Instruments used in trading activities are carried at market value and gains and losses on futures contracts are settled in cash daily. Any changes in the market value are recognized in trading and investment banking income.

The Company's use of futures contracts is very limited. The Company uses contracts to offset interest rate risk on specific securities held in the trading portfolio. Open futures contract positions averaged \$34.1 million and \$47.0 million during the nine-month periods ended September 30, 2007 and 2006, respectively. Open futures contract positions averaged \$38.1 million and \$40.0 million for the three months ended September 30, 2007 and 2006, respectively. Net futures activity resulted in losses of \$0.5 million and gains of \$0.3 million for the nine months ended September 30, 2007 and 2006. Net futures activity resulted in losses of \$0.6 million for the three months ended September 30, 2007 and 2006. The Company controls the credit risk of its futures contracts through credit approvals, limits and monitoring procedures.

The Company also enters into foreign exchange contracts on a limited basis. For operating purposes, the Company maintains certain balances with foreign banks. Foreign exchange contracts are purchased on a monthly basis to avoid foreign exchange risk on these foreign balances. The Company will also enter into foreign exchange contracts to facilitate foreign exchange needs of customers. The Company will enter into a contract to buy or sell a foreign currency at a future date only as part of a contract to sell or buy the foreign currency at the same future date to a customer. During the nine months ended September 30, 2007, contracts to purchase and to sell foreign currency averaged approximately \$12.1 million compared to \$17.4 million for the nine months ended September 30, 2006. For the three months ended September 30, 2007 and 2006, the contracts to purchase and to sell foreign currency averaged \$9.0 million and \$18.2 million, respectively. The net gains on these foreign exchange contracts for the nine months ended September 30, 2007 and 2006 were \$1.4 million and \$1.2 million, respectively. The net gains on these foreign exchange contracts for the three months ended September 30, 2007 and 2006 were \$0.5 million and \$0.4 million, respectively.

UMB FINANCIAL CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED)

With respect to group concentrations of credit risk, most of the Company's business activity is with customers in the states of Missouri, Kansas, Colorado, Oklahoma, Nebraska and Illinois. At September 30, 2007, the Company did not have any significant credit concentrations in any particular industry.

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.

The following table summarizes the Company's off-balance sheet financial instruments as described above.

Contract or Notional Amount (in thousands):

| | September 30, 2007 | December 31, 2006 |
|--|-----------------------|----------------------|
| Commitments to extend credit for loans (excluding credit card loans) | \$ 1,336,557 | \$ 1,438,855 |
| Commitments to extend credit under credit card loans | 992,522 | 906,179 |
| Commercial letters of credit | 7,189 | 7,082 |
| Standby letters of credit | 293,373 | 291,904 |
| Futures contracts | 30,000 | 33,000 |
| Forward foreign exchange contracts | 9,231 | 6,803 |
| Spot foreign exchange contracts | 3,809 | 2,828 |

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 provided. 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 per individual Business Segment. 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, 2007 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. Capital markets provide consultative services and offers a variety of financing for companies that need non-traditional banking services. The services provided by capital markets 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 savings account products for healthcare providers, third-party administrators and large employers.

Banking Services provides products and services 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 Fed 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.

UMB FINANCIAL CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED)

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 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, as the paying agent/registrar for issued bonds and notes, and providing escrow services.

Investment Services Group provides a broad array of services for mutual funds, partnerships, funds of funds 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, cash management, 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.

Business Segment Information

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

| | Three Months Ended September 30, | | | |
|--|----------------------------------|--------------|----------------------------------|--------------|
| | Commercial Banking and Lending | | Payment and Technology Solutions | |
| | 2007 | 2006 | 2007 | 2006 |
| Net interest income | \$ 13,789 | \$ 13,941 | \$ 15,210 | \$ 14,231 |
| Provision for loan losses | 548 | 975 | 34 | |
| Noninterest income | 596 | 507 | 18,933 | 13,230 |
| Noninterest expense | 7,769 | 6,666 | 18,650 | 19,037 |
| Income before income taxes | \$ 6,068 | \$ 6,807 | \$ 15,459 | \$ 8,424 |
| Average assets | \$ 2,807,000 | \$ 2,528,000 | \$ 63,000 | \$ 58,000 |
| Depreciation and amortization | 510 | 504 | 2,170 | 2,283 |
| Expenditures for additions to premises and equipment | 351 | 448 | 1,583 | 1,539 |
| | Banking Services | | Consumer Services | |
| | 2007 | 2006 | 2007 | 2006 |
| Net interest income | \$ 977 | \$ 988 | \$ 24,185 | \$ 23,260 |
| Provision for loan losses | | | 2,248 | 525 |
| Noninterest income | 5,037 | 5,806 | 17,621 | 15,628 |
| Noninterest expense | 6,340 | 6,487 | 39,727 | 37,319 |
| Income (loss) before income taxes | \$ (326) | \$ 307 | \$ (169) | \$ 1,044 |
| Average assets | \$ 95,000 | \$ 70,000 | \$ 1,321,000 | \$ 1,382,000 |

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| | | | | |
|--|-----|-----|-------|-------|
| Depreciation and amortization | 352 | 372 | 4,305 | 3,660 |
| Expenditures for additions to premises and equipment | 206 | 288 | 3,439 | 9,955 |

UMB FINANCIAL CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED)

| | Asset Management | | Investment Services Group | |
|----------------------------|------------------|----------|---------------------------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| Net interest income | \$ 1,863 | \$ 511 | \$ 2,054 | \$ 1,972 |
| Provision for loan losses | 3 | | | |
| Noninterest income | 23,720 | 20,386 | 12,415 | 10,535 |
| Noninterest expense | 19,646 | 17,386 | 10,785 | 10,563 |
| Income before income taxes | \$ 5,934 | \$ 3,511 | \$ 3,684 | \$ 1,944 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Average assets | \$ 88,000 | \$ 34,000 | \$ 39,000 | \$ 32,000 |
| Depreciation and amortization | 917 | 928 | 751 | 834 |
| Expenditures for additions to premises and equipment | 676 | 743 | 392 | 679 |

| | Treasury and Other Adjustments | | Total Consolidated Company | |
|-----------------------------------|--------------------------------|----------|----------------------------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| Net interest income | \$ (71) | \$ (75) | \$ 58,007 | \$ 54,828 |
| Provision for loan losses | | | 2,833 | 1,500 |
| Noninterest income | (1,425) | (1,689) | 76,897 | 64,403 |
| Noninterest expense | (1,518) | (1,193) | 101,399 | 96,265 |
| Income (loss) before income taxes | \$ 22 | \$ (571) | \$ 30,672 | \$ 21,466 |

