

UMB FINANCIAL CORP
Form 10-K
February 26, 2009
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2008

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 0-4887

UMB FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Missouri **43-0903811**
(State or other jurisdiction of **(I.R.S. Employer**
incorporation or organization) **Identification No.)**
1010 Grand Boulevard, Kansas City, Missouri **64106**
(Address of principal executive offices) **(ZIP Code)**
(Registrant's telephone number, including area code): **(816) 860-7000**

Securities Registered Pursuant to Section 12(b) of the Act:

| | |
|---------------------------------------|---|
| Title of each class | Name of each exchange on which registered |
| Common Stock, \$1.00 Par Value | The NASDAQ Global Select Market |

Securities Registered Pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

As of June 30, 2008, the aggregate market value of common stock outstanding held by nonaffiliates of the registrant was approximately \$1,668,179,732 based on the NASDAQ closing price of that date.

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

| Class | Outstanding at February 18, 2009 |
|--------------------------------|----------------------------------|
| Common Stock, \$1.00 Par Value | 41,032,147 |

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on April 21, 2009, are incorporated by reference into Part III of this Form 10K.

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PART I

ITEM 1. BUSINESS

General

UMB Financial Corporation (the Company) was organized as a corporation in 1967 under Missouri law for the purpose of becoming a bank holding company registered under the Bank Holding Company Act of 1956 (BHCA). In 2001, the Company elected to become a financial holding company under the Gramm-Leach-Bliley Act of 1999 (GLB Act). The Company owns all of the outstanding stock of four commercial banks, a brokerage company, a community development corporation, a mutual fund servicing company and thirteen other subsidiaries.

The four commercial banks are engaged in general commercial banking business. The principal location of each bank is in Missouri, Colorado, Kansas, and Arizona, respectively. The principal subsidiary bank, UMB Bank, n.a., whose principal office is in Missouri, also has branches in Illinois, Kansas, Nebraska and Oklahoma. The banks offer a full range of banking services to commercial, retail, government and correspondent bank customers. In addition to standard banking functions, the principal subsidiary bank, UMB Bank, n.a., provides international banking services, investment and cash management services, data processing services for correspondent banks and a full range of trust activities for individuals, estates, business corporations, governmental bodies and public authorities.

The table below sets forth the names and locations of the Company's affiliate banks, as well as their respective number of locations, total assets, loans, total deposits and shareholders' equity as of December 31, 2008.

Table of Contents**SELECTED FINANCIAL DATA OF AFFILIATE BANKS (in thousands)**

| | December 31, 2008 | | | | |
|---------------------------------------|------------------------|--------------|--------------|-------------------|------------------------|
| | Number of Locations | Total Assets | Loans | Total Deposits | Shareholders Equity |
| Missouri | | | | | |
| UMB Bank, n.a. | 116 | \$ 9,254,246 | \$ 3,582,029 | \$ 6,668,392 | \$ 626,165 |
| Colorado | | | | | |
| UMB Bank Colorado, n.a. | 14 | \$ 932,221 | \$ 527,440 | \$ 733,028 | \$ 155,176 |
| Kansas | | | | | |
| UMB National Bank of America, n.a. | 5 | \$ 835,909 | \$ 221,695 | \$ 372,135 | \$ 78,763 |
| Arizona | | | | | |
| UMB Bank Arizona, n.a. | 2 | \$ 78,266 | \$ 75,008 | \$ 23,817 | \$ 8,682 |
| Other Subsidiaries | | | | | |
| UMB Community Development Corporation | | | | | |
| UMB Banc Leasing Corp. | | | | | |
| UMB Financial Services, Inc. | | | | | |
| UMB Scout Insurance Services, Inc. | | | | | |
| UMB Capital Corporation | | | | | |
| United Missouri Insurance Company | | | | | |
| UMB Trust Company of South Dakota | | | | | |
| Scout Investment Advisors, Inc. | | | | | |
| UMB Fund Services, Inc. | | | | | |
| UMB Bank and Trust, n.a. | | | | | |
| Kansas City Realty Company | | | | | |
| Kansas City Financial Corporation | | | | | |
| UMB Redevelopment Corporation | | | | | |
| UMB Realty Company, LLC | | | | | |
| Grand Distribution Services, LLC | | | | | |
| UMB Distribution Services, LLC | | | | | |

UMB Fund Services, Inc. located in Milwaukee, Wisconsin and Media, Pennsylvania, provides services to 37 mutual fund groups representing 122 funds and administrative and support services for a growing number of alternative investment products.

On a full-time equivalent basis at December 31, 2008, the Company and its subsidiaries employed 3,274 persons.

Segment Information. Financial information regarding the Company's six segments is included in Note 13 to the Consolidated Financial Statements provided in Item 8, pages 73 through 76 of this report.

Competition. The Company faces intense competition from hundreds of financial service providers in the markets served. The Company competes with other traditional and non-traditional financial service providers including banks, thrifts, finance companies, mutual funds, mortgage banking companies, brokerage companies, insurance companies, and credit unions. Customers for banking services and other financial services offered by the Company are generally influenced by convenience of location, quality of service, personal contact, price of services and availability of products. The impact from competition is critical not only to pricing, but also to transaction execution, products and services offered, innovation and reputation. Within the Kansas City banking market, the Company ranks third based on the amount of deposits at June 30, 2008, the most recent date for which deposit information is available from the Federal Deposit Insurance Corporation (FDIC). At June 30, 2008, the Company had 8.5 percent of the deposits in its primary market, the Kansas City metropolitan area, compared to 7.5 percent at June 30, 2007.

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Monetary Policy and Economic Conditions. The Company's business and earnings are affected significantly by the fiscal and monetary policies of the federal government and its agencies. It is particularly affected by the policies of the Board of Governors of the Federal Reserve System (the Federal Reserve Board or FRB), which regulates the supply of money and credit in the United States. Among the instruments of monetary policy available to the FRB are: conducting open market operations in United States government securities; changing the discount rates of borrowings of depository institutions; imposing or changing reserve requirements against depository institutions' deposits; and imposing or changing reserve requirements against certain borrowings by banks and their affiliates. These methods are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. The policies of the FRB have a material effect on the Company's business, results of operations and financial condition.

Supervision and Regulation. As a bank holding company and a financial holding company, the Company (and its subsidiaries) is subject to extensive regulation and is affected by numerous federal and state laws and regulations.

Supervision. The Company is subject to regulation and examination by the FRB. Its four subsidiary banks are subject to regulation and examination by the Office of the Comptroller of the Currency (OCC). UMB Scout Insurance Services, Inc. is regulated by state agencies in the states in which it operates. Scout Investment Advisors and UMB Fund Services are subject to the rules and regulations of the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) because of the UMB Scout Funds and the servicing of other mutual fund groups and alternative investment products. The FRB possesses cease and desist powers over bank holding companies if their actions represent unsafe or unsound practices or violations of law. In addition, the FRB is empowered to impose civil monetary penalties for violations of banking statutes and regulations. Regulation by the FRB is intended to protect depositors of the Company's banks, not the Company's shareholders. The Company is subject to a number of restrictions and requirements imposed by the Sarbanes-Oxley Act of 2002 relating to internal controls over financial reporting, disclosure controls and procedures, loans to directors or executive officers of the Company and its subsidiaries, the preparation and certification of the Company's consolidated financial statements, the duties of the Company's audit committee, relations with and functions performed by the Company's independent auditors, and various accounting and corporate governance matters. The Company's brokerage affiliate, UMB Financial Services, Inc., is regulated by the SEC, FINRA, and is also subject to certain regulations of the various states in which it transacts business. It is subject to regulations covering all aspects of the securities business, including sales methods, trade practices among broker/dealers, capital structure, uses and safekeeping of customers' funds and securities, recordkeeping, and the conduct of directors, officers and employees. The SEC and the organizations to which it has delegated certain regulatory authority may conduct administrative proceedings that can result in censure, fines, suspension or expulsion of a broker/dealer, its directors, officers and employees. The principal purpose of regulation of securities broker/dealers is the protection of customers and the securities market, rather than the protection of stockholders of broker/dealers.

Limitation on Acquisitions and Activities. The Company is subject to the Bank Holding Company Act (BHCA), which requires the Company to obtain the prior approval of the Federal Reserve Board to (i) acquire substantially all the assets of any bank, (ii) acquire more than 5% of any class of voting stock of a bank or bank holding company which is not already majority owned, or (iii) merge or consolidate with another bank holding company. The BHCA also imposes significant limitations on the scope and type of activities in which the Company and its subsidiaries may engage. The activities of bank holding companies are generally limited to the business of banking, managing or controlling banks, and other activities that the FRB has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In addition, under the GLB Act, a bank holding company, all of whose controlled depository institutions are well-capitalized and well-managed (as defined in federal banking regulations) and which obtains satisfactory Community Reinvestment Act (CRA) ratings, may declare itself to be a financial holding company and engage in a broader range of activities.

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A financial holding company may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature. Financial in nature activities include:

securities underwriting, dealing and market making;

sponsoring mutual funds and investment companies;

insurance underwriting and insurance agency activities;

merchant banking; and

activities that the FRB determines to be financial in nature or incidental to a financial activity, or which are complementary to a financial activity and do not pose a safety and soundness risk.

A financial holding company that desires to engage in activities that are financial in nature or incidental to a financial activity but not previously authorized by the FRB must obtain approval from the FRB before engaging in such activity. Also, a financial holding company may seek FRB approval to engage in an activity that is complementary to a financial activity if it shows that the activity does not pose a substantial risk to the safety and soundness of insured depository institutions or the financial system. Under the GLB Act, subsidiaries of financial holding companies engaged in non-bank activities are supervised and regulated by the federal and state agencies which normally supervise and regulate such functions outside of the financial holding company context.

A financial holding company may acquire a company (other than a bank holding company, bank or savings association) engaged in activities that are financial in nature or incidental to activities that are financial in nature without prior approval from the FRB. Prior FRB approval is required, however, before the financial holding company may acquire control of more than 5% of the voting shares or substantially all of the assets of a bank holding company, bank or savings association. In addition, under the FRB's merchant banking regulations, a financial holding company is authorized to invest in companies that engage in activities that are not financial in nature, as long as the financial holding company makes its investment with the intention of limiting the duration of the investment, does not manage the company on a day-to-day basis, and the company does not cross market its products or services with any of the financial holding company's controlled depository institutions. If any subsidiary bank of a financial holding company receives a rating under the CRA of less than satisfactory, then the financial holding company is limited with respect to its engaging in new activities or acquiring other companies, until the rating is raised to at least satisfactory.

Other Regulatory Restrictions & Requirements. A bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with the extension of credit, with limited exceptions. There are also various legal restrictions on the extent to which a bank holding company and certain of its non-bank subsidiaries can borrow or otherwise obtain credit from its bank subsidiaries. The Company and its subsidiaries are also subject to certain restrictions on issuance, underwriting and distribution of securities. FRB policy requires a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks. Under this source of strength doctrine, a bank holding company is expected to stand ready to use its available resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity, and to maintain resources and the capacity to raise capital that it can commit to its subsidiary banks. Furthermore, the FRB has the right to order a bank holding company to terminate any activity that the FRB believes is a serious risk to the financial safety, soundness or stability of any subsidiary bank. Also, under cross-guaranty provisions of the Federal Deposit Insurance Act (FDIA), bank subsidiaries of a bank holding company are liable for any loss incurred by the FDIC insurance fund in connection with the failure of any other bank subsidiary of the bank holding company.

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The Company's bank subsidiaries are subject to a number of laws regulating depository institutions, including the Federal Deposit Insurance Corporation Improvement Act of 1991, which expanded the regulatory and enforcement powers of the federal bank regulatory agencies. These laws require that such agencies prescribe standards relating to internal controls, information systems, internal audit systems, loan documentation, credit

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underwriting, interest rate exposure, asset growth, compensation, fees and benefits, and mandated annual examinations of banks by their primary regulators. The Company's bank subsidiaries are also subject to a number of consumer protection laws and regulations of general applicability, as well as the Bank Secrecy Act and USA Patriot Act, which are designed to identify, prevent and deter international money laundering and terrorist financing.

The rate of interest a bank may charge on certain classes of loans is limited by law. At certain times in the past, such limitations have resulted in reductions of net interest margins on certain classes of loans. Federal laws also impose additional restrictions on the lending activities of banks, including the amount that can be loaned to one borrower or related group.

All four of the commercial banks owned by the Company are national banks and are subject to supervision and examination by the OCC. In addition, the national banks are subject to examination by The Federal Reserve System. All such banks are members of, and subject to examination by, the FDIC.

Payment of dividends by the Company's affiliate banks to the Company is subject to various regulatory restrictions. For national banks, the OCC must approve the declaration of any dividends generally in excess of the sum of net income for that year and retained net income for the preceding two years. At December 31, 2008, approximately \$40,499,000 of the equity of the Company's bank and non-bank subsidiaries was available for distribution as dividends to the Company without prior regulatory approval or without reducing the capital of the respective banks below prudent levels.

Each of the Company's subsidiary banks are subject to the CRA and implementing regulations. CRA regulations establish the framework and criteria by which the bank regulatory agencies assess an institution's record of helping to meet the credit needs of its community, including low- and moderate-income neighborhoods. CRA ratings are taken into account by regulators in reviewing certain applications made by the Company and its bank subsidiaries.

Regulatory Capital Requirements Applicable to the Company. The FRB has promulgated capital adequacy guidelines for use in its examination and supervision of bank holding companies. If a bank holding company's capital falls below minimum required levels, then the bank holding company must implement a plan to increase its capital, and its ability to pay dividends and make acquisitions of new bank subsidiaries may be restricted or prohibited. The FRB's capital adequacy guidelines provide for the following types of capital:

Tier 1 capital, also referred to as core capital, calculated as:

common stockholders' equity;

plus, non-cumulative perpetual preferred stock and any related surplus;

plus, minority interests in the equity accounts of consolidated subsidiaries;

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less, all intangible assets (other than certain mortgage servicing assets, non-mortgage servicing assets and purchased credit card relationships);

less, certain credit-enhanced interest-only strips and non-financial equity investments required to be deducted from capital; and

less, certain deferred tax assets.

Tier 2 capital, also referred to as supplementary capital, calculated as:

allowances for loan and lease losses (limited to 1.25% of risk-weighted assets);

plus, unrealized gains on certain equity securities (limited to 45% of pre-tax net unrealized gains);

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plus, cumulative perpetual and long-term preferred stock (original maturity of 20 years or more) and any related surplus;

plus, auction rate and similar preferred stock (both cumulative and non-cumulative);

plus, hybrid capital instruments (including mandatory convertible debt securities); and

plus, term subordinated debt and intermediate-term preferred stock with an original weighted average maturity of five years or more (limited to 50% of Tier 1 capital).

The maximum amount of supplementary capital that qualifies as Tier 2 capital is limited to 100% of Tier 1 capital.

Total capital, calculated as:

Tier 1 capital;

plus, qualifying Tier 2 capital;

less, investments in banking and finance subsidiaries that are not consolidated for regulatory capital purposes;

less, intentional, reciprocal cross-holdings of capital securities issued by banks; and

less, other deductions (such as investments in other subsidiaries and joint ventures) as determined by supervising authority.

The Company is required to maintain minimum amounts of capital to various categories of assets, as defined by the banking regulators. See Table 13, Risk-Based Capital, on page 39 for additional detail on the computation of risk-based assets and the related capital ratios.

At December 31, 2008, the Company was required to have minimum Tier 1 capital, Total capital, and leverage ratios of 4.00%, 8.00%, and 4.00% respectively. The Company's actual ratios at that date were 13.23%, 14.09%, and 8.47%, respectively.

Regulatory Capital Requirements Applicable to the Company's Subsidiary Banks. In addition to the minimum capital requirements of the FRB applicable to the Company, there are separate minimum capital requirements applicable to its subsidiary national banks.

Federal banking laws classify an insured financial institution in one of the following five categories, depending upon the amount of its regulatory capital:

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well-capitalized if it has a total Tier 1 leverage ratio of 5% or greater, a Tier 1 risk-based capital ratio of 6% or greater and a total risk-based capital ratio of 10% or greater (and is not subject to any order or written directive specifying any higher capital ratio);

adequately capitalized if it has a total Tier 1 leverage ratio of 4% or greater (or a Tier 1 leverage ratio of 3% or greater, if the bank has a CAMELS rating of 1), a Tier 1 risk-based capital ratio of 4% or greater, and a total risk-based capital ratio of 8% or greater;

undercapitalized if it has a total Tier 1 leverage ratio that is less than 4% (or a Tier 1 leverage ratio that is less than 3%, if the bank has a CAMELS rating of 1), a Tier 1 risk-based capital ratio that is less than 4% or a total risk-based capital ratio that is less than 8%;

significantly undercapitalized if it has a total Tier 1 leverage ratio that is less than 3%, a Tier 1 risk based capital ratio that is less than 3% or a total risk-based capital ratio that is less than 6%; and

critically undercapitalized if it has a Tier 1 leverage ratio that is equal to or less than 2%.

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Federal banking laws require the federal regulatory agencies to take prompt corrective action against undercapitalized financial institutions. The Company's banks must be well-capitalized and well-managed in order for the Company to remain a financial holding company. The capital ratios and classifications for the Company and each of the Company's four banks as of December 31, 2008, are set forth below:

| Bank | Total Tier 1 Leverage Ratio (5% or greater) | Tier 1 Risk Based Capital Ratio (6% or greater) | Total Risk-Based Capital Ratio (10% or greater) |
|------------------------------------|--|---|---|
| UMB Financial Corporation | 8.47% | 13.23% | 14.09% |
| UMB Bank, n.a. | 6.80% | 10.88% | 11.74% |
| UMB Bank Colorado, n.a. | 11.33% | 13.95% | 15.01% |
| UMB National Bank of America, n.a. | 10.90% | 21.41% | 21.97% |
| UMB Bank Arizona, n.a. | 11.89% | 11.37% | 12.47% |

The Company is required to maintain minimum balances with the FRB for each of its subsidiary banks. These balances are calculated from reports filed with the respective FRB for each affiliate. At December 31, 2008, the Company was required to hold \$5,685,000 at the FRB.

Deposit Insurance and Assessments. The deposits of each of the Company's four subsidiary banks are insured by an insurance fund administered by the FDIC, in general up to a maximum of \$100,000 per insured deposit (\$250,000 for certain retirement plan deposits). Under federal banking regulations, insured banks are required to pay quarterly assessments to the FDIC for deposit insurance. The FDIC's risk-based assessment system requires members to pay varying assessment rates depending upon the level of the institution's capital and the degree of supervisory concern over the institution. As a result of the Federal Deposit Insurance Reform Act of 2005 (FDIRA) signed into law February 8, 2006, the FDIC assessment is now separated into two parts. The first part is the FDIC Insurance and the second part is the assessment for the Financing Corporation (FICO).

Pursuant to the Emergency Economic Stabilization Act of 2008, the maximum deposit insurance amount has been increased from \$100,000 to \$250,000 until December 31, 2009. On October 13, 2008, the FDIC established a Temporary Liquidity Guarantee Program (TLGP) under which the FDIC will fully guarantee all non-interest-bearing transaction accounts and all senior unsecured debt of insured depository institutions or their qualified holding companies issued between October 14, 2008 and June 30, 2009. Senior unsecured debt would include federal funds purchased and certificates of deposit outstanding to the credit of the bank. All eligible institutions participate in the program without cost for the first 30 days of the program. After December 5, 2008, institutions were assessed ten basis points for transaction account balances in excess of \$250,000 and at the rate of 75 basis points of the amount of debt issued. The Company has elected to participate in the transaction guarantee part of the TLGP and has opted out of the debt guarantee part of the TLGP.

In an effort to restore capitalization levels and to ensure the Deposit Insurance Fund (DIF) will adequately cover projected losses from future bank failures, the FDIC, in October 2008, proposed a rule to alter the way in which it differentiates for risk in the risk-based assessment system and to revise deposit insurance assessment rates, including base assessment rates. For Risk Category 1 institutions that have long-term debt issuer ratings, the FDIC proposes (i) to determine the initial base assessment rate using a combination of weighted-average CAMELS component ratings, long-term debt issuer ratings (converted to numbers and averaged) and the financial ratios method assessment rate, each equally weighted and (ii) to revise the uniform amount and the pricing multipliers. The FDIC also proposes to introduce three adjustments that could be made to an institution's initial base assessment rate, including (i) a potential decrease of up to 2 basis points for long-term unsecured debt, including senior and subordinated debt, (ii) a potential increase for secured liabilities in excess of 15% of domestic deposits and (iii) for non-Risk Category 1 institutions, a potential increase for brokered deposits in excess of 10% of domestic deposits. In addition, the FDIC proposed raising the current rates uniformly by 7 basis points for the assessment for the first quarter of 2009, resulting in annualized assessment rates for Risk Category 1 institutions ranging from 12 to 14 basis points. The proposal for first quarter 2009 assessment rates

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was adopted as a final rule in December 2008. The FDIC also proposed, effective April 1, 2009, initial base assessment rates for Risk Category 1 institutions of 10 to 14 basis points. After the effect of potential base-rate adjustments, the annualized assessment rate for Risk Category 1 institutions would range from 8 to 21 basis points. A final rule related to this proposal is expected to be issued during the first quarter of 2009. The Company cannot provide any assurance as to the amount of any proposed increase in its deposit insurance premium rate, should such an increase occur, as such changes are dependent upon a variety of factors, some of which are beyond the Company's control.

In addition, all FDIC-insured institutions are required to pay assessments to the FDIC to fund interest payments on bonds issued by FICO, an agency of the Federal government established to recapitalize the predecessor to the Savings Association Insurance Fund (SAIF). The FICO assessment rates, which are determined quarterly, averaged 0.0113% of insured deposits in fiscal 2008. These assessments will continue until the FICO bonds mature in 2017.

The FDIRA also provided for a one time assessment credit that would be used to pay for the quarterly premiums until the credit is fully used. The Company's one time assessment credit was \$7.3 million, of which \$3.0 million was used for premiums assessed in 2008. As of December 31, 2008, the Company has a \$2.1 million assessment credit outstanding, which will be used to pay future premiums. The FDIC has authority to increase the annual assessment rate and there is no cap on the annual assessment rate which the FDIC may impose.

Limitations on Transactions with Affiliates. The Company and its non-bank subsidiaries are affiliates within the meaning of Sections 23A and 23B of the Federal Reserve Act (FRA). The amount of loans or extensions of credit which a bank may make to non-bank affiliates, or to third parties secured by securities or obligations of the non-bank affiliates, are substantially limited by the FRA and the FDIA. Such acts further restrict the range of permissible transactions between a bank and an affiliated company. A bank and subsidiaries of a bank may engage in certain transactions, including loans and purchases of assets, with an affiliated company, only if the terms and conditions of the transaction, including credit standards, are substantially the same as, or at least as favorable to the bank as, those prevailing at the time for comparable transactions with non-affiliated companies or, in the absence of comparable transactions, on terms and conditions that would be offered to non-affiliated companies.

Other Banking Activities. The investments and activities of the Company's subsidiary banks are also subject to regulation by federal banking agencies regarding; investments in subsidiaries, investments for their own account (including limitations in investments in junk bonds and equity securities), loans to officers, directors and their affiliates, security requirements, anti-tying limitations, anti-money laundering, financial privacy and customer identity verification requirements, truth-in-lending, types of interest bearing deposit accounts offered, trust department operations, brokered deposits, audit requirements, issuance of securities, branching and mergers and acquisitions.

A discussion of past acquisitions is included in Note 16 to the Consolidated Financial Statements provided in Item 8 on page 79 of this report.

Future Legislation. Various legislation, including proposals to change the financial institution regulatory system, are currently being considered by Congress because of the current economic downturn. In the future, management expects that legislative changes will continue to be introduced from time to time in Congress. This legislation may change banking statutes and the Company's (and its subsidiaries') operating environment in substantial and unpredictable ways. If enacted, this legislation could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. The Company cannot predict whether any of this potential legislation will be enacted and, if enacted, the effect that it, or any implementing regulations, could have on the business, results of operations or financial condition of the Company or its subsidiaries.

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The references in the foregoing discussion to various aspects of statutes and regulations are merely summaries which do not purport to be complete and which are qualified in their entirety by reference to the actual statutes and regulations.

Statistical Disclosure. The information required by Guide 3, Statistical Disclosure by Bank Holding Companies, has been included in Items 6, 7, and 7A, pages 18 through 49 of this report.

Executive Officers of the Registrants. The following are the executive officers of the Company, each of whom is elected annually, and there are no arrangements or understandings between any of the persons so named and any other person pursuant to which such person was elected as an officer.

| <u>Name</u> | <u>Age</u> | <u>Position with Registrant</u> |
|---------------------|------------|--|
| J. Mariner Kemper | 36 | Mr. Kemper has served as the Chairman and CEO of the Company since May 2004, and has served as Chairman and CEO of UMB Bank Colorado, n.a. (a subsidiary of the Company) since 2000. He was President of UMB Bank Colorado from 1997 to 2000. |
| Peter J. deSilva | 47 | Mr. deSilva has served as President and Chief Operating Officer of the Company since January 2004 and Chairman and Chief Executive Officer of UMB Bank, n.a. since May 2004. Mr. deSilva was previously employed by Fidelity Investments from 1987-2004, the last seven years as Senior Vice President with principal responsibility for brokerage operations. |
| Peter J. Genovese | 62 | Mr. Genovese has served as Vice Chairman of the Company since October, 2008. He previously served as Vice Chairman of the Eastern Region and CEO of St. Louis of UMB Bank, n.a. from January 2004 to October 2008. He also served as President of the Company from January 2000 to January 2004. |
| Michael D. Hagedorn | 42 | Mr. Hagedorn has served as Executive Vice President and Chief Financial Officer of the Company since March 2005. He previously served as Senior Vice President and Chief Financial Officer of Wells Fargo, Midwest Banking Group from April 2001 to March 2005. |
| Bradley J. Smith | 53 | Mr. Smith has served as Executive Vice President of Consumer Services for UMB Bank, n.a. since January 2005. Previously he served as Executive Vice President of Retail and Corporate Services, St. Francis Bank/Mid America Bank, Milwaukee, Wisconsin from 2000 through 2005. |
| James A. Sangster | 54 | Mr. Sangster has served as President of UMB Bank, n.a. since 1999. |
| Douglas F. Page | 65 | Mr. Page has served as Executive Vice President of the Company since 1984 and Executive Vice President, Loan Administration, of UMB Bank, n.a. since 1989. |
| Clyde F. Wendel | 61 | Mr. Wendel has served as President of the Asset Management Division of UMB Bank, n.a. since June, 2006 and Vice Chairman of UMB Bank, n.a. since June, 2006. Previously he has served as Regional President, Bank of America Private Bank and Senior Bank Executive for Iowa, Kansas, and Western Missouri from 2000-2006. |

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| <u>Name</u> | <u>Age</u> | <u>Position with Registrant</u> |
|--------------------|------------|---|
| Daryl S. Hunt | 52 | Mr. Hunt joined UMB Bank, n.a. in November 2007 as Executive Vice President of Financial Services and Support. Previously, Mr. Hunt worked at Fidelity Investments where he served as Sr. Vice President for Transfer Operations from 2006 to 2007, Sr. Vice President of Customer Processing Operations from 2003 to 2006, and Sr. Vice President of Outbound Mail Operations from 2001 to 2003. |
| Lawrence G. Smith | 61 | Mr. Smith has served as Executive Vice President and Chief Organizational Effectiveness Officer of UMB Bank, n.a. since March, 2005. Prior to coming to UMB Bank, n.a., Mr. Smith was Vice President Human Resources for Fidelity Investments in Boston, Massachusetts where he was responsible for Fidelity's business group human resource activities. |
| Dennis R. Rilinger | 61 | Mr. Rilinger has served as Executive Vice President and General Counsel of the Company and of UMB Bank, n.a. since 1996. |
| David D. Kling | 62 | Mr. Kling has served as Executive Vice President and Chief Risk Officer of the Company since October, 2008. He previously served as the Executive Vice President for Enterprise Services of UMB Bank, n.a. since November, 2007. He also served as Executive Vice President of Financial Services and Support of UMB Bank, n.a. from 1997 to 2007. |
| John P. Zader | 47 | Mr. Zader joined UMB Fund Services in December 2006. He serves as Chief Executive Officer of UMB Fund Services. He previously served as a consultant to Jefferson Wells International in 2006 and served as Senior Vice President and Chief Financial Officer of U.S. Bancorp Fund Services, LLC, a mutual and hedge fund service provider from 1988 to 2006. |
| Terry W. D. Amore | 52 | Mr. D. Amore joined UMB Bank, n.a. in 2006. He serves as Executive Vice President, Director of Payment & Technology Solutions Division where he is responsible for sales, service and product management for the Treasury Management, Healthcare, Foreign Exchange, and Merchant Services. Prior to coming to UMB Bank, n.a., he served as National Sales and Service Manager for Treasury Management's Corporate Finance Division at PNC Bank in Pittsburgh, Pennsylvania. |
| Brian J. Walker | 37 | Mr. Walker joined the Company in June 2007 as Senior Vice President and Corporate Controller (Chief Accounting Officer). From July of 2004 to June 2007 he served as a Certified Public Accountant for KPMG where he worked primarily as an auditor for financial institutions. He worked as a Certified Public Accountant for Deloitte & Touche from November 2002 to July of 2004. |

The Company makes available free of charge on its website at www.umb.com/investor, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports, as soon as reasonably practicable after it electronically files or furnishes such material with or to the SEC.

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ITEM 1A. RISK FACTORS

Our business routinely encounters and addresses risks. Some of such risks may give rise to occurrences that cause our future results to be materially different than we presently anticipate. In the following paragraphs, we describe our current view of certain important strategic risks, although the risks below are not the only risks we face. If any such risks actually materialize, our business, results of operations, financial condition and prospects could be affected materially and adversely. These risk factors should be read in conjunction with our management's discussion and analysis, beginning on page 18 hereof, and our consolidated financial statements, beginning on page 49 hereof.

General economic conditions, such as the current economic downturn or recession, could materially impair our customers' ability to repay loans, harm our operating results and reduce our volume of new loans. The U.S. and the world economies are facing uncertain times. No one knows when the U.S. economy will come out of recession and what impact the Stimulus Package, which was recently signed in to law, will have in the near and distant future. While the Company's loan portfolio, investment portfolio and funding sources have held up well in the current environment, the future situation is uncertain and the identified risks are explained in further detail throughout Management's Discussion and Analysis section.

Our profitability depends significantly on economic conditions. Economic downturns or recessions, either nationally, internationally or in the states within our footprint, could materially reduce our operating results. An economic downturn could negatively impact demand for our loan and deposit products, the demand for insurance and brokerage products and the amount of credit related losses due to customers who cannot pay interest or principal on their loans. To the extent loan charge-offs exceed our estimates, an increase to the amount of expense provided related to the allowance for loans would reduce income. See Quantitative and Qualitative Disclosures About Market Risk Credit Risk in Part II, Item 7A for a discussion of how we monitor and manage credit risk.

General economic conditions, such as a stock market decline, could materially impair the number of investors in the equity and bond markets, the level of assets under management and the demand for our other fee-based services. Economic downturns or recessions could affect the volume of income from and demand for our other fee-based services. The fee revenue of our asset management segments including income from our Scout Investment Advisors, Inc. and UMB Fund Services, Inc. subsidiaries, are largely dependent on both inflows to, and the fair value of, assets invested in the UMB Scout Funds and the fund clients to whom we provide services. General economic conditions can affect investor sentiment and confidence in the overall securities markets which could adversely affect asset values, net flows to these funds and other assets under management. Our bankcard revenues are dependent on transaction volumes from consumer and corporate spending to generate interchange fees. An economic downturn could negatively affect the amount of such fee income. Our banking services group is affected by corporate and consumer demand for debt securities which can be adversely affected by changes in general economic conditions.

We are subject to extensive regulation in the jurisdictions in which we conduct our businesses. We are subject to extensive state and federal regulation, supervision and legislation that govern most aspects of our operations. Laws and regulations, and in particular banking, securities and tax laws, are under intense scrutiny because of the current economic crisis and may change from time to time. For example, current federal law prohibits the payment of interest on corporate demand deposit accounts. Although a change to permit interest on corporate accounts would have a favorable impact on service-charge income, it would adversely affect net interest income as the Company's cost of funds would increase. Changes in laws and regulations, lawsuits or actions by regulatory agencies could cause us to devote significant time and resources to compliance and could lead to fines, penalties, judgments, settlements, withdrawal of certain products or services offered in the market or other results adverse to us which could affect our business, financial condition or results of operation, or cause us serious reputational harm.

The future U.S. banking regulatory environment is currently under review. However, it is likely to change resulting in increased internal and external costs, including FDIC assessments. While UMB elected to not

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participate in the U.S. Treasury's Troubled Assets Relief Program, the intended and unintended consequences of this governmental action are still being evaluated in our industry. Further, the effect of additional congressional actions remains a possibility, the outcome of which is not currently determinable.