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Average assets | \$ 3,427,000 | \$ 3,346,000 | \$ 7,840,000 | \$ 7,450,000 |
| Depreciation and amortization | 368 | 366 | 9,373 | 8,947 |
| Expenditures for additions to premises and equipment | 274 | 562 | 6,921 | 14,214 |

| | Nine Months Ended September 30, | | | |
|----------------------------|---------------------------------|-----------|----------------------------------|-----------|
| | Commercial Banking and Lending | | Payment and Technology Solutions | |
| | 2007 | 2006 | 2007 | 2006 |
| Net interest income | \$ 41,757 | \$ 40,310 | \$ 43,746 | \$ 40,923 |
| Provision for loan losses | 2,823 | 5,339 | 34 | |
| Noninterest income | 2,020 | 1,481 | 45,618 | 38,603 |
| Noninterest expense | 22,177 | 19,469 | 55,919 | 56,071 |
| Income before income taxes | \$ 18,777 | \$ 16,983 | \$ 33,411 | \$ 23,455 |

| | | | | |
|--|--------------|--------------|-----------|-----------|
| Average assets | \$ 2,802,000 | \$ 2,461,000 | \$ 62,000 | \$ 56,000 |
| Depreciation and amortization | 1,503 | 1,346 | 6,674 | 6,256 |
| Expenditures for additions to premises and equipment | 1,006 | 1,381 | 4,025 | 5,427 |

| | Banking Services | | Consumer Services | |
|---------------------------|------------------|----------|-------------------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| Net interest income | \$ 2,672 | \$ 3,143 | \$ 72,627 | \$ 68,359 |
| Provision for loan losses | | | 3,473 | 2,395 |
| Noninterest income | 16,124 | 16,460 | 50,199 | 47,029 |
| Noninterest expense | 19,695 | 20,330 | 117,723 | 111,299 |

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| | | | | | | | | |
|--|----|---------|----|--------|----|-----------|----|-----------|
| Income (loss) before income taxes | \$ | (899) | \$ | (727) | \$ | 1,630 | \$ | 1,694 |
| Average assets | \$ | 117,000 | \$ | 81,000 | \$ | 1,344,000 | \$ | 1,333,000 |
| Depreciation and amortization | | 1,082 | | 1,007 | | 12,714 | | 10,548 |
| Expenditures for additions to premises and equipment | | 639 | | 1,054 | | 9,732 | | 17,490 |

UMB FINANCIAL CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED)

| | Asset Management | | Investment Services Group | |
|----------------------------|------------------|-----------|---------------------------|----------|
| | 2007 | 2006 | 2007 | 2006 |
| Net interest income | \$ 5,390 | \$ 822 | \$ 5,909 | \$ 7,428 |
| Provision for loan losses | 3 | | | |
| Noninterest income | 69,241 | 59,841 | 35,348 | 31,147 |
| Noninterest expense | 54,744 | 48,540 | 30,572 | 30,821 |
| Income before income taxes | \$ 19,884 | \$ 12,123 | \$ 10,685 | \$ 7,754 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Average assets | \$ 69,000 | \$ 30,000 | \$ 37,000 | \$ 31,000 |
| Depreciation and amortization | 2,661 | 2,529 | 2,260 | 2,380 |
| Expenditures for additions to premises and equipment | 1,806 | 2,368 | 1,198 | 2,378 |

| | Treasury and Other Adjustments | | Total Consolidated Company | |
|-----------------------------------|--------------------------------|------------|----------------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| Net interest income | \$ (276) | \$ (402) | \$ 171,825 | \$ 160,583 |
| Provision for loan losses | | | 6,333 | 7,734 |
| Noninterest income | (2,638) | (4,629) | 215,912 | 189,932 |
| Noninterest expense | (3,684) | (3,841) | 297,146 | 282,689 |
| Income (loss) before income taxes | \$ 770 | \$ (1,190) | \$ 84,258 | \$ 60,092 |

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Average assets | \$ 3,541,000 | \$ 3,537,000 | \$ 7,972,000 | \$ 7,529,000 |
| Depreciation and amortization | 1,106 | 1,257 | 28,000 | 25,323 |
| Expenditures for additions to premises and equipment | 1,754 | 862 | 20,160 | 30,960 |

9. Liabilities Associated with Unrecognized Tax Benefits

The Company adopted the provisions of FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, on January 1, 2007. This interpretation clarifies the accounting and reporting for uncertainties in income tax law. It prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions. Differences between a tax position taken or expected to be taken in the Company's tax returns and the amount of benefit recognized and measured in the financial statements result in unrecognized tax benefits, which are recorded in the balance sheet as either a liability for unrecognized tax benefits or reductions to recorded tax assets, as applicable.

The Company files income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2003 in the jurisdictions in which it files. Upon implementation of FIN 48, the Company's unrecognized tax benefit was \$0.9 million. The Company's adoption of FIN 48 resulted in a reclassification of certain recorded liabilities accrued for under SFAS No. 5, Accounting for Contingencies, to Liability for Unrecognized Tax Benefits. Therefore, a cumulative adjustment to retained earnings was not necessary. The Company does not expect any significant increase or decrease in the amount of unrecognized tax benefits over the next 12 months.

If recognized, the full amount of unrecognized tax benefits, net of the associated deferred tax benefit, would affect the effective tax rate. The unrecognized tax benefit relates to state tax positions that, if recognized, would result in the recognition of a deferred tax asset for the corresponding federal tax benefit.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in other noninterest expense. The Company has not recognized any significant interest or penalties.

UMB FINANCIAL CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED)

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 \$5.9 million at September 30, 2007. This amount is not reflected in the 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.

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 both the three-month and nine-month periods ended September 30, 2007. 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;

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

Changes in operations;

Competitive pressures among financial services companies may increase significantly;

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

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

Changes in the ability of customers to repay loans;

Changes in loan demand may adversely affect liquidity needs;

Changes in employee costs;

Changes in accounting rules.

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 continues to focus on the following five strategies. This focus has helped the Company to achieve results and 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 2007, progress on this strategy was illustrated by an increase in net interest income of 5.8 percent from the previous year. This was accomplished through increased volume of average earning assets at higher rates, which helped to drive an increase in net interest margin. Average earning assets increased by \$322.1 million, or 4.8 percent, as compared to the third quarter of 2006. Most of this earning asset growth was through average loan growth of \$284.0 million, or 7.8 percent. Average loans comprised 55.9 percent of average earning assets during the three months ended September 30, 2007 compared to 54.4 percent in the same quarter of 2006. On a tax equivalent basis, net interest spread increased by 8 basis points and net interest margin increased by 5 basis points as compared to the third quarter of 2006.

The second strategy is to grow the Company's fee-based businesses. The Company believes this strategy will help compensate for the average loan-to-deposit ratio of the Company's subsidiary banks, which has been, and is expected to continue to be, lower than industry average. 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 2007, noninterest income increased \$12.5 million, or 19.4 percent, as compared to the same period of 2006. This included a \$6.5 million net gain on the sale of the securities transfer product. The Company continues to emphasize its asset management, credit card, health care services, and payments businesses. The focus in asset management continues to show improvement and is discussed in the fourth strategy below. In particular, during the third quarter of 2007, the increase in noninterest income is attributable to higher trust and securities processing income, service charges on deposits, and the gain on the sale of the securities transfer product. Trust and securities processing increased \$3.9 million, or 15.4 percent, for the three months ended September 30, 2007 as compared to the same period in 2006. This increase was primarily due to the increase in total assets under management for the UMB Scout Funds as discussed in the fourth strategy below. Service charges on deposits were \$1.8 million, or 9.6 percent, higher in the third quarter of 2007 than the same period in 2006 due mostly to greater individual overdraft and return item charges. Within its treasury management business, the Company continues to focus on helping customers transition from paper payment to electronic payment options by providing new products and services, such as pay card and remote deposit capture. Management believes these new products and services in the treasury management business will enhance information reporting and transaction initiation via the Internet, which improves control of service through online self-administration. The Company also continues to focus on its health savings and flexible spending account services, which has resulted in rapid account and deposit growth.