Changes in interest rates could affect our results of operations. A significant portion of our net income is based on the difference between interest earned on earning assets (such as loans and investments) and interest paid on deposits and borrowings. These rates are sensitive to many factors that are beyond our control, such as general economic conditions and policies of various governmental and regulatory agencies, such as the Federal Reserve Board. For example, policies and regulations of the Federal Reserve Board influence, directly and indirectly, the rate of interest paid by commercial banks on their interest-bearing deposits and also may affect the value of financial instruments held by us. The actions of the Federal Reserve Board also determine to a significant degree our cost of funds for lending and investing. In addition, these policies and conditions can adversely affect our customers and counterparties, which may increase the risk that such customers or counterparties default on their obligations to us. Changes in interest rates greatly affect the amount of income earned and the amount of interest paid. Changes in interest rates also affect loan demand, the prepayment speed of loans, the purchase and sale of investment bonds and the generation and retention of customer deposits. A rapid increase in interest rates could result in interest expense increasing faster than interest income because of differences in maturities of assets and liabilities. See **Quantitative and Qualitative Disclosures About Market Risk Interest Rate Risk** in Part II, Item 7A for a discussion of how we monitor and manage interest rate risk.

We rely on our systems, employees and certain counterparties, and certain failures could adversely affect our operations. Our Company is dependent on our ability to process a large number of transactions. If any of our financial, accounting, or other data processing systems fail or have other significant shortcomings, we could be adversely affected. We are similarly dependent on our employees. We could be adversely affected if a significant number of our employees are unavailable due to a pandemic, natural disaster, war, act of terrorism, or other reason, or if an employee causes a significant operational break-down or failure, either as a result of human error, purposeful sabotage or fraudulent manipulation of our operations or systems. Third parties with which we do business could also be sources of operational risk to us, including break-downs or failures of such parties' own systems or employees. Any of these occurrences could result in a diminished ability of the Company to operate, potential liability to clients, reputational damage and regulatory intervention, which could adversely affect us. Operational risk also includes our ability to successfully integrate acquisitions into existing charters as an acquired entity will most likely be on a different system than ours. See **Quantitative and Qualitative Disclosures About Market Risk Operational Risk** in Part II, Item 7A for a discussion of how we monitor and manage operational risk.

In a firm as large and complex as the Company, lapses or deficiencies in internal control over financial reporting are likely to occur from time to time and there is no assurance that significant deficiencies or material weaknesses in internal controls may not occur in the future.

In addition, there is the risk that our controls and procedures as well as business continuity and data security systems may prove to be inadequate. Any such failure could affect our operations and could adversely affect our results of operations by requiring the Company to expend significant resources to correct the defect, as well as by exposing us to litigation or losses not covered by insurance.

If we do not successfully handle issues that may arise in the conduct of our business and operations, our reputation could be damaged, which could in turn negatively affect our business. Our ability to attract and retain customers and transact with the Company's counterparties could be adversely affected to the extent our reputation is damaged. The failure of the Company to deal with various issues that could give rise to reputational risk could cause harm to the Company and our business prospects. These issues include, but are not limited to potential conflicts of interest, legal and regulatory requirements, ethical issues, money-laundering, privacy, recordkeeping, sales and trading practices and proper identification of the legal, reputational, credit, liquidity and market risks inherent in our products. The failure to appropriately address these issues could make our clients unwilling to do business with us, which could adversely affect our results.

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We face strong competition from other financial services firms, which could lead to pricing pressures that could materially adversely affect our revenue and profitability. In addition to the challenge of competing against local, regional and national banks in attracting and retaining customers, our competitors also include brokers, mortgage bankers, mutual fund sponsors, securities dealers, investment advisors and specialty finance and insurance companies. The financial services industry is intensely competitive, and we expect it to remain so. We compete on the basis of several factors, including transaction execution, products and services, innovation, reputation and price. We may experience pricing pressures as a result of these factors and as some of our competitors seek to increase market share by reducing prices on products and services or increasing rates paid on deposits.

The shift from paper-based to electronic-based payments may be difficult and negatively affect earnings. In today's payment environment, checks continue to be a payment choice; however, checks as a percent of the total payment volume are declining and the transactions are shifting to electronic alternatives. Check products are serviced regionally due to the physical constraints of paper documents; however, electronic documents are not bound by the same constraints, thus opening geographic markets to all providers of electronic services. To address this shift, new systems are being developed and marketed which involve significant software and hardware costs. It is anticipated that we will encounter new competition, and any competitor that attracts the payments business of our existing customers will compete strongly for the remainder of such customers' banking business.

Our framework for managing our risks may not be effective in mitigating risk and loss to the Company. Our risk management framework is made up of various processes and strategies to manage our risk exposure. Types of risk to which we are subject include liquidity risk, credit risk, price risk, interest rate risk, operational risk, compliance and litigation risk, foreign exchange risk, reputation risk, and fiduciary risk, among others. There can be no assurance that our framework to manage risk, including such framework's underlying assumptions, will be effective under all conditions and circumstances. If our risk management framework proves ineffective, we could suffer unexpected losses and could be materially adversely affected.

Liquidity is essential to our businesses and we rely on the securities market and other external sources to finance a significant portion of our operations. Liquidity affects our ability to meet our financial commitments. Our liquidity could be negatively affected should the need arise to increase deposits or obtain additional funds through borrowing to augment current liquidity sources. Factors that we cannot control, such as disruption of the financial markets or negative views about the general financial services industry, could impair the Company's access to funding. If we are unable to raise funding using the methods described above, we would likely need to sell assets, such as our investment and trading portfolios, to meet maturing liabilities. We may be unable to sell some of our assets on a timely basis, or we may have to sell assets at a discount from market value, either of which could adversely affect our results of operations. Our liquidity and funding policies have been designed to ensure that we maintain sufficient liquid financial resources to continue to conduct our business for an extended period in a stressed liquidity environment. If our liquidity and funding policies are not adequate, we may be unable to access sufficient financing to service our financial obligations when they come due, which could have a material adverse franchise or business impact. See "Quantitative and Qualitative Disclosures About Market Risk - Liquidity Risk" in Part II, Item 7A for a discussion of how we monitor and manage liquidity risk.

Inability to hire or retain qualified employees could adversely affect our performance. Our people are our most important resource and competition for qualified employees is intense. Employee compensation is our greatest expense. We rely on key personnel to manage and operate our business, including major revenue generating functions such as our loan and deposit portfolios. The loss of key staff may adversely affect our ability to maintain and manage these portfolios effectively, which could negatively affect our results of operations. If compensation costs required to attract and retain employees become unreasonably expensive, our performance, including our competitive position, could be adversely affected.

Changes in accounting standards could impact reported earnings. The accounting standard setting bodies, including the Financial Accounting Standards Board and other regulatory bodies periodically change the financial accounting and reporting standards affecting the preparation of our consolidated financial statements. These changes are not within our control and could materially impact our consolidated financial statements.

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Future events may be different than those anticipated by our management assumptions and estimates, which may cause unexpected losses in the future. Pursuant to current Generally Accepted Accounting Principles, we are required to use certain estimates in preparing our financial statements, including accounting estimates to determine loan loss reserves, and the fair values of certain assets and liabilities, among other items. Should our determined values for such items prove inaccurate, we may experience unexpected losses which could be material.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved comments from the staff of the SEC required to be disclosed herein as of the date of this Form 10-K.

ITEM 2. PROPERTIES

The Company's headquarters building, the UMB Bank Building, is located at 1010 Grand Boulevard in downtown Kansas City, Missouri, and opened during July 1986. Of the 250,000 square feet, 227,000 square feet is occupied by departments and customer service functions of UMB Bank, n.a. as well as offices of the parent company, UMB Financial Corporation. The remaining 23,000 square feet of space within the building is leased to a law firm.

Other main facilities of UMB Bank, n.a. in downtown Kansas City, Missouri are located at 928 Grand Boulevard (185,000 square feet); 906 Grand Boulevard (140,000 square feet); and 1008 Oak Street (180,000 square feet). The 928 Grand and 906 Grand buildings house backroom support functions. The 928 Grand building underwent a major renovation during 2004/2005. The 928 Grand building is connected to the UMB Bank Building (1010 Grand) by an enclosed elevated pedestrian walkway. The 1008 Oak building, which opened during the second quarter of 1999, houses the Company's operations and data processing functions.

UMB Bank, n.a. leases 41,049 square feet in the Hertz Building located in the heart of the commercial sector of downtown St. Louis, Missouri. This location has a full-service banking center and is home to some operational and administrative support functions.

UMB Bank, Colorado, n.a. leases 9,003 square feet on the first, second, and third floors of the 1670 Broadway building located in the financial district of downtown Denver, Colorado. The location has a full-service banking center and is home to the operational and administrative support functions for UMB Bank, Colorado, n.a.

UMB Fund Services, Inc., a subsidiary of the Company, leases 72,135 square feet in Milwaukee, Wisconsin, at which its fund services operation is headquartered.

As of December 31, 2008, the Company's affiliate banks operated a total of four main banking centers with 137 detached branch facilities, the majority of which are owned by the Company.

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Additional information with respect to premises and equipment is presented in Notes 1 and 8 to the Consolidated Financial Statements in Item 8, pages 55, 65 and 66 of this report.

ITEM 3. *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 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

No matters were submitted to the shareholders for a vote during the fourth quarter ended December 31, 2008.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The Company's stock is traded on the NASDAQ Global Select Stock Market under the symbol UMBF. As of February 18, 2009, the Company had 2,346 shareholders of record. Company stock information for each full quarter period within the two most recent fiscal years is set forth in the table below.

| Per Share | Three Months Ended | | | |
|------------------|--------------------|----------------|-----------------|----------------|
| | March 31 | June 30 | Sept. 30 | Dec. 31 |
| 2008 | | | | |
| Dividend | \$ 0.150 | \$ 0.165 | \$ 0.165 | \$ 0.175 |
| Book value | 22.57 | 22.40 | 22.82 | 23.81 |
| Market price: | | | | |
| High | 44.50 | 57.89 | 69.60 | 60.00 |
| Low | 35.76 | 40.28 | 45.45 | 36.59 |
| Close | 41.20 | 51.27 | 52.52 | 49.14 |
| Per Share | | | | |
| 2007 | March 31 | June 30 | Sept. 30 | Dec. 31 |
| Dividend | \$ 0.140 | \$ 0.140 | \$ 0.140 | \$ 0.150 |
| Book value | 20.42 | 20.44 | 21.18 | 21.55 |
| Market price: | | | | |
| High | 39.07 | 41.70 | 47.06 | 46.27 |
| Low | 35.17 | 36.70 | 36.27 | 34.95 |
| Close | 37.76 | 36.87 | 42.86 | 38.36 |

Information concerning restrictions on the ability of the Registrant to pay dividends and the Registrant's subsidiaries to transfer funds to the Registrant is presented in Item 1, page 7 and Note 10 to the Consolidated Financial Statements provided in Item 8, pages 67 and 68 of this report. Information concerning securities the Company issued under equity compensation plans is contained in Item 12, pages 90 and 91 and in Note 11 to the Consolidated Financial Statements provided in Item 8, pages 69 through 72 of this report.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about share repurchase activity by the Company during the quarter ended December 31, 2008:

ISSUER PURCHASE OF EQUITY SECURITIES

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|--------------------------------|---|---|---|---|
| October 1 - October 31, 2008 | 6,993 | \$ 51.87 | 6,993 | 1,922,875 |
| November 1 - November 30, 2008 | 1,546 | 44.38 | 1,546 | 1,921,329 |
| December 1 - December 31, 2008 | 8,706 | 46.02 | 8,706 | 1,912,623 |
| Total | 17,245 | 48.24 | 17,245 | |

On April 22, 2008, the Company announced a plan to repurchase up to two million shares of common stock. This plan will terminate on April 22, 2009. The Company has not made any repurchases other than through these

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plans. All open market share purchases under the share repurchase plans are intended to be within the scope of Rule 10b-18 promulgated under the Exchange Act. Rule 10b-18 provides a safe harbor for purchases in a given day if the Company satisfies the manner, timing and volume conditions of the rule when purchasing its own common shares.

ITEM 6. *SELECTED FINANCIAL DATA*

For a discussion of factors that may materially affect the comparability of the information below, please see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, pages 19 through 44, of this report.

Table of Contents**FIVE-YEAR FINANCIAL SUMMARY**

(in thousands except per share data)

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|----------------------------------|---------------|--------------|--------------|--------------|--------------|
| EARNINGS | | | | | |
| Interest income | \$ 387,973 | \$ 414,413 | \$ 369,083 | \$ 271,911 | \$ 219,454 |
| Interest expense | 112,922 | 181,729 | 151,859 | 83,621 | 40,350 |
| Net interest income | 275,051 | 232,684 | 217,224 | 188,290 | 179,104 |
| Provision for loan losses | 17,850 | 9,333 | 8,734 | 5,775 | 5,370 |
| Noninterest income | 312,783 | 288,788 | 254,945 | 251,873 | 228,103 |
| Noninterest expense | 430,153 | 407,164 | 381,417 | 358,069 | 350,102 |
| Net income | 98,075 | 74,213 | 59,767 | 56,318 | 42,839 |
| AVERAGE BALANCES | | | | | |
| Assets | \$ 8,897,886 | \$ 7,996,286 | \$ 7,583,217 | \$ 7,094,319 | \$ 6,927,929 |
| Loans, net of unearned interest | 4,193,871 | 3,901,853 | 3,579,665 | 3,130,813 | 2,781,084 |
| Securities | 3,421,213 | 2,846,620 | 2,797,114 | 2,918,445 | 3,033,732 |
| Interest-bearing due from banks | 66,814 | | | | |
| Deposits | 6,532,270 | 5,716,202 | 5,488,798 | 5,135,968 | 4,976,037 |
| Long-term debt | 36,404 | 36,905 | 37,570 | 34,820 | 17,579 |
| Shareholders' equity | 933,055 | 874,078 | 843,097 | 829,412 | 821,556 |
| YEAR-END BALANCES | | | | | |
| Assets | \$ 10,976,596 | \$ 9,342,959 | \$ 8,917,765 | \$ 8,247,789 | \$ 7,805,006 |
| Loans, net of unearned interest | 4,410,034 | 3,929,365 | 3,767,565 | 3,393,404 | 2,869,224 |
| Securities | 4,924,407 | 3,486,780 | 3,363,453 | 3,463,817 | 3,825,765 |
| Interest-bearing due from banks | 575,309 | | | | |
| Deposits | 7,725,326 | 6,550,802 | 6,308,964 | 5,920,822 | 5,388,238 |
| Long-term debt | 35,925 | 36,032 | 38,020 | 38,471 | 21,051 |
| Shareholders' equity | 974,811 | 890,574 | 848,875 | 833,463 | 819,182 |
| PER SHARE DATA | | | | | |
| Earnings basic | \$ 2.41 | \$ 1.78 | \$ 1.40 | \$ 1.31 | \$ 0.99 |
| Earnings diluted | 2.38 | 1.77 | 1.40 | 1.30 | 0.99 |
| Cash dividends | 0.66 | 0.57 | 0.52 | 0.46 | 0.43 |
| Dividend payout ratio | 27.18% | 32.02% | 37.14% | 34.73% | 43.43% |
| Book value | \$ 23.81 | \$ 21.55 | \$ 20.08 | \$ 19.39 | \$ 18.93 |
| Market price | | | | | |
| High | 69.60 | 47.06 | 38.04 | 34.25 | 29.45 |
| Low | 35.76 | 34.95 | 31.80 | 26.45 | 23.23 |
| Close | 49.14 | 38.36 | 36.51 | 31.96 | 28.33 |
| Return on average assets | 1.10% | 0.93% | 0.79% | 0.79% | 0.62% |
| Return on average equity | 10.51 | 8.49 | 7.09 | 6.79 | 5.21 |
| Average equity to average assets | 10.49 | 10.93 | 11.12 | 11.69 | 11.86 |
| Total risk-based capital ratio | 14.09 | 14.58 | 14.65 | 16.99 | 19.20 |

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The following presents management's discussion and analysis of the Company's consolidated financial condition, changes in condition, and results of operations. This review highlights the major factors affecting results of operations and any significant changes in financial conditions for the three-year period ended December 31, 2008. It should be read in conjunction with the accompanying Consolidated Financial Statements and other financial statistics appearing elsewhere in the report.

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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; and

Statements regarding the timing of the closing of branch sales and purchases.

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;

Legislative or regulatory changes;

Changes in the interest rate environment;

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

Changes in operations;

Changes in accounting rules;

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

Competitive pressures among financial services companies may increase significantly;

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

Changes in the ability of customers to repay loans;

Changes in loan demand may adversely affect liquidity needs; and

Changes in employee costs.

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

Results of Operations

Overview

The Company continues to focus on the following five strategies which management believes will 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 2008, progress on this strategy was illustrated by an increase in net interest income of 18.2 percent from the previous year. This was accomplished through earning

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asset growth, as well as an overall increase in net interest margin. Average earning assets increased by \$894.4 million, or 12.6 percent from 2007. This earning asset growth was primarily funded with an \$836.2 million increase in average deposits, or 14.3 percent from 2007. Net interest margin, on a tax-equivalent basis, increased 16 basis points as compared to 2007 and net interest spread increased 56 basis points as compared to 2007.

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 2008, noninterest income increased \$24.0 million, or 8.3 percent, compared to 2007. The increase in noninterest income was attributable to higher trust and securities processing income, service charges on deposits, and bankcard fees. Additionally, the increase included an \$8.9 million gain on the mandatory redemption of Visa Inc. common stock. Trust and securities processing increased \$6.7 million, or 5.8 percent. This increase was due to increased fund administration fees of \$6.9 million, or 18.3 percent, compared to 2007. Additionally, record fund flows within total assets under management of \$1.1 billion during 2008, as discussed in the fourth strategy below, contributed to the increase. Service charges on deposits increased by \$5.2 million, or 6.5 percent during 2008. This increase is primarily due to corporate service charges and return item charges. Bankcard fees increased \$3.4 million, or 8.5 percent, during 2008, which is attributable to an increase in card activity. The Company continues to focus on its wholesale health savings and flexible spending account strategy by servicing healthcare providers, third-party administrators and large employers. The Company continues to emphasize its asset management, credit card, health care services, and payments businesses.

The third strategy is to leverage the Company's distribution network. The Company continues to strategically add employees to our footprint and to expand nation-wide in businesses such as Corporate Trust, Private Banking and UMB Fund Services. As evidence of this, the Company entered the Indianapolis, Indiana market in the fourth quarter of 2008 by hiring a team of seasoned Corporate Trust professionals. Repositioning and increasing utilization of our regional distribution network remains a priority. Through the acquisition of a bank in Colorado Springs, Colorado, and by opening two branches and closing one, the Company increased its banking center network to 137 branches.

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. 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 continues to play an important role in the recognition of fee income as discussed in the Business Segment section on pages 26 to 28. Another important part of the Company's asset management strategy is the implementation of an integrated wealth management business model. With twelve client managers, Private Banking has more than \$91 million in loans and nearly \$247 million in deposits. Brokerage fee income has also continued to improve with a 7.9 percent growth since 2007.

The fifth strategy is a focus on capital management. 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. The Company repurchased 580,096 shares of common stock at an average price of \$40.35 per share during 2008. Further, the Company paid \$26.8 million in dividends during 2008, which represents a 12.5 percent increase as compared to 2007. This was a 14.9 percent increase in per share dividends during 2008 compared to 2007. At the end of 2008, the Company had a total risk-based capital ratio of 14.09 percent, which is substantially higher than the 10 percent regulatory minimum to be considered well-capitalized.

Table of Contents**Earnings Summary**

The Company recorded consolidated net income of \$98.1 million for the year ended December 31, 2008. This represents a 32.2 percent increase over 2007. Net income for 2007 increased 24.2 percent compared to 2006. Basic earnings per share for the year ended December 31, 2008 were \$2.41 per share compared to \$1.78 per share in 2007 and \$1.40 per share in 2006. Basic earnings per share for 2008 increased 35.4 percent over 2007, which had increased 27.1 percent over 2006. Fully diluted earnings per share for the year ended December 31, 2008, were \$2.38 per share compared to \$1.77 per share in 2007 and \$1.40 per share in 2006.

The Company's net interest income increased to \$275.1 million in 2008 compared to \$232.7 million in 2007 and \$217.2 million in 2006. The \$42.4 million increase in net interest income in 2008 compared to 2007 is primarily a result of a favorable rate and volume variance. See Table 1 on page 24. The favorable volume variance was led by a 26.8 percent increase in the average balance of taxable securities and a 7.5 percent increase in the average balance of loans and loans held for sale. Net interest spread improved by 58 basis points in 2008 compared to 2007. The rate variance remained positive and continues to benefit from interest-free funds. The impact of this benefit is illustrated on Table 2 on page 25. The \$15.5 million increase in net interest income in 2007 compared to 2006 is primarily a result of both a favorable rate and volume variance. The volume variance was mostly driven by a 9.0 percent increase in loans and loans held for sale in 2007 compared to 2006. The net interest spread increased by 5 basis points in 2007 compared to 2006, and the rate variance was positive and benefited from interest-free funds. The current credit environment has made it difficult to anticipate the future of the Company's margins. The magnitude and duration of this impact will be largely dependent upon the Federal Reserve's policy decisions and market movements. See Table 15 on page 45 for an illustration of the impact of a rate increase or decrease on net interest income as of December 31, 2008.

The Company had an increase of \$24.0 million, or 8.3 percent, in noninterest income in 2008 compared to 2007 and a \$33.8 million, or 13.3 percent, increase in 2007 compared to 2006. During 2008, the increase in noninterest income is attributable to higher trust and securities processing income, service charges on deposits, and bankcard fees. The impact of the Visa, Inc. (Visa) transactions and the sale of the securities transfer product transactions were also contributors to the year-over-year change. Trust and securities processing increased \$6.7 million, or 5.8 percent. This increase was primarily due to the record fund flows within total assets under management of \$1.1 billion during 2008. Service charges on deposits increased by \$5.2 million, or 6.5 percent during 2008. This increase is primarily due to corporate service charges and return item charges. Bankcard fees increased \$3.4 million, or 8.5 percent, during 2008, which is attributable to an increase in card activity. During the first quarter of 2008, the Company recorded an \$8.9 million pre-tax gain on the mandatory partial redemption of Visa class B common stock, which was a direct result of Visa's initial public offering (IPO). These increases were offset by a decrease of \$6.1 million in noninterest income, due to the year-over-year impact of the gain on sale of the securities transfer product. A \$7.2 million pre-tax gain was recognized in 2007 on this sale and a \$1.1 million pre-tax gain was recognized in the third quarter of 2008 as a result of a final contingent payment received. This sale originated in the third quarter of 2007 and was completed in the third quarter of 2008. The change in noninterest income in 2008 from 2007, and 2007 from 2006 is illustrated on Table 5 on page 28.

Noninterest expense increased in 2008 by \$23.0 million, or 5.7 percent, compared to 2007 and increased in 2007 by \$25.7 million, or 6.8 percent, compared to 2006. The category of noninterest expense with the most significant increase in 2008 and 2007 is salaries and employee benefits due to higher base salaries and increased commissions and bonuses related to improved financial performance and partially due to increases in employee benefit expense. The year-over-year impact from the Visa transaction also contributed to the increase. During the fourth quarter of 2007, the Company recorded a pre-tax liability accrual of \$4.6 million related to the Company's estimated share of Visa's covered litigation. The Company reduced this liability accrual in the first quarter of 2008 by \$4.0 million as a result of funding the covered litigation escrow account as part of Visa's IPO process. This accrual contributed to the increase in 2007, but had the opposite impact in 2008 when it was partially reversed. The increase in noninterest expense in 2008 from 2007, and 2007 from 2006 is illustrated on Table 6 on page 29.

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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. Table 1 summarizes the change in net interest income resulting from changes in volume and rates for 2008, 2007 and 2006.

Net interest margin is calculated as net interest income on a fully tax equivalent basis (FTE) as a percentage of average earning assets. A critical component of net interest income and related net interest margin is the percentage of earning assets funded by interest-free sources. Table 2 analyzes net interest margin for the three years ended December 31, 2008, 2007 and 2006. Net interest income, average balance sheet amounts and the corresponding yields earned and rates paid for the years 2004 through 2008 are presented in a table following Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation on pages 43 and 44. Net interest income is presented on a tax-equivalent basis to adjust for the tax-exempt status of earnings from certain loans and investments, which are primarily obligations of state and local governments.

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Table 1

RATE-VOLUME ANALYSIS (in thousands)

This analysis attributes changes in net interest income either to changes in average balances or to changes in average rates for earning assets and interest-bearing liabilities. The change in net interest income is due jointly to both volume and rate and has been allocated to volume and rate in proportion to the relationship of the absolute dollar amount of the change in each. All rates are presented on a tax-equivalent basis and give effect to the disallowance of interest expense for federal income tax purposes, related to certain tax-free assets. The loan average balances and rates include nonaccrual loans.

| Average Volume | | Average Rate | | 2008 vs. 2007 | | Increase (Decrease) | | | |
|----------------|-------------|--------------|-------|---|--|---------------------|-------------|-------------|-----------|
| 2008 | 2007 | 2008 | 2007 | | | Volume | Rate | Total | |
| | | | | Change in interest earned on: | | | | | |
| \$4,193,871 | \$3,901,853 | 5.77% | 6.94% | Loans | | \$ 16,842 | \$ (45,753) | \$ (28,911) | |
| | | | | Securities: | | | | | |
| 2,614,787 | 2,061,994 | 4.22 | 4.73 | Taxable | | 23,330 | (10,553) | 12,777 | |
| 764,070 | 725,765 | 5.20 | 5.12 | Tax-exempt | | 737 | 240 | 977 | |
| 321,757 | 360,288 | 2.42 | 5.18 | Federal funds sold and resell agreements | | (934) | (9,926) | (10,860) | |
| 68,548 | | 0.68 | | Interest-bearing due from banks | | 467 | | 467 | |
| 40,622 | 58,862 | 3.69 | 4.03 | Other | | (688) | (202) | (890) | |
| 8,003,655 | 7,108,762 | 5.02 | 6.00 | Total | | 39,754 | (66,194) | (26,440) | |
| | | | | Change in interest incurred on: | | | | | |
| 4,596,100 | 3,936,104 | 1.95 | 3.05 | Interest-bearing deposits | | 12,887 | (43,360) | (30,473) | |
| 1,288,901 | 1,272,699 | 1.65 | 4.66 | Federal funds purchased and repurchase agreements | | 268 | (38,212) | (37,944) | |
| 53,735 | 49,777 | 3.48 | 4.54 | Other | | 138 | (526) | (390) | |
| \$5,938,736 | \$5,258,580 | 1.90% | 3.46% | Total | | 13,293 | (82,100) | (68,807) | |
| | | | | | | Net interest income | \$ 26,461 | \$ 15,906 | \$ 42,367 |

| Average Volume | | Average Rate | | 2007 vs. 2006 | | Increase (Decrease) | | |
|----------------|-------------|--------------|-------|--|--|---------------------|----------|-----------|
| 2007 | 2006 | 2007 | 2006 | | | Volume | Rate | Total |
| | | | | Change in interest earned on: | | | | |
| \$3,901,853 | \$3,579,665 | 6.94% | 6.66% | Loans | | \$ 22,366 | \$ 9,916 | \$ 32,282 |
| | | | | Securities: | | | | |
| 2,061,994 | 2,059,946 | 4.73 | 4.15 | Taxable | | 97 | 11,897 | 11,994 |
| 725,765 | 682,363 | 5.12 | 4.99 | Tax-exempt | | 1,328 | 493 | 1,821 |
| 360,288 | 378,028 | 5.18 | 5.06 | Federal funds sold and resell agreements | | (919) | 466 | (453) |
| | | | | Interest-bearing due from banks | | | | |
| 58,862 | 56,639 | 4.03 | 4.68 | Other | | 84 | (395) | (311) |

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| | | | | | | | |
|---------------------------------|---------------------|--------------|--------------|---|-----------------|-----------------|------------------|
| 7,108,762 | 6,756,641 | 6.00 | 5.62 | Total | 22,956 | 22,374 | 45,330 |
| Change in interest incurred on: | | | | | | | |
| 3,936,104 | 3,648,158 | 3.05 | 2.66 | Interest-bearing deposits | 8,794 | 14,534 | 23,328 |
| 1,272,699 | 1,148,454 | 4.66 | 4.60 | Federal funds purchased and repurchase agreements | 5,784 | 634 | 6,418 |
| 49,777 | 51,084 | 4.54 | 4.19 | Other | (59) | 183 | 124 |
| <u>\$5,258,580</u> | <u>\$ 4,847,696</u> | <u>3.46%</u> | <u>3.13%</u> | Total | <u>14,519</u> | <u>15,351</u> | <u>29,870</u> |
| Net interest income | | | | | <u>\$ 8,437</u> | <u>\$ 7,023</u> | <u>\$ 15,460</u> |

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Table 2

ANALYSIS OF NET INTEREST MARGIN (in thousands)

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---|--------------|--------------|--------------|
| Average earning assets | \$ 8,003,655 | \$ 7,109,235 | \$ 6,756,931 |
| Interest-bearing liabilities | 5,938,736 | 5,258,580 | 4,847,696 |
| Interest-free funds | \$ 2,064,919 | \$ 1,850,655 | \$ 1,909,235 |
| Free funds ratio (free funds to earning assets) | 25.80% | 26.03% | 28.25% |
| Tax-equivalent yield on earning assets | 5.02% | 6.00% | 5.62% |
| Cost of interest-bearing liabilities | 1.90 | 3.46 | 3.13 |
| Net interest spread | 3.12% | 2.54% | 2.49% |
| Benefit of interest-free funds | 0.48 | 0.90 | 0.89 |
| Net interest margin | 3.60% | 3.44% | 3.38% |

The Company experienced an increase in net interest income of \$42.4 million, or 18.2 percent, for the year 2008 compared to 2007. This follows an increase of \$15.5 million, or 7.1 percent, for the year 2007 compared to 2006. As illustrated in Table 1, the 2008 increase is due to both a favorable volume and a favorable rate variance. The most significant portion of this favorable volume variance is associated with higher securities balances in 2008 and higher loan balances in 2008 and 2007. The favorable volume and rate variances for earning assets were partially offset by corresponding higher volume and rate variances on the liability side of the balance sheet. Deposit gathering campaigns in each year increased the Company's deposit balances. Despite overall declining interest rates in 2008, the Company improved margin by reducing 156 basis points in average cost of interest-bearing liabilities, which more than offset a decrease in average earning asset yield of 98 basis points.

The decrease in the cost of funds has led to a declining beneficial impact from interest-free funds. However, the Company still maintains a significant portion of its deposit funding with noninterest-bearing demand deposits. Noninterest-bearing demand deposits represented 30.9 percent, 32.0 percent and 36.3 percent of total outstanding deposits at December 31, 2008, 2007 and 2006, respectively. As illustrated in Table 2, the impact from these interest-free funds was 48 basis points in 2008, compared to 90 basis points in 2007 and 89 basis points in 2006.

The 2007 increase in net interest income over 2006 is due to both a favorable volume and a favorable rate variance. In addition to the significant favorable volume variance associated with higher loan balances in 2007, the increase in interest rates during the year had a favorable impact on the rate variance for earning assets, which was offset by the increase in rates of repricing liabilities.

The Company has experienced a repricing of a majority of its liabilities during the recent interest rate cycle while its assets continue to reprice. Loans have increased from an average of \$3.9 billion in 2007 to an average of \$4.2 billion in 2008. Loan-related earning assets tend to generate a higher spread than those earned in the Company's investment portfolio. By design, the Company's investment portfolio is relatively short in duration and liquid in its composition of assets. If the Federal Reserve's Open Market Committee maintains rates at current levels, the Company

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anticipates a negative impact to interest income as a result. The magnitude of this impact will be largely dependent upon the Federal Reserve's policy decisions, market movements and the duration of this rate environment.

During 2009, approximately \$984 million of securities are expected to mature and be reinvested. This includes approximately \$300 million which will mature during the first quarter of 2009. Although the Federal Reserve's Open Market Committee's rate cuts during 2008 provided some short term margin boost, the Company expects a reduction in net interest income due to the downward repricing of its asset yields during the next twelve months. The total investment portfolio had an average life of 17.5 months and 29.3 months as of December 31,

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2008 and 2007, respectively. It should be noted that the Company also has a significant portfolio of extremely short-term discount notes as of the end of both 2008 and 2007. These 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, 2008, the amount of such discount notes was approximately \$1.7 billion, and without these discount notes, the average life of the core investment portfolio would have been 25.3 months. At December 31, 2007, the amount of such discount notes was approximately \$724 million, and without these discount notes, the average life of the core investment portfolio would have been 37.1 months.

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.

As shown in Table 3, the ALL has been allocated to various loan portfolio segments. The Company manages the ALL against the risk in the entire loan portfolio and therefore, the allocation of the ALL to a particular loan segment may change in the future. Management of the Company believes the present ALL is adequate considering the Company's loss experience, delinquency trends and current economic conditions. Future economic conditions and borrowers' ability to meet their obligations, however, are uncertainties which could affect the Company's ALL and/or need to change its current level of provision.