The third strategy is a focus on the retail distribution network. At September 30, 2007, the Company had 136 branches. The Company continues to emphasize increasing its primary retail customer base. A primary customer is a customer who has one or multiple account relationships with the Company. Individuals who have accounts tied to another individual's relationship are not considered a separate primary customer, but instead are considered part of the primary customer relationship. An example would be a child's account tied to a parent. The parent would be the primary customer in this case. The primary customer base has increased 2.4 percent since September 30, 2006.

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 customers. Total assets under management for the UMB Scout Funds were \$5.7 billion at September 30, 2007 as compared to \$4.7 billion at September 30, 2006, an increase of \$1.0 billion or 22.0 percent. 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, as well as continuing to focus on returning capital to shareholders. The Company repurchased 364,706 shares of common stock at an average price of \$39.71 per share during the third quarter of 2007. These repurchases coupled with the repurchases in the first and second quarters of 2007 results in a year-to-date repurchase of 651,291 shares of common stock at an average price of \$38.73 per share for a total cost of \$25.2 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, 2007, the Company had a total risk-based capital ratio of 15.14 percent, which is substantially higher than the 10 percent regulatory minimum to be considered well-capitalized.

The Company encounters competition from other banks in its markets as well as other competitors such as non-bank financial institutions, brokers, insurance companies and investment advisory firms. The Company faces intense local, regional and national competition for retail customers and competes nationally with respect to its trust and asset management businesses. This competition continues to have the impact of compressing margins and income from the Company's fee based businesses.

Earnings Summary

The Company recorded consolidated net income of \$21.5 million for the three-month period ended September 30, 2007 compared to \$15.9 million for the same period a year earlier. This represents a 35.7 percent increase over the three-month period ended September 30, 2006. Basic earnings per share for the third quarter of 2007 were \$0.52 per share (\$0.51 per share fully-diluted) compared to \$0.37 per share (\$0.37 per share fully-diluted) for the third quarter of 2006. Return on average assets and return on average common shareholders' equity for the three-month period ended September 30, 2007 were 1.09 and 9.70 percent, respectively, as compared to 0.84 and 7.44 percent for the three-month period ended September 30, 2006.

The Company recorded consolidated net income of \$58.9 million for the nine months ended September 30, 2007 compared to \$44.0 million for the same period a year earlier. This represents a 34.0 percent increase over the nine-month period ended September 30, 2006. Basic earnings per share for the nine months ended September 30, 2007 were \$1.41 per share (\$1.40 per share fully-diluted) compared to \$1.03 per share (\$1.03 per share fully-diluted) for the same period in 2006. Return on average assets and return on average common shareholders' equity for the nine-month period ended September 30, 2007 were 0.99 and 9.08 percent, respectively, as compared to 0.78 and 7.01 percent for the nine-month period ended September 30, 2006.

Net interest income for the third quarter of 2007 increased 5.8 percent as compared to the same period in 2006. Net interest income for year-to-date September 30, 2007 increased 7.0 percent as compared to the same period in 2006. The increase is a result of a higher volume of average earning assets, as well as a more favorable asset mix. Average loans for the nine-month period ended September 30, 2007 comprise 55.0 percent of the Company's earning asset base, as compared to 52.4 percent for the same period a year ago. Further, net interest margin on a tax-equivalent basis increased to 3.41 percent for the first nine months of 2007 as compared to 3.36 percent for the same period in 2006.

The provision for loan losses increased by \$1.3 million for the three-month period and decreased by \$1.4 million for the nine-month period ended September 30, 2007, respectively, as compared to the same periods in 2006. These changes are a direct result of applying the Company's methodology for computing the allowance for loan losses. Management calculates a range in determining the appropriate level of allowance for loan losses. The

capital market volatility in the third quarter has triggered management's estimate of inherent losses within the portfolio to be closer to the top of that range. However, year-to-date a lower provision has been required in 2007 as compared to 2006 to maintain the allowance for loan losses at a level consistent with management's estimate. 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 2006 Annual Report of Form 10-K.

Noninterest income increased by \$12.5 million and \$26.0 million, or 19.4 and 13.7 percent, respectively, for the three and nine-month periods ended September 30, 2007, as compared to the same period one year ago. These increases are primarily due to increases in trust and securities processing income, service charges on deposits, and a net gain recognized on the sale of the securities transfer product. These increases are discussed in greater detail below under Noninterest Income.

Noninterest expense increased by \$5.1 million and \$14.5 million, or 5.3 and 5.1 percent, respectively, for the three and nine-month periods ended September 30, 2007, as compared to the same period in 2006. This increase was primarily due to increases in salaries and employee benefits, equipment and occupancy expense, and amortization of other intangibles. 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, 2007, net interest income increased \$3.2 million, or 5.8 percent, as compared to the same period in 2006. For the nine-month period ended September 30, 2007, net interest income increased \$11.2 million, or 7.0 percent, as compared to the same period in 2006.

Table 1 shows the impact of earning asset rate increases as compared to increases in the cost of interest-bearing liabilities. As illustrated on this table, net interest spread for the nine months ended September 30, 2007 increased by 1 basis point, yet overall net interest margin increased by 5 basis points as compared to the same period in 2006 primarily due to 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.

Management believes that the overall outlook in its net interest income continues to be positive. The Company has experienced a repricing of most of its liabilities during the recent interest rate cycle. As the earning assets reprice in a lower rate environment, management believes the future margin improvements may be more moderate. Further, the highest yielding assets, loans, have increased from an average of \$3.6 billion at September 30, 2006 to an average of \$3.9 billion at September 30, 2007. Loan-related earning assets tend to have a higher spread than those earned in the Company's investment portfolio. By design, the investment portfolio is short in duration and liquid in its composition.

Table 1

AVERAGE BALANCES/YIELDS AND RATES *(tax equivalent basis) (unaudited, 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 5.89 percent for the three-month period ended September 30, 2007 and 5.64 percent for the same period in 2006. The average yield on earning assets without the tax-equivalent basis adjustment would have been 5.86 percent for the nine months ended September 30, 2007 and 5.37 percent for the same period in 2006.

| | Three Months Ended September 30, | | | |
|--|----------------------------------|-----------------------|--------------------|-----------------------|
| | 2007 | | 2006 | |
| | Average Balance | Average Yield/Rate | Average Balance | Average Yield/Rate |
| Assets | | | | |
| Loans, net of unearned interest | \$ 3,905,847 | 7.01% | \$ 3,621,883 | 6.81% |
| Securities: | | | | |
| Taxable | 1,948,907 | 4.73 | 1,930,684 | 4.32 |
| Tax-exempt | 736,715 | 5.21 | 686,237 | 4.95 |
| Total securities | 2,685,622 | 4.86 | 2,616,921 | 4.48 |
| Federal funds and resell agreements | 331,443 | 5.18 | 372,198 | 5.36 |
| Trading securities and other | 58,750 | 3.98 | 48,525 | 4.78 |
| Total earning assets | 6,981,662 | 6.07 | 6,659,527 | 5.80 |
| Allowance for loan losses | (45,913) | | (42,863) | |
| Other assets | 904,440 | | 833,500 | |
| Total assets | \$ 7,840,189 | | \$ 7,450,164 | |
| Liabilities and Shareholders Equity | | | | |
| Interest-bearing deposits | \$ 3,947,820 | 3.16% | \$ 3,625,766 | 2.84% |
| Federal funds and repurchase agreements | 1,159,531 | 4.67 | 1,091,492 | 4.89 |
| Borrowed funds | 49,981 | 4.24 | 45,706 | 3.61 |
| Total interest-bearing liabilities | 5,157,332 | 3.51 | 4,762,964 | 3.32 |
| Noninterest-bearing demand deposits | 1,731,499 | | 1,784,278 | |
| Other liabilities | 71,081 | | 57,270 | |
| Shareholders equity | 880,277 | | 845,652 | |
| Total liabilities and shareholders equity | \$ 7,840,189 | | \$ 7,450,164 | |
| Net interest spread | | 2.56% | | 2.48% |
| Net interest margin | | 3.48 | | 3.43 |