Table 3

ALLOCATION OF ALLOWANCE FOR LOAN LOSSES (in thousands)

This table presents an allocation of the allowance for loan losses by loan categories. The breakdown is based on a number of qualitative factors; therefore, the amounts presented are not necessarily indicative of actual future charge-offs in any particular category.

| Loan Category | December 31 | | | | |
|-----------------|-------------|-----------|-----------|-----------|-----------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Commercial | \$ 31,617 | \$ 30,656 | \$ 31,136 | \$ 28,445 | \$ 17,325 |
| Consumer | 10,893 | 9,743 | 10,387 | 10,726 | 20,806 |
| Real estate | 9,678 | 5,520 | 3,333 | 1,572 | 4,292 |
| Agricultural | 59 | 17 | 20 | 32 | 250 |
| Leases | 50 | 50 | 50 | 50 | 50 |
| Total allowance | \$ 52,297 | \$ 45,986 | \$ 44,926 | \$ 40,825 | \$ 42,723 |

Table 4 presents a five-year summary of the Company's ALL. Also, please see Quantitative and Qualitative Disclosures About Market Risk Credit Risk on pages 47 and 48 in this report for information relating to nonaccrual, past due, restructured loans, and other credit risk matters.

As illustrated in Table 4 below, the ALL increased slightly as a percentage of total loans to 1.19 percent as of December 31, 2008 compared to 1.17 percent as of December 31, 2007. Based on the factors above, management of the Company expensed an additional \$8.5 million, or 91.3 percent, related to the provision for loan losses in 2008 compared to 2007. This growth is primarily attributable to an increased inherent risk and the overall growth in the loan portfolio. This compares to a \$0.6 million, or 6.9 percent increase in the provision for loan losses in 2007 compared to 2006.

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Table 4

ANALYSIS OF ALLOWANCE FOR LOAN LOSSES (in thousands)

| | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Allowance-beginning of year | \$ 45,986 | \$ 44,926 | \$ 40,825 | \$ 42,723 | \$ 43,494 |
| Provision for loan losses | 17,850 | 9,333 | 8,734 | 5,775 | 5,370 |
| Allowance of banks and loans acquired | 216 | | 2,359 | | |
| Charge-offs: | | | | | |
| Commercial | (4,281) | (2,615) | (5,861) | (2,261) | (2,150) |
| Consumer | | | | | |
| Bankcard | (8,092) | (5,684) | (4,522) | (5,925) | (5,541) |
| Other | (4,147) | (3,857) | (2,554) | (1,918) | (2,050) |
| Real estate | (61) | (318) | | (3) | (4) |
| Total charge-offs | (16,581) | (12,474) | (12,937) | (10,107) | (9,745) |
| Recoveries: | | | | | |
| Commercial | 1,338 | 1,046 | 3,494 | 443 | 1,257 |
| Consumer | | | | | |
| Bankcard | 1,253 | 1,107 | 1,073 | 1,008 | 1,129 |
| Other | 2,220 | 2,032 | 1,376 | 981 | 1,217 |
| Real estate | 15 | 16 | 2 | 2 | 1 |
| Total recoveries | 4,826 | 4,201 | 5,945 | 2,434 | 3,604 |
| Net charge-offs | (11,755) | (8,273) | (6,992) | (7,673) | (6,141) |
| Allowance-end of year | \$ 52,297 | \$ 45,986 | \$ 44,926 | \$ 40,825 | \$ 42,723 |
| Average loans, net of unearned interest | \$ 4,175,658 | \$ 3,888,149 | \$ 3,562,038 | \$ 3,109,774 | \$ 2,758,312 |
| Loans at end of year, net of unearned interest | 4,388,148 | 3,917,125 | 3,753,445 | 3,373,944 | 2,845,196 |
| Allowance to loans at year-end | 1.19% | 1.17% | 1.20% | 1.21% | 1.50% |
| Allowance as a multiple of net charge-offs | 4.45x | 5.56x | 6.43x | 5.32x | 6.96x |
| Net charge-offs to: | | | | | |
| Provision for loan losses | 65.86% | 88.64% | 80.04% | 132.87% | 114.36% |
| Average loans | 0.28 | 0.21 | 0.20 | 0.25 | 0.22 |

Noninterest Income

A key objective of the Company is the growth of noninterest income to enhance profitability and provide steady income, as fee-based services are typically non-credit related and are not generally affected by fluctuations in interest rates. Noninterest income increased \$24.0 million, or 8.3 percent, in 2008 compared to 2007. During 2008, the increase in noninterest income is attributable to higher trust and securities processing income, service charges on deposits, bankcard fees, and the gain on the mandatory redemption of Visa Inc. common stock. Trust and securities processing increased \$6.7 million, or 5.8 percent. This increase was due to the record fund flows in total assets under management of \$1.1 billion during 2008 and an increase of \$6.9 million, or 18.3 percent, in fund administration fees over 2007. Service charges on deposits increased by \$5.2 million, or 6.5 percent during 2008. This increase is primarily due to corporate service charges and return item charges. Bankcard fees increased \$3.4 million, or 8.5 percent, during 2008, which is attributable to an increase in card activity. During the first quarter of 2008, the

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Company recorded an \$8.9 million pre-tax gain on the mandatory partial redemption of Visa, Inc. common stock. These increases were offset by a decrease of \$6.1 million in noninterest income, due to the year-over-year impact of the gain on sale of the securities transfer product which originated in 2007.

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The Company's fee-based services provide the opportunity to offer multiple products and services to customers which management believes will more closely align the customer's product demand 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, securities trading/brokerage and cash/treasury management. Management believes that it can offer these products and services both efficiently and profitably, as most have common platforms and support structures. An example of this support structure is the implementation of an integrated wealth management business model. With twelve client managers, Private Banking has more than \$91 million in loans and nearly \$247 million in deposits. These Private Banking relationships provide an excellent opportunity to offer the client the Company's fee-based services.

Table 5

SUMMARY OF NONINTEREST INCOME (in thousands)

| | Year Ended December 31 | | | | | | |
|---|------------------------|-------------------|-------------------|------------------|------------------|----------------|--------------|
| | | | | Dollar Change | | Percent Change | |
| | 2008 | 2007 | 2006 | 08-07 | 07-06 | 08-07 | 07-06 |
| Trust and securities processing | \$ 122,255 | \$ 115,585 | \$ 98,250 | \$ 6,670 | \$ 17,335 | 5.8% | 17.6% |
| Trading and investment banking | 19,636 | 19,288 | 18,192 | 348 | 1,096 | 1.8 | 6.0 |
| Service charges on deposit accounts | 85,064 | 79,880 | 73,598 | 5,184 | 6,282 | 6.5 | 8.5 |
| Insurance fees and commissions | 4,564 | 3,418 | 3,956 | 1,146 | (538) | 33.5 | (13.6) |
| Brokerage fees | 8,660 | 8,023 | 6,228 | 637 | 1,795 | 7.9 | 28.8 |
| Bankcard fees | 43,348 | 39,972 | 38,759 | 3,376 | 1,213 | 8.5 | 3.1 |
| Gain on sale of securities transfer, net | 1,090 | 7,218 | | (6,128) | 7,218 | (84.9) | 100.0 |
| Gains on sales of securities available for sale, net | 3,334 | 1,010 | 117 | 2,324 | 893 | >100.0 | >100.0 |
| Gain on mandatory redemption of Visa, Inc. common stock | 8,875 | | | 8,875 | | 100.0 | |
| Other | 15,957 | 14,394 | 15,845 | 1,563 | (1,451) | 10.9 | (9.2) |
| Total noninterest income | \$ 312,783 | \$ 288,788 | \$ 254,945 | \$ 23,995 | \$ 33,843 | 8.3% | 13.3% |

Noninterest income and the year-over-year changes in noninterest income are summarized in Table 5 above. The dollar change and percent change columns highlight the respective net increase or decrease in the categories of noninterest income in 2008 compared to 2007 and in 2007 compared to 2006.

Trust and securities processing income consists of fees earned on personal and corporate trust accounts, custody of securities services, trust investments and money management services, and mutual fund assets servicing. These fees increased year-over-year for the past two years by 5.8 percent and 17.6 percent, respectively. The increase in trust and securities processing fees in 2008 compared to 2007 was primarily a result of the record fund flows within total assets under management of \$1.1 billion. Additionally, there was a \$6.9 million increase in fund administration fees earned. Trust and securities processing fees and fund administration fees were also the primary reasons for the respective increases in this category in 2007 compared to 2006 with a \$1.0 million increase in management fees earned by Scout Investment Advisors, Inc. (a subsidiary of the Company) and specifically related to the UMB Scout Funds, which are a family of proprietary mutual funds managed by Scout Investment Advisors, Inc. There was also an approximate \$6.0 million increase in fund administration fees earned by UMB Fund Services

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in 2007 compared to 2006. As the income from these two services is highly correlated to the market value of assets and the overall health of the equity and financial markets, management expects 2009 revenue to remain flat as compared to 2008. 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.

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Service charges on deposit accounts increased by 6.5 percent in 2008 compared to 2007, whereas this category increased by 8.5 percent in 2007 compared to 2006. The increase in both 2008 and 2007 is due mostly to greater individual overdrafts and return item charges. Pricing increases and changes (such as improved technology) in overdraft and collection procedures have been the primary reasons for this increase.

Brokerage fees increased \$0.6 million, or 7.9 percent, and \$1.8 million, or 28.8 percent, in 2008 and 2007, respectively. Management's continued focus on its distribution network and the commercial customer base has yielded these improved results. The increase in brokerage fees in 2008 and 2007 was primarily attributable to institutional money market and other asset-backed fee income.

Bankcard fees increased \$3.4 million, or 8.5 percent, and \$1.2 million, or 3.1 percent, in 2008 and 2007, respectively. The increase in both years reflects both higher card volume and a greater average transaction dollar amount. The credit card rebate programs in place encourage increased usage by both consumer and commercial customers. To illustrate the continued success of this program, commercial cardholder volume increased 15.8 percent in 2008.

During 2007, the Company sold the security transfer product to a third party for a pre-tax gain of \$7.2 million. The agreement included residual contingent payments, which the Company could receive if certain revenue targets were met over the twelve month period after the sale date. In the third quarter of 2008, the Company recorded an additional pre-tax gain of \$1.1 million from the final contingent payment. These combined transactions resulted in a year-over-year decrease in noninterest income of \$6.1 million.

During the first quarter of 2008, the Company recorded an \$8.9 million pre-tax gain on the mandatory partial redemption of Visa, Inc. common stock. This transaction was a direct result of Visa, Inc.'s initial public offering, which required the Company to redeem a portion of its holdings of Class B shares.

Noninterest Expense

Noninterest expense increased in both 2008 and 2007 compared to the respective prior years. Table 6 below summarizes the components of noninterest expense and the respective year-over-year changes for each category.

Table 6

SUMMARY OF NONINTEREST EXPENSE (in thousands)

| Year Ended December 31 | | | | | | |
|------------------------|------|------|---------------|-------|----------------|-------|
| | | | Dollar Change | | Percent Change | |
| 2008 | 2007 | 2006 | 08-07 | 07-06 | 08-07 | 07-06 |
| | | | | | | |

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| | | | | | | | |
|------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------|-------------|
| Salaries and employee benefits | \$ 227,938 | \$ 206,883 | \$ 193,980 | \$ 21,055 | \$ 12,903 | 10.2% | 6.7% |
| Occupancy, net | 32,472 | 30,255 | 27,776 | 2,217 | 2,479 | 7.3 | 8.9 |
| Equipment | 53,044 | 52,711 | 48,968 | 333 | 3,743 | 0.6 | 7.6 |
| Supplies and services | 24,221 | 23,435 | 22,805 | 786 | 630 | 3.4 | 2.8 |
| Marketing and business development | 19,431 | 15,443 | 14,835 | 3,988 | 608 | 25.8 | 4.1 |
| Processing fees | 32,742 | 29,861 | 28,292 | 2,881 | 1,569 | 9.6 | 5.5 |
| Legal and consulting | 8,214 | 8,451 | 8,175 | (237) | 276 | (2.8) | 3.4 |
| Bankcard | 11,537 | 11,064 | 13,831 | 473 | (2,767) | 4.3 | (20.0) |
| Amortization of intangibles | 3,105 | 2,943 | 1,600 | 162 | 1,343 | 5.5 | 83.9 |
| Covered litigation provision | (4,023) | 4,628 | | (8,651) | 4,628 | (>100.0) | 100.0 |
| Other | 21,472 | 21,490 | 21,155 | (18) | 335 | (0.1) | 1.6 |
| Total noninterest expense | \$ 430,153 | \$ 407,164 | \$ 381,417 | \$ 22,989 | \$ 25,747 | 5.6% | 6.8% |

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Salaries and employee benefits expense increased by 10.2 percent and 6.7 percent in 2008 and 2007, respectively. The increase in both 2008 and in 2007 is primarily due to higher base salaries and an increase in commission and bonus expenses related to the Company's improved financial performance for the year. During 2008, the Company experienced increases in employee benefits expenses that include a \$2.0 million increase in the Company match of the 401(k) and contribution to the profit sharing plan and a \$1.4 million increase in health insurance costs associated with the Company's self-funded insurance plan. During 2007, the Company also experienced increases in employee benefits expenses that include a \$1.1 million increase in the Company match of the 401(k) and profit sharing plan and a \$0.7 million increase in health insurance costs.

Occupancy expense increased by 7.3 percent and 8.9 percent in 2008 and 2007, respectively. These increases are attributable to building repair and maintenance costs.

Marketing and business development expense increased by 25.8 percent and 4.1 percent in 2008 and 2007, respectively. For both years, the expense increased primarily due to the additional cost of campaigns specifically designed to gather deposits.

Processing fees increased by 9.6 percent and 5.5 percent in 2008 and 2007, respectively. The increase in both years is primarily attributable to an increase in shareholder servicing and other administration fees paid to investment advisors related to the UMB Scout Funds. The amount of such fees paid in future years is dependent upon assets under management (affected by both fund flows as well as market values), and is expected to generally correlate to trends in the equity markets. Additional processing fee increases in both years are attributable to third party custodial fees related to international transactions from mutual fund clients.

During the fourth quarter of 2007, the Company, as a member of Visa U.S.A. Inc. (Visa USA), received shares of restricted stock in Visa, Inc. (Visa) as a result of its participation in the global restructuring of Visa USA., Visa Canada Association, and Visa International Service Association, in preparation for an initial public offering. Based on this participation, the Company and other Visa USA member banks became aware of an obligation to provide indemnification to Visa in connection with its potential losses resulting from covered litigation as described in Visa's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on December 21, 2007. This covered litigation provision contributed to the increase in noninterest expense in 2007, but had the opposite impact in 2008 when it was reversed.

Income Taxes

Income tax expense totaled \$41.8 million, \$30.8 million and \$22.3 million in 2008, 2007 and 2006, respectively. These amounts equate to effective rates of 29.9 percent, 29.3 percent, and 27.1 percent for 2008, 2007 and 2006, respectively. The primary reason for the difference between the Company's effective tax rate and the statutory tax rate is the effect of non-taxable income from municipal securities. The increase in the effective tax rate in 2008 and 2007 was primarily a result of tax-exempt income representing a smaller percentage of pre-tax net income.

Business Segments

The Company's operations are strategically aligned into six major segments: Commercial Banking and Lending, Payment and Technology Solutions, Banking Services, Consumer Services, Asset Management, and Fund Services. The segments are differentiated by both the customers served and the products and services offered. Note 13 to the Consolidated Financial Statements describes how these segments are identified and presents financial results of the segments for the years ended December 31, 2008, 2007 and 2006. The Treasury and Other Adjustments category includes items not directly associated with any other segment.

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Commercial Banking and Lending's net income before taxes for 2008 decreased \$6.0 million, or 25.4 percent, to \$17.7 million compared to 2007. In 2007, the pre-tax net income increased from 2006 by \$1.2 million,

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or 5.5 percent, to \$23.7 million. For 2008, the decrease in net income was driven primarily by an increase in noninterest expense of \$6.1 million, or 20.0 percent, from 2007, and an increase in the provision for loan losses of \$2.2 million, or 55.0 percent. This increase was partially offset by a \$2.6 million increase in net interest income driven primarily by loan growth. The non-interest expense increase was primarily attributable to an increase in salaries and benefits from the transfer of associates from Consumer Services and increased incentive expenses due to sales growth. Provision has increased due to total loans in this segment increasing by \$403.8 million, or 14.4 percent, and to ensure the allowance for loan losses is adequately funded for the inherent risk in the loan portfolio. Management anticipates a recessionary economic environment during 2009, which will continue to place pressure on income growth in this segment.

Payment and Technology Solutions 2008 net income before taxes increased \$10.3 million, or 19.2 percent, to \$63.8 million compared to 2007. In 2007, net income before taxes increased over 2006 by \$12.2 million, or 29.6 percent. The increase in 2008 was primarily a result of a \$19.6 million increase in net interest income as a result of increased deposit balances and enhanced margin. Noninterest income decreased \$2.9 million, or 4.3 percent, due to the 2007 sale of the securities transfer product for an initial gain of \$7.2 million, which was partially offset by increases in treasury management deposit service charge income and in card services income related to commercial cards and health care solutions. Noninterest expense increased \$6.3 million, or 7.5 percent, compared to 2007 primarily from an increase in technology allocations driven by increased investments for this segment. The Company has focused significant resources into creating and enhancing products and services to keep the Company in step with clients' changing needs.

Banking Services pre-tax net income was \$1.0 million for 2008, which was a \$2.4 million increase from 2007 pre-tax loss of \$1.4 million. The 2007 pre-tax net loss for this segment increased \$3.3 million over 2006. For 2008, the increase in pre-tax net income was primarily attributable to an increase in noninterest income of \$6.1 million, or 24.3 percent, from 2007; offset by increases in noninterest expenses of \$4.6 million, mainly in salaries, commissions and benefits. The revenue increase is attributable to both an increase in volume and margin, particularly in the first four months of 2008, as banks tightened lending practices and increased their investment portfolios. Activity and margins compressed somewhat in the second half of 2008. Management believes that economic factors will make it difficult to increase net interest margin, deposit service charges, and trading income in this segment in 2009.

Consumer Services net income before taxes for 2008 increased by \$10.2 million to \$11.3 million compared to 2007. Pre-tax net income decreased by \$2.4 million in 2007 to \$1.1 million compared to 2006. In 2008, the increase in net income before taxes was driven by an increase in net interest income of \$11.8 million, or 12.1 percent, noninterest income increased \$5.5 million, or 8.2 percent, and was offset by an increase in provision for loan losses of \$6.2 million, or 116.6 percent, from 2007. Net interest income increased due to deposits growing by \$307 million, or 10.1 percent, a decline in indirect loans with a corresponding replacement of these balances with loan products with greater yields, and managing the deposit yields as the market rates fell. Noninterest income increased \$5.5 million, or 8.2 percent, primarily due to an increase in individual return item and overdraft activity, growth in credit and debit card services income, and insurance and annuity sales. Noninterest expense increased by \$0.9 million, or 0.6 percent, primarily from an increase in occupancy-related expenses from new locations opened, which were offset by a decrease in salary expense from a reclassification of associates from this segment to Commercial Banking and Lending.

Asset Management's pre-tax net income in 2008 was \$23.0 million, which is a decrease of \$2.5 million, or 9.8 percent, from 2007. This compares to a \$11.6 million, or 83.4 percent, increase in pre-tax net income in 2007 compared to 2006. The decrease in pre-tax net income was attributable to increases in noninterest expense, partially offset by increases in noninterest income. Noninterest income increased 2.7 percent, mostly due to fees associated with the UMB Scout Funds, corporate and personal trust income, and brokerage service fees. However, fees were significantly affected by the downturn in the equity markets, particularly in the fourth quarter. Over 75 percent of the business unit's noninterest income is based on the market value of the assets it manages and administers. Noninterest expense also increased mainly from increases in salaries, commissions and

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benefits. While market declines reduced revenue during the year, investment management and sales performance was very strong, increasing commissions and incentives. Net flows to the UMB Scout Funds were \$1.1 billion for 2008 compared to \$60 million for 2007. Management will continue to focus sales efforts to increase net flows to the UMB Scout Funds during 2009. Because the ability of the Company to maintain or grow the fee income from this segment is related to the overall health of the equity and financial markets, management expects 2009 revenue to remain flat compared to 2008. The assets under management in this segment are diversified across multiple asset classes with approximately 36 percent in the international class, 28 percent in the fixed income class, 20 percent in the U.S. large capitalization class, 9 percent in the short term investment class, and 7 percent in the small and middle capitalization class. Management believes this diversification helps provide protection against significant market changes in any one asset class. The revenues of the corporate trust business increased over 2007 by \$1.4 million, or 11.0 percent, primarily due to the expansion into new markets.

Fund Services pre-tax net income increased in both 2008 and 2007 to \$12.5 million and \$4.8 million, respectively. Pre-tax net income increased \$7.6 million, or 158.2 percent, in 2008 as a result of both significantly higher net interest margin and a 17.9 percent increase in noninterest income, partially offset by increased noninterest expense. Net interest income increased \$5.7 million over 2007 as money market deposits in this segment increased to over \$600 million in reaction to the volatility of stock prices and increased fund redemption needs, despite dramatically declining rates. Noninterest income grew \$6.8 million over 2007 due to an increased fund client base and higher asset-based fees through the first half of 2008. Noninterest expense increased mostly due to higher third party custodian fees related to international transactions from mutual fund clients. While pretax net income increased for 2008 compared to 2007, income declined in both the third and fourth quarters as a result of declining margin despite higher deposits, and decreases in asset and transaction based fees related to overall market declines.

The net gain before tax for the Treasury and Other Adjustments category was \$10.6 million for 2008, compared to a net loss of \$2.3 million for 2007 and a net loss of \$1.9 million for 2006. The gain in 2008 includes the \$8.9 million gain on the mandatory redemption of Visa, Inc. class B common stock.

Balance Sheet Analysis

Loans and Loans Held For Sale

Loans represent the Company's largest source of interest income. Loan balances excluding loans held for sale increased by \$471.0 million in 2008 due to management's continued efforts to focus on new commercial and consumer loan relationships. Commercial, commercial real estate and residential real estate loans had the most significant growth in outstanding balances in 2008 compared to 2007. These increases were offset by a decrease in consumer loans primarily related to the Company's decision to run-off the indirect auto portfolio.

Included in Table 7 is a five-year breakdown of loans by type. Business-related loans continue to represent the largest segment of the Company's loan portfolio, comprising approximately 73.9 percent and 68.3 percent of total loans and loans held for sale at the end of 2008 and 2007, respectively. The Company targets customers that will utilize multiple banking services and products.

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Table 7

ANALYSIS OF LOANS BY TYPE (in thousands)

| | December 31 | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Commercial | \$ 2,053,675 | \$ 1,700,789 | \$ 1,472,113 | \$ 1,419,723 | \$ 1,147,831 |
| Agricultural | 74,837 | 68,716 | 92,680 | 77,773 | 56,797 |
| Leases | 9,895 | 6,113 | 5,781 | 6,068 | 5,154 |
| Real estate construction | 89,960 | 83,292 | 84,141 | 47,403 | 27,205 |
| Real estate commercial | 1,030,227 | 823,531 | 752,336 | 567,062 | 471,840 |
| Total business-related | 3,258,594 | 2,682,441 | 2,407,051 | 2,118,029 | 1,708,827 |
| Bankcard | 254,154 | 227,216 | 193,838 | 183,380 | 172,691 |
| Other consumer installment | 315,725 | 568,610 | 788,487 | 804,390 | 774,414 |
| Real estate residential | 559,675 | 438,858 | 364,069 | 268,145 | 189,264 |
| Total consumer-related | 1,129,554 | 1,234,684 | 1,346,394 | 1,255,915 | 1,136,369 |
| Loans before allowance and loans held for sale | 4,388,148 | 3,917,125 | 3,753,445 | 3,373,944 | 2,845,196 |
| Allowance for loan losses | (52,297) | (45,986) | (44,926) | (40,825) | (42,723) |
| Net loans before loans held for sale | 4,335,851 | 3,871,139 | 3,708,519 | 3,333,119 | 2,802,473 |
| Loans held for sale | 21,886 | 12,240 | 14,120 | 19,460 | 24,028 |
| Net loans and loans held for sale | \$ 4,357,737 | \$ 3,883,379 | \$ 3,722,639 | \$ 3,352,579 | \$ 2,826,501 |
| As a % of total loans and loans held for sale | | | | | |
| Commercial | 46.57% | 43.28% | 39.07% | 41.84% | 40.00% |
| Agricultural | 1.70 | 1.75 | 2.46 | 2.29 | 1.98 |
| Leases | 0.22 | 0.16 | 0.15 | 0.18 | 0.18 |
| Real estate construction | 2.04 | 2.12 | 2.23 | 1.40 | 0.95 |
| Real estate commercial | 23.36 | 20.96 | 19.98 | 16.71 | 16.44 |
| Total business-related | 73.89 | 68.27 | 63.89 | 62.42 | 59.55 |
| Bankcard | 5.76 | 5.78 | 5.14 | 5.40 | 6.02 |
| Other consumer installment | 7.16 | 14.47 | 20.93 | 23.71 | 26.99 |
| Real estate residential | 12.69 | 11.17 | 9.67 | 7.90 | 6.60 |
| Total consumer-related | 25.61 | 31.42 | 35.74 | 37.01 | 39.61 |
| Loans held for sale | 0.50 | 0.31 | 0.37 | 0.57 | 0.84 |
| Total loans and loans held for sale | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Commercial loans represent the largest percent of total loans. Commercial loans increased in volume and as a percentage of total loans compared to 2007. The volume increase was a result of management's continued efforts to focus on new loan relationships.

As a percentage of total loans, commercial real estate and real estate construction loans now comprise 25.4 percent of total loans, compared to 23.1 percent at the end of 2007. Generally, these loans are made for working capital or expansion purposes and are primarily secured by real estate with a maximum loan-to-value of 80 percent. Many of these properties are owner-occupied and have other collateral or guarantees as security.

Bankcard loans have increased in 2008 compared to 2007. The increase in bankcard loans is due primarily to increased promotional activity and rewards programs. Bankcard loans continue to be an area of emphasis for the Company.

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Other consumer installment loans have decreased in total amount outstanding and as a percentage of loans. During the third quarter of 2007, the Company made the decision to allow the indirect auto 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.

Real estate residential loans, although low in overall balances, have grown more rapidly than overall loan growth. The growth in these loans was primarily attributable to home equity lines of credit (HELOC). The HELOC growth was a result of the success of multiple promotions, as well as market penetration within the Company's current customer base through its current distribution channels. Continued expansion of this portfolio is anticipated.

Nonaccrual, past due and restructured loans are discussed under **Credit Risk** within the Quantitative and Qualitative Disclosure about Market Risk in Item 7A on pages 47 and 48 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 securities portfolio is to maximize return within the Company's parameters of liquidity goals, interest rate risk and credit risk. The Company maintains high liquidity levels while investing in only high-grade securities. The security portfolio generates the Company's second largest component of interest income.

Securities available for sale and securities held to maturity comprised 48.2 percent of earning assets as of December 31, 2008, compared to 42.4 percent at year-end 2007. Total investment securities totaled \$4.9 billion at December 31, 2008, compared to \$3.5 billion at year-end 2007. Management expects collateral pledging requirements for public funds and loan demand to be the primary factors impacting changes in the level of security holdings.

Securities available for sale comprised 97.8 percent of the Company's investment securities portfolio at December 31, 2008, compared to 97.1 percent at year-end 2007. Securities available for sale had a net unrealized gain of \$64.8 million at year-end, compared to a net unrealized gain of \$19.3 million the preceding year. These amounts are reflected, on an after-tax basis, in the Company's other comprehensive income in shareholders' equity, as an unrealized gain of \$41.1 million at year-end 2008 compared to an unrealized gain of \$12.2 million for 2007.

The securities portfolio achieved an average yield on a tax-equivalent basis of 4.4 percent for 2008, compared to 4.8 percent in 2007 and 4.4 percent in 2006. The decrease in yield is due to the replacement of higher yielding securities with lower yielding securities as the investment portfolio is reinvested. The average life of the securities portfolio was 17.5 months at December 31, 2008 compared to 29.3 months at year-end 2007.

Included in Tables 8 and 9 are analyses of the cost, fair value and average yield (tax-equivalent basis) of securities available for sale and securities held to maturity.

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The securities portfolio contains securities that have unrealized losses and are not deemed to be other-than-temporarily impaired (see the table of these securities in Note 4 to the Consolidated Financial Statements on page 63 of this document). There are federal agency mortgage backed securities and municipal securities that have had unrealized losses for greater than 12 months. These unrealized losses resulted from interest rate volatility in the markets and were not related to the credit quality of the investments. The Company has the ability and intent to hold these investments until a recovery of fair value is achieved, which may be maturity. Therefore, management does not consider these securities to be other-than-temporarily impaired at December 31, 2008.

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Table 8

SECURITIES AVAILABLE FOR SALE (in thousands)

| <u>December 31, 2008</u> | <u>Amortized Cost</u> | <u>Fair Value</u> |
|----------------------------------|-----------------------|---------------------|
| U.S. Treasury | \$ 456,183 | \$ 467,961 |
| U.S. Agencies | 2,216,866 | 2,240,524 |
| Mortgage-backed | 1,283,036 | 1,299,003 |
| State and political subdivisions | 793,171 | 807,584 |
| Total | \$ 4,749,256 | \$ 4,815,072 |

| <u>December 31, 2007</u> | <u>Amortized Cost</u> | <u>Fair Value</u> |
|----------------------------------|-----------------------|---------------------|
| U.S. Treasury | \$ 420,319 | \$ 432,032 |
| U.S. Agencies | 1,162,406 | 1,169,969 |
| Mortgage-backed | 1,052,304 | 1,049,444 |
| State and political subdivisions | 730,712 | 734,507 |
| Total | \$ 3,365,741 | \$ 3,385,952 |

| | <u>U.S. Treasury Securities</u> | | <u>U.S. Agency Securities</u> | | <u>Mortgage-backed Securities</u> | |
|------------------------------------|---------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| | <u>Fair Value</u> | <u>Weighted Average Yield</u> | <u>Fair Value</u> | <u>Weighted Average Yield</u> | <u>Fair Value</u> | <u>Weighted Average Yield</u> |
| <u>December 31, 2008</u> | | | | | | |
| Due in one year or less | \$ 329,628 | 3.05% | \$ 1,230,489 | 1.87% | \$ 168,468 | 4.37% |
| Due after 1 year through 5 years | 138,333 | 4.91 | 1,010,035 | 2.84 | 1,099,414 | 2.31 |
| Due after 5 years through 10 years | | | | | 14,667 | 4.85 |
| Due after 10 years | | | | | 16,454 | 5.68 |
| Total | \$ 467,961 | 3.60% | \$ 2,240,524 | 2.30% | \$ 1,299,003 | 4.67% |

| <u>December 31, 2008</u> | <u>State and Political Subdivisions</u> | | |
|--------------------------|---|-------------------------------|-------------------------|
| | <u>Fair Value</u> | <u>Weighted Average Yield</u> | <u>Total Fair Value</u> |
| Due in one year or less | \$ 125,020 | 4.56% | \$ 1,853,605 |

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| | | | |
|------------------------------------|-------------------|--------------|---------------------|
| Due after 1 year through 5 years | 447,774 | 5.10 | 2,695,556 |
| Due after 5 years through 10 years | 204,659 | 5.63 | 219,326 |
| Due after 10 years | 30,131 | 6.04 | 46,585 |
| Total | \$ 807,584 | 5.18% | \$ 4,815,072 |

| | U.S. Treasury Securities | | U.S. Agency Securities | | Mortgage-backed Securities | |
|------------------------------------|--------------------------|------------------------|------------------------|------------------------|----------------------------|------------------------|
| | Fair Value | Weighted Average Yield | Fair Value | Weighted Average Yield | Fair Value | Weighted Average Yield |
| December 31, 2007 | | | | | | |
| Due in one year or less | \$ 90,330 | 4.33% | \$ 620,242 | 4.33% | \$ 128,149 | 3.39% |
| Due after 1 year through 5 years | 341,702 | 4.83 | 549,727 | 4.81 | 887,591 | 4.89 |
| Due after 5 years through 10 years | | | | | 21,407 | 4.86 |
| Due after 10 years | | | | | 12,297 | 5.62 |
| Total | \$ 432,032 | 4.72% | \$ 1,169,969 | 4.55% | \$ 1,049,444 | 4.72% |

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| | State and Political Subdivisions | | |
|------------------------------------|-------------------------------------|------------------------------|---------------------|
| | Fair Value | Weighted Average Yield | Total Fair Value |
| December 31, 2007 | | | |
| Due in one year or less | \$ 99,008 | 4.98% | \$ 937,729 |
| Due after 1 year through 5 years | 365,389 | 5.05 | 2,144,409 |
| Due after 5 years through 10 years | 218,134 | 5.43 | 239,541 |
| Due after 10 years | 51,976 | 5.90 | 64,273 |
| Total | \$ 734,507 | 5.20% | \$ 3,385,952 |

Table 9

SECURITIES HELD TO MATURITY (in thousands)

| | Amortized Cost | Fair Value | Weighted Average Yield/Average Maturity |
|------------------------------------|-------------------|------------------|--|
| December 31, 2008 | | | |
| Due in one year or less | \$ | \$ | % |
| Due after 1 year through 5 years | 11,503 | 13,270 | 5.43% |
| Due after 5 years through 10 years | 15,744 | 18,162 | 4.82% |
| Due over 10 years | 22,103 | 25,497 | 4.36% |
| Total | \$ 49,350 | \$ 56,929 | 12 yr. 3 mo. |

December 31, 2007

| | | | |
|------------------------------------|------------------|------------------|---------------------|
| Due in one year or less | \$ 1,423 | \$ 1,593 | 5.74% |
| Due after 1 year through 5 years | 8,006 | 8,974 | 5.05% |
| Due after 5 years through 10 years | 16,780 | 18,809 | 6.70% |
| Due over 10 years | 11,449 | 12,833 | 5.15% |
| Total | \$ 37,658 | \$ 42,209 | 11 yr. 3 mo. |

Other Earning Assets

Federal funds transactions essentially are overnight loans between financial institutions, which allow for either the daily investment of excess funds or the daily borrowing of another institution's funds in order to meet short-term liquidity needs. The net sold position was \$84.9 million at December 31, 2008 and \$202.7 million at December 31, 2007.