| | Nine Months Ended September 30, | | | |
|-------------------------------------|---------------------------------|-----------------------|--------------------|-----------------------|
| | 2007 | | 2006 | |
| | Average Balance | Average Yield/Rate | Average Balance | Average Yield/Rate |
| Assets | | | | |
| Loans, net of unearned interest | \$ 3,897,257 | 6.98% | \$ 3,513,171 | 6.59% |
| Securities: | | | | |
| Taxable | 2,019,521 | 4.71 | 2,051,522 | 4.04 |
| Tax-exempt | 716,106 | 5.11 | 675,102 | 5.01 |
| Total securities | 2,735,627 | 4.82 | 2,726,624 | 4.28 |
| Federal funds and resell agreements | 392,659 | 5.33 | 409,080 | 4.95 |
| Trading securities and other | 62,397 | 4.06 | 57,910 | 4.81 |
| Total earning assets | 7,087,940 | 6.03 | 6,706,785 | 5.53 |
| Allowance for loan losses | (45,289) | | (41,524) | |
| Other assets | 929,192 | | 863,284 | |
| Total assets | \$ 7,971,843 | | \$ 7,528,545 | |

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| Liabilities and Shareholders Equity | | | | |
|--|---------------------|-------------|---------------------|-------------|
| Interest-bearing deposits | \$ 3,884,511 | 3.07% | \$ 3,612,891 | 2.57% |
| Federal funds and repurchase agreements | 1,320,837 | 4.86 | 1,122,993 | 4.49 |
| Borrowed funds | 49,147 | 4.64 | 50,549 | 4.32 |
| Total interest-bearing liabilities | 5,254,495 | 3.53 | 4,786,433 | 3.04 |
| Noninterest-bearing demand deposits | 1,769,917 | | 1,851,588 | |
| Other liabilities | 80,368 | | 52,041 | |
| Shareholders equity | 867,063 | | 838,483 | |
| Total liabilities and shareholders equity | \$ 7,971,843 | | \$ 7,528,545 | |
| Net interest spread | | 2.50% | | 2.49% |
| Net interest margin | | 3.41 | | 3.36 |

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. Interest-free funds (total earning assets less interest-bearing liabilities) decreased \$72.2 million for the three-month period ended September 30, 2007 as compared to the same period in 2006 and decreased \$86.9 million for the nine-month period ended September 30, 2007 as compared to the same period in 2006. The benefit from interest-free funds decreased by 3 basis points from the three months ended September 30, 2006 and increased 4 basis points from the nine months ended September 30, 2006.

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 | | | Nine Months Ended | | |
|---|-----------------------------|----------|----------|-----------------------------|------------|-----------|
| | September 30, 2007 vs. 2006 | | | September 30, 2007 vs. 2006 | | |
| | Volume | Rate | Total | Volume | Rate | Total |
| Change in interest earned on: | | | | | | |
| Loans | \$ 5,019 | \$ 1,796 | \$ 6,815 | \$ 20,064 | \$ 10,390 | \$ 30,454 |
| Securities: | | | | | | |
| Taxable | 217 | 2,030 | 2,247 | (1,128) | 10,391 | 9,263 |
| Tax-exempt | 371 | 255 | 626 | 961 | 293 | 1,254 |
| Federal funds sold and resell agreements | (532) | (167) | (699) | (655) | 1,161 | 506 |
| Trading securities and other | 92 | (110) | (18) | 55 | (260) | (205) |
| Interest income | 5,167 | 3,804 | 8,971 | 19,297 | 21,975 | 41,272 |
| Change in interest incurred on: | | | | | | |
| Interest-bearing deposits | 2,563 | 2,907 | 5,470 | 6,237 | 13,421 | 19,658 |
| Federal funds purchased and repurchase agreements | 801 | (597) | 204 | 7,188 | 3,113 | 10,301 |
| Other borrowed funds | 46 | 72 | 118 | (49) | 120 | 71 |
| Interest expense | 3,410 | 2,382 | 5,792 | 6,188 | 23,842 | 30,030 |
| Net interest income | \$ 1,757 | \$ 1,422 | \$ 3,179 | \$ 13,109 | \$ (1,867) | \$ 11,242 |

ANALYSIS OF NET INTEREST MARGIN

| | Three Months Ended | | | Nine Months Ended | | |
|---|--------------------|--------------|-------------|-------------------|--------------|-------------|
| | September 30, | | | September 30, | | |
| | 2007 | 2006 | Change | 2007 | 2006 | Change |
| Average earning assets | \$ 6,981,662 | \$ 6,659,527 | \$ 322,135 | \$ 7,087,940 | \$ 6,706,785 | \$ 381,155 |
| Interest-bearing liabilities | 5,157,332 | 4,762,964 | 394,368 | 5,254,495 | 4,786,433 | 468,062 |
| Interest-free funds | \$ 1,824,330 | \$ 1,896,563 | \$ (72,233) | \$ 1,833,445 | \$ 1,920,352 | \$ (86,907) |
| Free funds ratio (free funds to earning assets) | 26.13% | 28.48% | (2.35)% | 25.87% | 28.63% | (2.76)% |
| Tax-equivalent yield on earning assets | 6.07% | 5.80% | 0.27% | 6.03% | 5.53% | 0.50% |
| Cost of interest-bearing liabilities | 3.51 | 3.32 | 0.19 | 3.53 | 3.04 | 0.49 |
| Net interest spread | 2.56% | 2.48% | 0.08% | 2.50% | 2.49% | 0.01% |
| Benefit of interest-free funds | 0.92 | 0.95 | (0.03) | 0.91 | 0.87 | 0.04 |
| Net interest margin | 3.48% | 3.43% | 0.05% | 3.41% | 3.36% | 0.05% |

Provision and Allowance for Loan Losses

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.

Based on the factors above, management of the Company expensed \$2.8 and \$6.3 million related to the provision for loan losses for the three and nine-month periods ended September 30, 2007, as compared to \$1.5 and \$7.7 million for the same periods in 2006. As illustrated on Table 3 below, the ALL increased to 1.17 percent of total loans as of September 30, 2007 compared to 1.15 percent of total loans as of September 30, 2006.

Table 3 presents a summary of the Company's ALL for the nine months ended September 30, 2007 and 2006 and for the year ended December 31, 2006. Net charge-offs were \$2.3 million lower for the first nine months of 2007 as compared to the same period in 2006 due primarily to one large commercial charge-off in 2006. 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 (in thousands)

| | Nine Months Ended | | Year Ended |
|---|-------------------|--------------|--------------|
| | September 30, | | December 31, |
| | 2007 | 2006 | 2006 |
| Allowance-January 1 | \$ 44,926 | \$ 40,825 | \$ 40,825 |
| Provision for loan losses | 6,333 | 7,734 | 8,734 |
| Allowance of banks and loans acquired | | 2,359 | 2,359 |
| Charge-offs: | | | |
| Commercial | (926) | (4,970) | (5,861) |
| Consumer: | | | |
| Bankcard | (4,287) | (3,194) | (4,522) |
| Other | (2,816) | (1,782) | (2,554) |
| Real estate | (28) | | |
| Total charge-offs | (8,057) | (9,946) | (12,937) |
| Recoveries: | | | |
| Commercial | 660 | 586 | 3,494 |
| Consumer: | | | |
| Bankcard | 819 | 813 | 1,073 |
| Other | 1,492 | 1,166 | 1,376 |
| Real estate | 1 | 1 | 2 |
| Total recoveries | 2,972 | 2,566 | 5,945 |
| Net charge-offs | (5,085) | (7,380) | (6,992) |
| Allowance-end of period | 46,174 | 43,538 | 44,926 |
| Average loans, net of unearned interest | \$ 3,883,250 | \$ 3,494,828 | \$ 3,562,038 |

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| | | | |
|--|-----------|-----------|-----------|
| Loans at end of period, net of unearned interest | 3,953,804 | 3,797,999 | 3,753,445 |
| Allowance to loans at end of period | 1.17% | 1.15% | 1.20% |
| Allowance as a multiple of net charge-offs | 6.79x | 4.41x | 6.43x |
| Net charge-offs to: | | | |
| Provision for loan losses | 80.29% | 95.41% | 63.03% |
| Average loans | 0.18 | 0.28 | 0.20 |

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's ongoing focus is to continue to develop and offer multiple products and services to its customers. 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 (in thousands)

| | Three Months Ended September 30, | | | |
|---|----------------------------------|------------------|------------------|---------------|
| | | | Dollar | Percent |
| | | | Change | Change |
| | 2007 | 2006 | 07-06 | 07-06 |
| Trust and securities processing | \$ 28,889 | \$ 25,038 | \$ 3,851 | 15.38% |
| Trading and investment banking | 4,353 | 4,757 | (404) | (8.49) |
| Service charges on deposits | 20,361 | 18,581 | 1,780 | 9.58 |
| Insurance fees and commissions | 913 | 1,056 | (143) | (13.54) |
| Brokerage fees | 1,959 | 1,508 | 451 | 29.91 |
| Bankcard fees | 10,135 | 9,945 | 190 | 1.91 |
| Gains on sale of other assets | 96 | (188) | 284 | (151.06) |
| Gain on sale of securities transfer, net | 6,490 | | 6,490 | 100.00 |
| Gains (losses) on sales of securities available for sale, net | 1 | 37 | (36) | (97.30) |
| Other | 3,700 | 3,669 | 31 | 0.84 |
| Total noninterest income | \$ 76,897 | \$ 64,403 | \$ 12,494 | 19.40% |

| | Nine Months Ended September 30, | | | |
|--|---------------------------------|-------------------|------------------|---------------|
| | | | Dollar | Percent |
| | | | Change | Change |
| | 2007 | 2006 | 07-06 | 07-06 |
| Trust and securities processing | \$ 85,131 | \$ 72,698 | \$ 12,433 | 17.10% |
| Trading and investment banking | 14,747 | 13,437 | 1,310 | 9.75 |
| Service charges on deposits | 59,936 | 55,191 | 4,745 | 8.60 |
| Insurance fees and commissions | 2,544 | 3,149 | (605) | (19.21) |
| Brokerage fees | 6,024 | 4,626 | 1,398 | 30.22 |
| Bankcard fees | 29,431 | 28,750 | 681 | 2.37 |
| Gains on sale of other assets | 87 | 408 | (321) | (78.68) |
| Gain on sale of securities transfer | 6,490 | | 6,490 | 100.00 |
| Gains on sales of securities available for sale, net | 3 | 120 | (117) | (97.50) |
| Other | 11,519 | 11,553 | (34) | (0.29) |
| Total noninterest income | \$ 215,912 | \$ 189,932 | \$ 25,980 | 13.68% |

Quarter-To-Date

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Fee-based, or noninterest income (summarized in Table 4), increased by \$12.5 million, or 19.4 percent, during the three months ended September 30, 2007, as compared to the same period in 2006. 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 as compared to the same period last year was primarily attributable to \$1.6 million in fee income related to the UMB Scout Funds and \$1.5 million in fund administration and distribution services. Assets inside the UMB Scout Funds grew from approximately \$4.7 billion at September 30, 2006 to \$5.7 billion at 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 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 primarily due to a \$1.8 million increase in individual overdraft and return item charges for the three months ended September 30, 2007 as compared to the same period in 2006. The increase in service charge income is a result of an increase in overdraft and return item activity and an increase in price which occurred in the first quarter of 2007.

During the quarter, the Company recognized a net gain of \$6.5 million on the sale of the securities transfer product. The Company made a strategic decision to sell this product because of the consolidation in this industry and the large technology investments required to stay competitive.

Year-To-Date

Noninterest income (summarized in Table 4) increased \$26.0 million, or 13.7 percent, during the nine months ended September 30, 2007, as compared to the same period in 2006. The majority of the increase in 2007 is attributable to increases in trust and securities processing fees, service charges on deposits, and the net gain on the sale of the securities transfer product.

Trust and securities processing fees increased \$12.4 million, or 17.1 percent, for the nine months ended September 30, 2007, as compared to the same period in 2006. The increase is primarily a result of a \$4.1 million increase in fund administration and processing fees, a \$1.2 million increase in corporate trust income, and \$4.9 million in additional fee income related to the UMB Scout Funds.

Service charges on deposit accounts increased by \$4.7 million, or 8.6 percent, for the nine-months ended September 30, 2007, as compared to the same period in 2006. The increase in service charge income is a result of an increase in overdraft and return item activity and price during 2007.

Noninterest Expense

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

Table 5

SUMMARY OF NONINTEREST EXPENSE (in thousands)

| | Three Months Ended September 30, | | | |
|------------------------------------|----------------------------------|------------------|-----------------|-----------------|
| | | | Dollar | Percent |
| | 2007 | 2006 | Change 07-06 | Change 07-06 |
| Salaries and employee benefits | \$ 51,439 | \$ 48,894 | \$ 2,545 | 5.21% |
| Occupancy, net | 7,667 | 6,932 | 735 | 10.60 |
| Equipment | 13,385 | 12,623 | 762 | 6.04 |
| Supplies and services | 5,814 | 5,514 | 300 | 5.44 |
| Marketing and business development | 3,880 | 4,001 | (121) | (3.02) |
| Processing fees | 7,491 | 7,137 | 354 | 4.96 |
| Legal and consulting | 2,329 | 2,080 | 249 | 11.97 |
| Bankcard | 2,648 | 3,410 | (762) | (22.35) |
| Amortization of intangibles | 754 | 365 | 389 | 106.58 |
| Other | 5,992 | 5,309 | 683 | 12.86 |
| Total noninterest expense | \$ 101,399 | \$ 96,265 | \$ 5,134 | 5.33% |

| | Nine Months Ended September 30, | | | |
|------------------------------------|---------------------------------|-------------------|------------------|-----------------|
| | | | Dollar | Percent |
| | 2007 | 2006 | Change 07-06 | Change 07-06 |
| Salaries and employee benefits | \$ 152,538 | \$ 143,928 | \$ 8,610 | 5.98% |
| Occupancy, net | 22,421 | 20,288 | 2,133 | 10.51 |
| Equipment | 39,810 | 36,086 | 3,724 | 10.32 |
| Supplies and services | 17,327 | 16,988 | 339 | 2.00 |
| Marketing and business development | 11,574 | 11,645 | (71) | (0.61) |
| Processing fees | 21,268 | 20,692 | 576 | 2.78 |
| Legal and consulting | 5,795 | 5,736 | 59 | 1.03 |
| Bankcard | 8,084 | 10,220 | (2,136) | (20.90) |
| Amortization of intangibles | 2,222 | 868 | 1,354 | 155.99 |
| Other | 16,107 | 16,238 | (131) | (0.81) |
| Total noninterest expense | \$ 297,146 | \$ 282,689 | \$ 14,457 | 5.11% |