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The Company's principal affiliate bank buys and sells federal funds as agent for non-affiliated banks. Because the transactions are pursuant to agency arrangements, these transactions do not appear on the balance sheet and averaged \$777.2 million in 2008 and \$634.4 million in 2007.

At December 31, 2008, the Company held securities bought under agreements to resell of \$150.2 million compared to \$509.3 million at year-end 2007. The Company used these instruments as short-term secured investments, in lieu of selling federal funds, or to acquire securities required for a repurchase agreement. These investments averaged \$161.0 million in 2008 and \$224.0 million in 2007.

The Company also maintains an active securities trading inventory. The average holdings in the securities trading inventory in 2008 were \$40.6 million, compared to \$57.0 million in 2007, and were recorded at market value. As discussed at Quantitative and Qualitative Disclosures About Market Risk Trading Account in Part II, Item 7A on page 47 below, the Company offsets the trading account securities by the sale of exchange-traded financial futures contracts, with both the trading account and futures contracts marked to market daily.

Table of Contents**Deposits and Borrowed Funds**

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 asset management and mutual fund servicing segments in order to attract and retain additional core deposits. Deposits totaled \$7.7 billion at December 31, 2008 and \$6.6 billion at year-end 2007. Deposits averaged \$6.5 billion in 2008 and \$5.7 billion in 2007. The Company continually strives to expand, improve and promote its cash management services in order to attract and retain commercial funding customers.

Noninterest bearing demand deposits averaged \$1.9 billion in 2008 and \$1.8 billion in 2007. These deposits represented 29.6 percent of average deposits in 2008, compared to 31.1 percent in 2007. The Company's large commercial customer base provides a significant source of noninterest bearing deposits. Many of these commercial accounts do not earn interest; however, they receive an earnings credit to offset the cost of other services provided by the Company.

*Table 10***MATURITIES OF TIME DEPOSITS OF \$100,000 OR MORE (in thousands)**

| | December 31 | |
|-------------------------------------|--------------------|-------------------|
| | 2008 | 2007 |
| Maturing within 3 months | \$ 378,607 | \$ 321,159 |
| After 3 months but within 6 months | 115,892 | 169,728 |
| After 6 months but within 12 months | 105,816 | 123,066 |
| After 12 months | 72,017 | 30,481 |
| Total | \$ 672,332 | \$ 644,434 |

*Table 11***ANALYSIS OF AVERAGE DEPOSITS (in thousands)**

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Amount | | | | | |
| Noninterest-bearing demand | \$ 1,936,170 | \$ 1,780,098 | \$ 1,840,640 | \$ 1,887,273 | \$ 1,865,605 |
| Interest-bearing demand and savings | 3,162,015 | 2,649,849 | 2,454,684 | 2,302,174 | 2,214,782 |

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| | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Time deposits under \$100,000 | 833,033 | 796,528 | 783,811 | 658,421 | 668,896 |
| Total core deposits | 5,931,218 | 5,226,475 | 5,079,135 | 4,847,868 | 4,749,283 |
| Time deposits of \$100,000 or more | 601,052 | 489,727 | 409,663 | 288,100 | 226,754 |
| Total deposits | \$ 6,532,270 | \$ 5,716,202 | \$ 5,488,798 | \$ 5,135,968 | \$ 4,976,037 |
| As a % of total deposits | | | | | |
| Noninterest-bearing demand | 29.64% | 31.14% | 33.53% | 36.75% | 37.49% |
| Interest-bearing demand and savings | 48.41 | 46.36 | 44.72 | 44.82 | 44.51 |
| Time deposits under \$100,000 | 12.75 | 13.93 | 14.29 | 12.82 | 13.44 |
| Total core deposits | 90.80 | 91.43 | 92.54 | 94.39 | 95.44 |
| Time deposits of \$100,000 or more | 9.20 | 8.57 | 7.46 | 5.61 | 4.56 |
| Total deposits | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

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 issues at an agreed-upon price and date.

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Securities sold under agreements to repurchase and fed funds purchased totaled \$2.1 billion at December 31, 2008, and \$1.7 billion at December 31, 2007. These agreements averaged \$1.3 billion in 2008 and 2007. The Company enters into these transactions with its downstream correspondent banks, commercial customers, and various trust, mutual fund and local government relationships.

Table 12

SHORT-TERM DEBT (in thousands)

| | 2008 | | 2007 | |
|-----------------------------------|---------------------|--------------|---------------------|--------------|
| | Amount | Rate | Amount | Rate |
| At December 31: | | | | |
| Federal funds purchased | \$ 68,807 | 0.07% | \$ 29,414 | 4.30% |
| Repurchase agreements | 2,058,546 | 0.22 | 1,705,335 | 4.28 |
| Other | 15,807 | 0.00 | 33,753 | 4.05 |
| Total | \$ 2,143,160 | 0.21% | \$ 1,768,502 | 4.28% |
| Average for year: | | | | |
| Federal funds purchased | \$ 91,390 | 1.38% | \$ 66,918 | 5.20% |
| Repurchase agreements | 1,197,511 | 1.67 | 1,205,781 | 4.63 |
| Other | 17,331 | 1.28 | 12,872 | 4.59 |
| Total | \$ 1,306,232 | 1.65% | \$ 1,285,571 | 4.65% |
| Maximum month-end balance: | | | | |
| Federal funds purchased | \$ 420,800 | | \$ 173,941 | |
| Repurchase agreements | 2,058,546 | | 1,705,335 | |
| Other | 215,378 | | 55,299 | |

The Company has thirteen fixed-rate advances at December 31, 2008, from the Federal Home Loan Banks at rates of 3.27% to 7.13%. These advances, collateralized by the Company's securities, are used to offset interest rate risk of longer-term fixed-rate loans.

Capital Resources 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. The Company is not aware of any trends, demands, commitments, events or uncertainties that would materially change its capital position or affect its liquidity in the foreseeable future. Capital is managed for each subsidiary based upon its respective risks and growth opportunities as well as regulatory requirements.

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Total shareholders' equity was \$974.8 million at December 31, 2008, compared to \$890.6 million one year earlier. During each year, management has the opportunity to repurchase shares of the Company's stock if it concludes that the repurchases would enhance overall shareholder value. During 2008 and 2007, the Company acquired 580,096 and 1,099,998 shares, respectively, of its common stock.

Risk-based capital guidelines established by regulatory agencies establish 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% of risk-weighted assets. At least half of that 8% 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

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assigning them specific risk weightings. Due to the Company's high level of core capital and substantial portion of earning assets invested in government securities, the Tier 1 capital ratio of 13.23% and total capital ratio of 14.09% substantially exceed the regulatory minimums.

For further discussion of capital and liquidity, see the Liquidity Risk section of Item 7A, Quantitative and Qualitative Disclosures about Market Risk on page 48 and 49 of this report.

Table 13

RISK-BASED CAPITAL (in thousands)

This table computes risk-based capital in accordance with current regulatory guidelines. These guidelines as of December 31, 2008, excluded net unrealized gains or losses on securities available for sale from the computation of regulatory capital and the related risk-based capital ratios.

| | Risk-Weighted Category | | | | Total |
|---|------------------------|-------------------|------------------|---------------------|---------------------|
| | 0% | 20% | 50% | 100% | |
| Risk-Weighted Assets | | | | | |
| Loans held for sale | \$ | \$ | \$ | \$ 21,886 | \$ 21,886 |
| Loans and leases | | 114,933 | 55,274 | 4,217,941 | 4,388,148 |
| Securities available for sale | 1,516,533 | 3,185,825 | 46,897 | 8 | 4,749,263 |
| Securities held to maturity | | 11,146 | | 38,204 | 49,350 |
| Federal funds and resell agreements | | 235,092 | | | 235,092 |
| Trading securities | 400 | 19,481 | 7,038 | 11,561 | 38,480 |
| Cash and due from banks | 536,241 | 464,401 | | | 1,000,642 |
| All other assets | 10,536 | | | 343,351 | 353,887 |
| Category totals | 2,063,710 | 4,030,878 | 109,209 | 4,632,951 | 10,836,748 |
| Risk-weighted totals | | 806,176 | 54,605 | 4,632,951 | 5,493,732 |
| Off-balance-sheet items (risk-weighted) | | 3,584 | 863 | 659,971 | 664,418 |
| Total risk-weighted assets | \$ | \$ 809,760 | \$ 55,468 | \$ 5,292,922 | \$ 6,158,150 |
| | | Tier 1 | Tier 2 | Total | |
| Regulatory Capital | | | | | |
| Shareholders' equity | \$ 974,811 | \$ | \$ 974,811 | | |
| Accumulated other comprehensive gains | (42,097) | | (42,097) | | |
| Premium on purchased banks | (118,253) | | (118,253) | | |
| Allowance for loan losses | | 53,295 | 53,295 | | |

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| | | | |
|---------------|------------|-----------|------------|
| Total capital | \$ 814,461 | \$ 53,295 | \$ 867,756 |
|---------------|------------|-----------|------------|

Company

Capital ratios

| | |
|---|--------|
| Tier 1 capital to risk-weighted assets | 13.23% |
| Total capital to risk-weighted assets | 14.09% |
| Leverage ratio (Tier 1 to total average assets less premium on purchased banks) | 8.47% |

For further discussion of regulatory capital requirements, see note 10, Regulatory Requirements with the Notes to Consolidated Financial Statements under Item 8 on pages 67 and 68.

Table of Contents**Commitments, Contractual Obligations and 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. These commitments and contingent liabilities are not required to be recorded on the Company's balance sheet. Since commitments associated with letters of credit and lending and financing arrangements may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements. See Table 14 below, as well as Note 15, "Commitments, Contingencies and Guarantees" in the Notes to Consolidated Financial Statements under Item 8 on pages 77 and 78 for detailed information and further discussion of these arrangements. Management does not anticipate any material losses from its off-balance sheet arrangements.

Table 14

COMMITMENTS, CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS (in thousands)

The table below details the contractual obligations for the Company as of December 31, 2008. The Company has no capital leases or long-term purchase obligations. Includes principal payments only.

| | Payments due by period | | | | |
|---|------------------------|---------------------|-------------------|------------------|-------------------|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Contractual Obligations | | | | | |
| Fed funds purchased and repurchase agreements | \$ 2,127,353 | \$ 2,127,353 | \$ | \$ | \$ |
| Short-term debt obligations | 15,807 | 15,807 | | | |
| Long-term debt obligations | 35,925 | 5,037 | 9,212 | 5,565 | 16,111 |
| Operating lease obligations | 50,781 | 5,211 | 9,255 | 7,377 | 28,938 |
| Time open and C.D. s | 1,461,707 | 1,253,505 | 167,349 | 35,566 | 5,287 |
| Total | \$ 3,691,573 | \$ 3,406,913 | \$ 185,816 | \$ 48,508 | \$ 50,336 |

On January 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes". As of December 31, 2008, our total liabilities for unrecognized tax benefits were \$2.4 million. We cannot reasonably estimate the timing of the future payments of these liabilities. Therefore, these liabilities have been excluded from the table above. See Note 17 to the consolidated financial statements for information regarding the liabilities associated with unrecognized tax benefits.

The table below (a continuation of Table 14 above) details the commitments, contingencies and guarantees for the Company as of December 31, 2008. (in thousands)

| | Maturities due by Period | | | | |
|--|--------------------------|---------------------|-------------------|-------------------|----------------------|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Commitments, Contingencies and Guarantees | | | | | |
| Commitments to extend credit for loans (excluding credit card loans) | \$ 1,951,564 | \$ 457,055 | \$ 455,766 | \$ 192,038 | \$ 846,705 |
| Commitments, to extend credit under credit card loans | 1,156,447 | 1,156,447 | | | |
| Commercial letters of credit | 2,552 | 1,504 | 1,048 | | |
| Standby letters of credit | 288,699 | 251,411 | 37,105 | 183 | |
| Futures contracts | 9,000 | 9,000 | | | |
| Forward foreign exchange contracts | 11,060 | 11,060 | | | |
| Spot foreign exchange contracts | 19,100 | 19,100 | | | |
| Total | \$ 3,438,422 | \$ 1,905,577 | \$ 493,919 | \$ 192,221 | \$ 846,705 |

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Critical Accounting Policies and Estimates

Management's Discussion and Analysis of financial condition and results of operations discusses the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these 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 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, taxes, other 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. Under different assumptions or conditions, actual results may differ from the recorded estimates.

Management believes that the Company's critical accounting policies are those relating to: the allowance for loan losses, goodwill and other intangibles, revenue recognition, accounting for stock-based compensation and accounting for uncertainty in income taxes.

Allowance for Loan Losses

The Company's allowance for loan losses represents management's judgment of the loan losses inherent in the loan portfolio. The allowance is maintained and computed at each bank at a level that such individual bank management considers adequate. The allowance is reviewed quarterly, considering such factors as historical trends, internal ratings, migration analysis, current economic conditions, loan growth and individual impairment testing.

Larger commercial loans are individually reviewed for potential impairment. For these loans, if management deems it probable that the borrower cannot meet its contractual obligations with respect to payment or timing, such loans are deemed to be impaired under Statement of Financial Accounting Standards (SFAS) No. 114, *Accounting by Creditors for Impairment of a Loan*. Such loans are then reviewed for potential impairment based on management's estimate of the borrower's ability to repay the loan given the availability of cash flows, collateral and other legal options. Any allowance related to the impairment of an individually impaired loan is based on the present value of discounted expected future cash flows, the fair value of the underlying collateral, or the fair value of the loan. Based on this analysis, some loans that are classified as impaired under SFAS 114 do not have a specific allowance and there is no related impairment as the discounted expected future cash flows or the fair value of the underlying collateral exceeds the Company's basis in the impaired loan.

The Company also maintains an internal risk grading system for other loans not subject to individual impairment. An estimate of the inherent loan losses on such risk-graded loans is based on a migration analysis which computes the net charge-off experience related to each risk category.

An estimate of inherent losses is computed on remaining loans based on the type of loan. Each type of loan is segregated into a pool based on the nature of such loans. This includes remaining commercial loans that have a low risk grade, as well as homogenous loans. Homogenous loans include automobile loans, credit card loans and other consumer loans. Allowances are established for each pool based on the loan type using historical loss rates, certain statistical measures and loan growth.

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An estimate of the total inherent loss is based on the above three computations. From this an adjustment not to exceed ten percent can be made based on other factors management considers to be important in evaluating the probable losses in the portfolio such as general economic conditions, loan trends, risk management and loan administration and changes in internal policies.

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Goodwill and Other Intangibles

Goodwill is tested annually for impairment. Goodwill is assigned to various reporting units based on which units were expected to benefit from the synergies of the combination at the time of the acquisition. The Company tests impairment at the reporting unit level by estimating the fair value of the reporting unit. If management's estimate of the fair value of the reporting unit exceeds the carrying amount of the goodwill, there is no impairment. In order to estimate the fair value of the reporting units, management uses multiples of earnings and assets from recent acquisitions of similar banking and fund servicing entities as such entities have comparable operations and economic characteristics. The Company has performed annual impairment tests of goodwill since the inception of SFAS 142, Accounting for Goodwill. As a result of such impairment tests, the Company has not recognized an impairment charge.

For customer-based identifiable intangibles, the Company amortizes the intangibles over their estimated useful lives of up to seventeen years.