Quarter-To-Date

Noninterest expense increased by \$5.1 million, or 5.3 percent, for the three months ended September 30, 2007, as compared to the same period in 2006. 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 \$2.5 million, or 5.2 percent, for the three months ended September 30, 2007, as compared to the same period in 2006. This increase is primarily due to a 2.7 percent increase in regular salaries and wages due to base salary increases and the hiring of strategic sales personnel throughout the organization. There was also a \$0.3 million increase in equity based compensation, \$0.5 million increase in commissions and bonuses, and a \$0.2 million increase in employee benefit costs.

Year-To-Date

Noninterest expense (summarized in Table 5) increased \$14.5 million, or 5.1 percent, for the nine months ended September 30, 2007, as compared to the same period in 2006. The increase was due primarily to increases in salary and employee benefits, occupancy, and equipment expense. These increases were partially offset by a decrease in bankcard expense.

Salaries and employee benefits increased by \$8.6 million, or 6.0 percent, for the nine months ended September 30, 2007, as compared to the same period in 2006. This increase is primarily due to a \$1.4 million increase in commissions and bonus expense, a \$1.2 million increase in equity-based compensation expense, and a \$1.1 million increase in employee benefits. Further, regular salaries and wages increased by 3.7 percent over the prior year due to regular salary increases and the hiring of strategic sales personnel throughout the organization. The increase in commissions and bonuses relates primarily to higher sales volume. The increase in equity-based compensation is due to an additional year of restricted stock and stock option grants under the long-term incentive plan initiated in 2005. The Company now has compensation expense for three years of grants in 2007 compared to 2 years of grants for the same period in 2006. Employee benefits are up primarily due to increases in health insurance and retirement plan costs.

Occupancy expense increased \$2.1 million, or 10.5 percent, for the nine months ended September 30, 2007, as compared to the same period in 2006. Occupancy expense is reported net of rental income. The cause for the increase in overall occupancy expense is mostly due to a decrease in rental income, as well as increases in depreciation and maintenance of existing facilities.

Equipment expense increased by \$3.7 million, or 10.3 percent, for the nine months ended September 30, 2007, as compared to the same period in 2006. This increase is primarily attributable to a \$1.1 million increase in depreciation and amortization on equipment and software, and a \$2.4 million increase in maintenance related to equipment and software. These increases are primarily a result of large core software projects placed in service during 2006.

Income Tax Expense

The effective tax rate is 30.1 percent for the nine months ended September 30, 2007, as compared to 26.8 percent for the same period in 2006. The increase in effective tax rate is primarily attributable to tax-exempt income representing a smaller percentage of total income in 2007 as compared to 2006. Management anticipates this tax rate to remain approximately at this level for the remainder of the year.

Strategic Lines of Business

The Company's operations are strategically aligned into six major segments: Commercial Banking and Lending, Payment and Technology Solutions (formerly Corporate Services), Banking Services, Consumer Services, Asset Management, and 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 per individual business segment. 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 June 30, 2007 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 (dollars in thousands)

| Segment | Three Months | | Nine Months | |
|-----------------------------------|--------------------------|------------------|--------------------------|------------------|
| | Ended September 30, 2007 | 2006 | Ended September 30, 2007 | 2006 |
| Commercial Banking & Lending | \$ 6,068 | \$ 6,807 | \$ 18,777 | \$ 16,983 |
| Payment and Technology Solutions | 15,459 | 8,424 | 33,411 | 23,455 |
| Banking Services | (326) | 307 | (899) | (727) |
| Consumer Services | (169) | 1,044 | 1,630 | 1,694 |
| Asset Management | 5,934 | 3,511 | 19,884 | 12,123 |
| Investment Services Group | 3,684 | 1,944 | 10,685 | 7,754 |
| Treasury and Other Adjustments | 22 | (571) | 770 | (1,190) |
| Total Consolidated Company | \$ 30,672 | \$ 21,466 | \$ 84,258 | \$ 60,092 |

Commercial Banking and Lending's net income before income taxes increased by \$1.8 million, or 10.6 percent, for the nine months ended September 30, 2007, as compared to the same period in 2006. Net interest income increased by \$1.7 million, or 3.6 percent, compared to 2006, due primarily to loan growth and rate increases. Noninterest expense increased by \$2.7 million, or 13.9 percent, from the nine months ended September 30, 2006. The increase is mostly attributable to increases in salary expense and to allocated technology costs associated with a customer relationship management system that aids in sales management, the identification of cross sale opportunities, and overall knowledge of a client's banking relationship. Provision for loan losses decreased \$2.5 million, or 47.1 percent, during 2007 compared to the same period in 2006. Management believes that the ALL reserve is adequately funded for the current loan portfolio mix. Management anticipates continued competition for commercial loans in 2007 and, therefore, expects income growth in this segment to be at a measured pace for the remainder of the year.

Payment and Technology Solutions' net income before income taxes increased \$10.0 million, or 42.5 percent, in the first nine months of 2007 compared to the same period in 2006. Net interest income increased by \$2.8 million or 6.9 percent, as compared to 2006. This increase is attributable to growth of deposits in this segment and the impact of higher fund transfer pricing rates on these deposits. Noninterest income increased by \$7.0 million or 18.2 percent for the three quarter period in 2007, as compared to the same period in 2006. This increase is primarily due to the sale of the securities transfer product for a net gain of \$6.5 million. Noninterest expense decreased slightly by \$0.2 million or 0.3 percent for the nine months ended September 30, 2007, as compared to the same period in 2006. Challenges for this segment arise from competitive pressures, as well as the technological challenges due to the movement from paper to electronic processing. In a downward interest rate environment, deposit service charge income is enhanced by decreased earnings credits on compensating balances, which could help this line of business in the coming months.

Banking Services maintained a minimal net loss before income taxes of \$0.9 and \$0.7 million for the nine months ended September 30, 2007 and 2006, respectively. Noninterest expense decreased by \$0.6 million related to item processing costs associated with deposit accounts in this segment. A slight decrease in net interest income and noninterest income was offset by the decrease in noninterest expense compared to 2006. Banking trends have reduced the volume of security purchases by banking customers in this segment, reducing trading income. The economic conditions have also caused lower correspondent deposit balances. This has put downward pressure on service charge income. This economic environment also makes it difficult to increase both deposit service charge and trading income in this segment for the remainder of 2007.

Consumer Services' net income before income taxes decreased by \$0.1 million for the first nine months of 2007 as compared to 2006. Net interest income increased by \$4.3 million, or 6.2 percent, as compared to the first nine months of 2006 due primarily to the impact of higher funds transfer rates. The funds transfer pricing was affected by a decrease in loans, primarily indirect loans, and a slight increase in deposits. Noninterest income increased by \$3.2 million, primarily due to increases in individual return item and overdraft activity. Noninterest expense increased by \$6.4 million, or 5.8 percent, as compared to 2006. This is attributable to increased salaries and

bonuses to associates, telephone data line expenses, and increased allocations of corporate technology costs. Management expects these allocated costs to remain stable or increase as new investments are made in technology to remain competitive in the marketplace. Management anticipates continued growth in service fee income in 2007, but at a more measured pace than the previous three quarters of 2007. This segment will be impacted by the decision to run-off the indirect loan portfolio. See Loans under Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations in this report for additional discussion about indirect loans. The challenge for the remainder of 2007 is Consumer Services' ability to grow deposits and higher yielding consumer loans in the current economic environment.

Asset Management's net income before income taxes increased by \$7.8 million, or 64.0 percent, for the first nine months of 2007 as compared to the same period in 2006. This increase is primarily attributable to an increase in noninterest income of \$9.4 million, or 15.7 percent, as compared to 2006. This increase was primarily due to increased fees from the UMB Scout Funds, corporate trust income, and personal trust and brokerage services fees. Increases in noninterest expense of \$6.2 million offset the lift in noninterest income. This increase is attributable to increases in salaries and benefits due primarily to base salary and commission increases, as well as the addition of strategic sales associates to the segment. Expenses associated with distribution of the UMB Scout Funds have increased as well, as these fees are based on asset values. While the net flows to UMB Scout Funds are approximately a negative \$18.0 million for the first nine months of 2007, net flows are approximately a positive \$37.0 million during the third quarter of 2007. Management will continue to focus sales efforts toward the funds to increase flows. Management believes flows will continue to increase through the remainder of the year. The ability of the Company to maintain or grow the fee income from this segment is also 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.

Investment Services Group's net income before income taxes increased \$2.9 million, or 37.8 percent, in the first nine months of 2007 compared to the same period in 2006. Net interest income decreased by \$1.5 million in 2007, as compared to 2006, as a result of shifts of deposits to higher earning instruments. Noninterest income increased by \$4.2 million, or 13.5 percent, for the first nine months of 2007 as compared to the same period in 2006. This increase is mostly due to growth in the mutual fund and alternative services client base, as well as an increase in overall net assets of the clients of this segment. Noninterest expense decreased by \$0.2 million, or 0.8 percent, for the nine months ended September 30, 2007, as compared to 2006, mostly due to lower corporate service allocations to the segment offset by increased processing fees due to increased customer volume and system enhancements.

The net income before tax for the Treasury and Other category was \$0.8 million for the first nine months of 2007, compared to a net loss before tax of \$1.2 million for the same period in 2006.

Balance Sheet Analysis

Total assets of the Company declined \$897.7 million, or 10.1 percent, as of September 30, 2007 compared to December 31, 2006 and increased \$347.3 million, or 4.5 percent, compared to September 30, 2006. The decrease in total assets from December to September is primarily a result of the cyclical trend due to the pledging and collateral required related to seasonal public fund deposits. This trend caused a \$577.9 million decrease in short-term agency securities and a \$341.0 million decrease in federal funds sold. These decreases were offset by a \$200.4 million, or 5.3 percent, increase in total loans from December 31, 2006 to September 30, 2007.

Total deposits and federal funds purchased and securities sold under agreement to repurchase also declined from December 31, 2006 to September 30, 2007. Deposits declined by \$387.9 million, or 6.2 percent, from December to September and federal funds purchased and securities sold under agreement to repurchase decreased by \$560.4 million, or 34.6 percent, from December to September. This decline in deposits and securities sold under agreement to repurchase is primarily driven by the cyclical trend due to seasonal public fund tax deposits, because such tax deposits are generally higher around the end of the calendar year.

Table 7

SELECTED BALANCE SHEET INFORMATION (in thousands)

| | September 30, | | December 31, |
|---------------------------------|---------------|--------------|--------------|
| | 2007 | 2006 | 2006 |
| Total assets | \$ 8,020,060 | \$ 7,672,757 | \$ 8,917,765 |
| Loans, net of unearned interest | 3,953,804 | 3,815,657 | 3,753,445 |
| Total investment securities | 2,830,354 | 2,751,735 | 3,363,453 |
| Total deposits | 5,921,044 | 5,535,926 | 6,308,964 |
| Total borrowed funds | 1,113,746 | 1,208,119 | 1,676,846 |

Loans

Total loan balances have increased \$200.4 million, or 5.3 percent, compared to December 31, 2006. This increase is primarily a result of a 15.1 percent increase in commercial loans and a 9.2 percent increase in real estate loans offset by a 12.1 percent decrease in consumer loans, primarily related to the run-off of the indirect consumer loan portfolio. During the third quarter, the Company made the decision to allow the indirect loan portfolio to run-off. This is part of a strategy to enhance asset yields. The Company will continue to service existing loans until maturity or payoff. The indirect portfolio had a balance of \$606.0 million and an average life of 3.4 years as of September 30, 2007. 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 the quantitative and qualitative disclosure about market risk in Item 3 of 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 comprised 40.1 percent and 42.4 percent, respectively, of the earning assets as of September 30, 2007 and December 31, 2006. The decline is primarily a result of the seasonality within the Company's balance sheet. At year end, there is an increase in public fund deposits and repurchase agreements as governmental units receive tax dollars. These seasonal deposits run off over the first half of the year. The Company generally offsets these short-term public fund deposits with short-term investments such as discount agency notes. This increases the percent of earning assets related to securities at year-end as compared to the end of the third quarter. Loan demand and collateral pledging requirements for public fund deposits are expected to be the primary factors impacting changes in the level of security holdings.

Investment securities had an average tax-equivalent yield of 4.82 percent for the first nine months of 2007 as compared to 4.28 percent for the same period in 2006, or an increase of 54 basis points. The average life of the securities portfolio was 35.5 months at September 30, 2007 as compared to 28.9 months at December 31, 2006. The most significant reason for the increase in average life was the large number of extremely short-term discount notes held at December 31, 2006. These short-term securities are held due to the seasonal fluctuation related to public fund deposits, which are expected to flow out of the bank in a relatively short period. At December 31, 2006, the

amount of such discount notes was approximately \$608 million, and without these discount notes, the average life of the core investment portfolio would have been 35.3 months. At September 30, 2007, the amount of such discount notes was approximately \$2.6 million and without these discount notes, the average life of the core investment portfolio would have been 36.7 months.

Deposits and Borrowed Funds

Deposits decreased \$387.9 million, or 6.2 percent, from December 31, 2006 to September 30, 2007. Noninterest-bearing deposits decreased \$537.7 million, or 23.5 percent, offset by an increase in interest-bearing deposits of \$209.4 million, or 7.9 percent, from December 31, 2006. Noninterest bearing deposits decreased primarily from commercial deposits. Interest-bearing deposits increased primarily as a result of increases in deposits from mutual fund and public fund customers. This offset the normal seasonal public fund deposit decrease which occurs during the first half of the year. At September 30, 2007, total deposits were \$5.9 billion, or 7.0 percent, higher than the balance as of September 30, 2006.

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 composition is one of the Company's core competencies given its competitive product mix.

Borrowed funds decreased \$563.1 million from December 31, 2006. 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 \$1.1 billion at September 30, 2007, compared to \$1.6 billion at December 31, 2006. 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 \$884.3 million at September 30, 2007, compared to \$848.9 million at December 31, 2006. The Company's Board of Directors authorized, at its April 24, 2007 and its April 25, 2006 meetings, the repurchase of the Company's common stock up to two million shares during the twelve months following the meetings. During the nine months ended September 30, 2007 and 2006, the Company acquired 651,291 shares and 418,847 shares, respectively, of its common stock. The Company has not made any purchases other than through these plans.

On October 23, 2007, the Board of Directors also declared a dividend of \$0.15 per share. This is a \$0.01 per share increase over the dividend paid in the second quarter of 2007. The dividend will be paid on January 2, 2008 to shareholders of record on December 11, 2007.

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 14.27 percent and total capital ratio of 15.14 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 | Nine Months Ended | | Three Months Ended | |
|---------------------------------|-------------------|-------|--------------------|-------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Return on average assets | 0.99% | 0.78% | 1.09% | 0.84% |
| Return on average equity | 9.08 | 7.01 | 9.70 | 7.44 |
| Average equity to assets | 10.88 | 11.14 | 11.23 | 11.35 |
| Tier 1 risk-based capital ratio | 14.27 | 14.38 | 14.27 | 14.38 |
| Total risk-based capital ratio | 15.14 | 15.22 | 15.14 | 15.22 |
| Leverage ratio | 10.01 | 10.30 | 10.01 | 10.30 |

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

| Per Share Data | Nine Months Ended | | Three Months Ended | |
|-----------------------|-------------------|----------|--------------------|----------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Earnings basic | \$ 1.41 | \$ 1.03 | \$ 0.52 | \$ 0.37 |
| Earnings diluted | 1.40 | 1.03 | 0.51 | 0.37 |
| Cash dividends | 0.42 | 0.39 | 0.14 | 0.13 |
| Dividend payout ratio | 29.79% | 37.86% | 26.92% | 35.14% |
| Book value | \$ 21.18 | \$ 20.03 | \$ 21.18 | \$ 20.03 |

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. There was no material change from December 31, 2006.

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 are listed in the **Management's Discussion and Analysis of Financial Condition and Results of Operations** section of the Company's 2006 Annual Report Form 10-K for the fiscal year ended December 31, 2006.

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 a financial instrument. 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 (e.g. ramp) 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, 2007 and 2006 based on hypothetical changes in interest rates.

Table 9

MARKET RISK (dollars in thousands)

| Hypothetical change in interest rate (Rates in Basis Points) | September 30, 2007 | September 30, 2006 |
|---|---------------------|---------------------|
| | Amount of change | Amount of change |
| 200 | \$ (1,146) | \$ (1,153) |
| 100 | (573) | (577) |
| Static | | |
| (100) | 219 | 1,410 |
| (200) | 437 | 2,820 |

The Company is slightly liability sensitive at September 30, 2007 to increases or decreases in rates. A decrease in interest rates will have a small positive impact on net interest income. Conversely, increases in rates will have small decreases in net interest income. The Company's average life of the investment portfolio has gradually lengthened and the Company's loan portfolio has grown with a slightly higher percentage of total loans being fixed rate. These scenarios cause interest income from these assets to be less sensitive to rate changes because they reprice less frequently. The Company also has a greater percentage of interest expense from overnight liabilities and shorter rate sensitivity from deposits which contribute to interest expense from liabilities to reprice more frequently and be more sensitive to rate changes than assets. The Company is positioned to have a favorable net interest income impact in a falling rate environment and have an adverse net interest income impact in a rising rate environment.

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.

Management attempts to structure the balance sheet to provide for the repricing of approximately equal amounts of assets and liabilities within specific time intervals. The Company is in a positive gap position because assets maturing or repricing exceed liabilities.

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 the carrying of trading securities is offset by the sale of exchange traded financial futures contracts, with both the trading account and futures contracts marked to market daily. This account had a balance of \$60.7 million as of September 30, 2007 compared to \$64.5 million as of December 31, 2006.

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, 2007 and December 31, 2006.

Other Market Risk

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

Credit Risk Management

Credit risk represents the risk that a customer or counterparty 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 decreased \$0.9 million at September 30, 2007, as compared to December 31, 2006.

The Company had \$1.2 million of other real estate owned as of September 30, 2007 compared to \$0.3 million as of December 31, 2006. Loans past due more than 90 days totaled \$1.9 million as of September 30, 2007, compared to \$4.0 million as of December 31, 2006.

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 \$145,000 of restructured loans at September 30, 2007 and \$24,000 at December 31, 2006.

TABLE 10

LOAN QUALITY (dollars in thousands)

| | September 30, | December 31, |
|---|-----------------|-----------------|
| | 2007 | 2006 |
| Nonaccrual loans | \$ 5,564 | \$ 6,539 |
| Restructured loans | 145 | 24 |
| Total nonperforming loans | 5,709 | 6,563 |
| Other real estate owned | 1,230 | 317 |
| Total nonperforming assets | \$ 6,939 | \$ 6,880 |
| Loans past due 90 days or more | \$ 1,946 | \$ 4,034 |
| Allowance for Loan Losses | \$ 46,174 | \$ 44,926 |
| Ratios | | |
| Nonperforming loans as a percent of loans | 0.14% | 0.17% |
| Nonperforming assets as a percent of loans plus other real estate owned | 0.18% | 0.18% |
| Nonperforming assets as a percent of total assets | 0.09% | 0.08% |
| Loans past due 90 days or more as a percent of loans | 0.05% | 0.11% |
| Allowance for loan losses as a percent of loans | 1.17% | 1.20% |
| Allowance for loan losses as a multiple of nonperforming loans | 8.09x | 6.85x |

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 \$2.8 billion of high-quality investment securities. Investment securities with a market value of \$2.5 billion at September 31, 2007 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 is confident in its ability to 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, 2007 was \$2.6 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. All such requests have been approved.

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 or interruptions in transaction processing and systems; natural acts, 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 and securities laws, including 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 transactions. In the event of a breakdown in the internal control systems, improper or interrupted system operations 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 risk and are 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. Furthermore, management believes the plans to streamline the organization through further systems integration and policies enacted to push down reporting accountabilities further in the organization have improved the Company's ability to identify and limit operational risk.

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.

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, 2006.

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, 2007.

ISSUER PURCHASE OF EQUITY SECURITIES

| Period | Total Number of Shares (or Units) Purchased | Average Price Paid per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|--------------------------------|---|--|--|---|
| | | | | |
| July 1-July 31, 2007 | 6,516 | \$ 38.26 | 6,516 | 1,969,172 |
| August 1-August 31, 2007 | 354,480 | 39.70 | 354,480 | 1,614,692 |
| September 1-September 30, 2007 | 3,710 | 43.22 | 3,710 | 1,610,982 |

On April 24, 2007 the Company announced a plan to repurchase up to two million shares of common stock. This plan will terminate on April 24, 2008. The Company has not made any repurchases other than through this plan. All open market share purchases under the share repurchase plans are intended to be within the scope of Rule 10b-18 promulgated under the Securities Exchange Act of 1934. 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.

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 July 24, 2007 incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 and filed with the Commission on August 8, 2007.
- 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.

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 8, 2007