Revenue Recognition

Revenue recognition includes the recording of interest on loans and securities and is recognized based on rate multiplied by the principal amount outstanding. Interest accrual is discontinued when, in the opinion of management, the likelihood of collection becomes doubtful, or the loan is past due for a period of ninety days or more unless the loan is both well-secured and in the process of collection. Other noninterest income is recognized as services are performed or revenue-generating transactions are executed.

Accounting for Stock-Based Compensation

Pursuant to the requirements of SFAS 123(R), Accounting for Stock Based Compensation, the amount of compensation recognized is based primarily on the value of the awards on the grant date. To value stock options, the Company uses the Black-Scholes model, which requires the input of several variables. The expected option life is derived from historical exercise patterns and represents the amount of time that options granted are expected to be outstanding. The expected volatility is based on a combination of historical and implied volatilities of the Company's stock. The interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The fair value of the stock on the grant date is used to value awards of restricted stock. Forfeitures are estimated at the grant date and reduce the expense recognized. The forfeiture rate is adjusted annually based on experience. The value of the awards, adjusted for forfeitures, is amortized using the straight-line method over the requisite service period. Management of the Company believes that it is probable that all current performance-based awards will achieve the performance target. Please see the discussion of the Accounting for Stock-Based Compensation under Note 1 in the Notes to the Consolidated Financial Statements under Item 8 on pages 57 and 58.

Accounting for Uncertainty in Income Taxes

Under FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109, the Company records the financial statement effects of an income tax position when it is more likely than not, based on the technical merits, that it will be sustained upon examination. A tax position that meets the more-likely-than-not recognition threshold is measured and recorded as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority. Previously recognized tax positions are derecognized in the first period in which it is no longer more likely than not that the tax position will be sustained. The benefit associated with previously unrecognized tax positions are generally recognized in the first period in which the more-likely-than-not

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threshold is met at the reporting date, the tax matter is ultimately settled through negotiation or litigation or when the related statute of limitations for the relevant taxing authority to examine and challenge the tax position has expired. The recognition, derecognition and measurement of tax positions are based on management's best judgment given the facts, circumstance and information available at the reporting date. See the discussion of Liabilities Associated with Unrecognized Tax Benefits under Note 17 in the Notes to the Consolidated Financial Statements.

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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.

FIVE YEAR AVERAGE BALANCE SHEETS/YIELDS AND RATES (tax-equivalent basis) (in millions)

| | 2008 | | | 2007 | | |
|---|--------------------|------------------------------------|-----------------------------|--------------------|------------------------------------|-----------------------------|
| | Average Balance | Interest Income/ Expense (1) | Rate Earned/ Paid (1) | Average Balance | Interest Income/ Expense (1) | Rate Earned/ Paid (1) |
| ASSETS | | | | | | |
| Loans, net of unearned interest (FTE) (2)(3) | \$ 4,193.9 | \$ 242.0 | 5.77% | \$ 3,901.9 | \$ 270.8 | 6.94% |
| Securities: | | | | | | |
| Taxable | 2,616.5 | 110.4 | 4.22 | 2,062.0 | 97.6 | 4.73 |
| Tax-exempt (FTE) | 764.1 | 39.8 | 5.20 | 725.8 | 37.1 | 5.12 |
| Total securities | 3,380.6 | 150.2 | 4.44 | 2,787.8 | 134.7 | 4.83 |
| Federal funds sold and resell agreements | 321.8 | 7.8 | 2.42 | 360.2 | 18.7 | 5.18 |
| Interest-bearing | 66.8 | 0.4 | 0.68 | | | |
| Other earning assets (FTE) | 40.6 | 1.5 | 3.69 | 58.9 | 2.4 | 4.03 |
| Total earning assets (FTE) | 8,003.7 | 401.9 | 5.02 | 7,108.8 | 426.6 | 6.00 |
| Allowance for loan losses | (49.5) | | | (45.6) | | |
| Cash and due from banks | 487.6 | | | 481.1 | | |
| Other assets | 456.2 | | | 452.0 | | |
| Total assets | \$ 8,897.9 | | | \$ 7,996.3 | | |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | | |
| Interest-bearing demand and savings deposits | \$ 3,162.0 | \$ 37.8 | 1.20% | \$ 2,649.9 | \$ 60.7 | 2.29% |
| Time deposits under \$100,000 | 833.0 | 30.7 | 3.69 | 796.5 | 35.9 | 4.51 |
| Time deposits of \$100,000 or more | 601.1 | 21.2 | 3.53 | 489.7 | 23.6 | 4.82 |
| Total interest bearing deposits | 4,596.1 | 89.7 | 1.95 | 3,936.1 | 120.2 | 3.05 |
| Short-term debt | 17.4 | 0.6 | 1.28 | 12.9 | 0.6 | 4.59 |
| Long-term debt | 36.3 | 1.7 | 4.53 | 36.9 | 1.7 | 4.53 |
| Federal funds purchased and repurchase agreements | 1,288.9 | 21.3 | 1.65 | 1,272.7 | 59.3 | 4.66 |
| Total interest bearing liabilities | 5,938.7 | 113.3 | 1.90 | 5,258.6 | 181.8 | 3.46 |
| Noninterest bearing demand deposits | 1,936.2 | | | 1,780.1 | | |
| Other | 89.9 | | | 83.5 | | |
| Total | 7,964.8 | | | 7,122.2 | | |
| Total shareholders equity | 933.1 | | | 874.1 | | |
| Total liabilities and shareholders equity | \$ 8,897.9 | | | \$ 7,996.3 | | |
| Net interest income (FTE) | | \$ 288.6 | | | \$ 244.8 | |

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| | | |
|---------------------|-------|-------|
| Net interest spread | 3.12% | 2.54% |
| Net interest margin | 3.60% | 3.44% |

-
- (1) Interest income and yields are stated on a fully tax-equivalent (FTE) basis, using a rate of 35%. The tax-equivalent interest income and yields give effect to disallowance of interest expense, for federal income tax purposes related to certain tax-free assets. Rates earned/paid may not compute to the rates shown due to presentation in millions. The tax-equivalent interest income totaled \$13.9 million \$12.2 million, \$10.9 million, \$10.0 million, and \$10.1 million in 2008, 2007, 2006, 2005, and 2004, respectively.
 - (2) Loan fees are included in interest income. Such fees totaled \$13.2 million \$10.3 million, \$9.9 million, \$7.9 million, and \$9.1 million in 2008, 2007, 2006, 2005, and 2004, respectively.
 - (3) Loans on non-accrual are included in the computation of average balances. Interest income on these loans is also included in loan income.

Table of Contents**FIVE YEAR AVERAGE BALANCE SHEETS/YIELDS AND RATES (in millions) (continued)**

| 2006 | | | 2005 | | | 2004 | | | Average Balance Five-Year Compound Growth Rate |
|--------------------|------------------------------------|-----------------------------|--------------------|------------------------------------|-----------------------------|--------------------|------------------------------------|-----------------------------|--|
| Average Balance | Interest Income/ Expense (1) | Rate Earned/ Paid (1) | Average Balance | Interest Income/ Expense (1) | Rate Earned/ Paid (1) | Average Balance | Interest Income/ Expense (1) | Rate Earned/ Paid (1) | |
| \$ 3,579.7 | \$ 238.6 | 6.66% | \$ 3,130.8 | \$ 177.1 | 5.66% | \$ 2,781.1 | \$ 136.5 | 4.91% | 10.13% |
| 2,059.9 | 85.6 | 4.15 | 2,230.6 | 64.8 | 2.91 | 2,351.2 | 57.8 | 2.46 | (1.16) |
| 682.4 | 34.1 | 4.99 | 629.6 | 29.7 | 4.72 | 615.2 | 28.7 | 4.67 | 0.75 |
| 2,742.3 | 119.7 | 4.36 | 2,860.2 | 94.5 | 3.30 | 2,966.4 | 86.5 | 2.91 | (0.75) |
| 378.0 | 19.1 | 5.06 | 228.2 | 8.0 | 3.50 | 280.3 | 4.4 | 1.57 | 17.04 |
| 56.6 | 2.6 | 4.68 | 60.1 | 2.4 | 3.91 | 69.2 | 2.2 | 3.15 | (3.52) |
| 6,756.6 | 380.0 | 5.62 | 6,279.3 | 282.0 | 4.49 | 6,097.0 | 229.6 | 3.76 | 4.92 |
| (42.2) | | | (40.5) | | | (44.3) | | | 3.95 |
| 461.7 | | | 481.2 | | | 511.2 | | | (0.96) |
| 407.1 | | | 374.0 | | | 364.0 | | | 3.43 |
| \$ 7,583.2 | | | \$ 7,094.3 | | | \$ 6,927.9 | | | 4.47% |
| \$ 2,454.7 | \$ 48.9 | 1.99% | \$ 2,302.2 | \$ 25.8 | 1.12% | \$ 2,214.7 | \$ 9.0 | 0.41% | 5.15% |
| 783.8 | 30.4 | 3.88 | 658.4 | 17.9 | 2.72 | 668.9 | 14.3 | 2.14 | 1.34 |
| 409.7 | 17.6 | 4.30 | 288.1 | 8.4 | 2.92 | 226.8 | 3.8 | 1.68 | 18.98 |
| 3,648.2 | 96.9 | 2.66 | 3,248.7 | 52.1 | 1.60 | 3,110.4 | 27.1 | 0.87 | 5.65 |
| 13.5 | 0.6 | 2.87 | 14.5 | 0.4 | 2.87 | 18.4 | 0.2 | 1.09 | (6.07) |
| 37.5 | 1.6 | 4.27 | 34.8 | 1.8 | 4.89 | 17.7 | 0.9 | 5.11 | 15.91 |
| 1,148.5 | 52.8 | 4.60 | 1,029.1 | 29.4 | 2.85 | 1,050.9 | 12.2 | 1.16 | 6.28 |
| 4,847.7 | 151.9 | 3.13 | 4,327.1 | 83.7 | 1.93 | 4,197.4 | 40.4 | 0.96 | 5.78 |
| 1,840.6 | | | 1,887.3 | | | 1,865.6 | | | 1.60 |
| 51.8 | | | 50.5 | | | 43.3 | | | 5.23 |
| 6,740.1 | | | 6,264.9 | | | 6,106.3 | | | 4.66 |
| 843.1 | | | 829.4 | | | 821.6 | | | 2.91 |
| \$ 7,583.2 | | | \$ 7,094.3 | | | \$ 6,927.9 | | | 4.47% |
| \$ 228.1 | | | \$ 198.3 | | | \$ 189.2 | | | |
| | | 2.49% | | | 2.56% | | | 2.80% | |
| | | 3.38% | | | 3.16% | | | 3.10% | |

ITEM 7A. 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 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.

Table of Contents**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 attempts to manage 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 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. The results of these simulations can be significantly influenced by assumptions utilized and management evaluates the sensitivity of the simulation results on a regular basis.

Table 15 shows the expected net interest income increase or decrease over the next twelve months as of December 31, 2008 and 2007.

Table 15

MARKET RISK (in thousands)

| <u>Rates in Basis Points</u> | Net Interest Income | |
|-------------------------------------|----------------------------|--------------------------|
| | December 31, 2008 | December 31, 2007 |
| | Amount | Amount of |
| | of | Change |
| | Change | |

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| | | |
|--------|-------------|------------|
| 200 | \$ (11,543) | \$ (4,441) |
| 100 | (5,772) | (2,221) |
| Static | | |
| (100) | (2,506) | (37) |
| (200) | (5,012) | (74) |

The Company is sensitive at December 31, 2008 to increases or decreases in rates. A decrease in interest rates will cause a decrease in net interest income. Increases in interest rates will cause larger decreases in net interest income than in the declining rate environment. While the exposure is directionally similar to that of 2007, the exposure has increased toward rising rates due to the Company having a greater percentage of interest expense from overnight liabilities compared to 2007. The result of this is the hypothetical impact of rate changes on interest expense from these overnight liabilities is magnified in 2008 compared to 2007. This contributes to liabilities repricing more frequently and becoming more sensitive to rate changes than assets. A primary

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contributor to the increased exposure to falling rates is that with market interest rates being at historically low levels, in some cases close to zero, a large portion of the Company's liabilities have reached in effect a floor. Nevertheless, the Company is positioned in the current low rate environment to be relatively neutral to further interest rate changes over the next twelve months.

Repricing Mismatch Analysis

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

Management attempts to structure the balance sheet to provide for the repricing of approximately equal amounts of assets and liabilities within specific time intervals. Table 16 is a static gap analysis, which presents the Company's assets and liabilities, based on their repricing or maturity characteristics.

Table 16

INTEREST RATE SENSITIVITY ANALYSIS (in millions)

| December 31, 2008 | 1-90 Days | 91-180 Days | 181-365 Days | Total | 1-5 Years | Over 5 Years | Total |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Earning assets | | | | | | | |
| Loans | \$ 2,225.5 | \$ 227.0 | \$ 236.5 | \$ 2,689.0 | \$ 1,509.0 | \$ 212.0 | \$ 4,410.0 |
| Securities | 1,296.4 | 891.5 | 623.8 | 2,811.7 | 1,717.1 | 357.2 | 4,886.0 |
| Federal funds sold and resell agreements | 235.1 | | | 235.1 | | | 235.1 |
| Other | 582.6 | 9.8 | 20.8 | 613.2 | 0.4 | | 613.6 |
| Total earning assets | \$ 4,339.6 | \$ 1,128.3 | \$ 881.1 | \$ 6,349.0 | \$ 3,226.5 | \$ 569.2 | \$ 10,144.7 |
| % of total earning assets | 42.8% | 11.1% | 8.7% | 62.6% | 31.8% | 5.6% | 100.0% |
| Funding sources | | | | | | | |
| Interest-bearing demand and savings | \$ 342.3 | \$ 256.8 | \$ 513.5 | \$ 1,112.6 | \$ 739.4 | \$ 2,028.2 | \$ 3,880.2 |
| Time deposits | 675.0 | 289.3 | 297.0 | 1,261.3 | 195.1 | 5.3 | 1,461.7 |
| Federal funds purchased and repurchase agreements | 2,127.4 | | | 2,127.4 | | | 2,127.4 |
| Borrowed funds | 15.8 | | | 15.8 | | 35.9 | 51.7 |
| Noninterest-bearing sources | 135.1 | 135.2 | 270.4 | 540.7 | 672.4 | 1,410.6 | 2,623.7 |
| Total funding sources | \$ 3,295.6 | \$ 681.3 | \$ 1,080.9 | \$ 5,057.8 | \$ 1,606.9 | \$ 3,480.0 | \$ 10,144.7 |

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| | | | | | | | |
|--|------------|----------|------------|------------|------------|--------------|--------|
| % of total earning assets | 32.5% | 6.7% | 10.7% | 49.9% | 15.8% | 34.3% | 100.0% |
| Interest sensitivity gap | \$ 1,044.0 | \$ 447.0 | \$ (199.8) | \$ 1,291.2 | \$ 1,619.6 | \$ (2,910.8) | |
| Cumulative gap | 1,044.0 | 1,491.0 | 1,291.2 | 1,291.2 | 2,910.8 | | |
| As a % of total earning assets | 10.3% | 14.7% | 12.7% | 12.7% | 28.7% | | |
| Ratio of earning assets to funding sources | 1.32 | 1.66 | 0.82 | 1.26 | 2.01 | 0.16 | |
| Cumulative ratio of Earning Assets 2008 to Funding Sources 2007 | 1.32 | 1.37 | 1.26 | 1.26 | 1.44 | 1.00 | |
| | 1.21 | 1.04 | 0.92 | 0.92 | 1.21 | 1.00 | |

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Trading Account

The Company's subsidiary UMB Bank, n.a. carries taxable governmental securities in a trading account that is maintained according to Board-approved policy and procedures. The policy limits the amount and type of securities that can be carried in the trading account and requires compliance with any limits under applicable law and regulations, 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 \$38.5 million as of December 31, 2008, compared to \$43.9 million as of December 31, 2007.

Management 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.

Other Market Risk

The Company does not have material commodity price risks or derivative risks.

Credit Risk

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. Loan requests are centrally reviewed to ensure the consistent application of the loan policy and standards. In addition, 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.

Another means of ensuring loan quality is diversification of the portfolio. By keeping its loan portfolio diversified, the Company has avoided problems associated with undue concentrations of loans within particular industries. Commercial real estate loans comprise only 23.4 percent of total loans at December 31, 2008, with no history of significant losses. The Company has no significant exposure to highly-leveraged transactions and has no foreign credits in its loan portfolio.

The allowance for loan losses (ALL) is discussed on pages 26 and 27. Also, please see Table 4 for a five-year analysis of the ALL. The adequacy of the ALL is reviewed quarterly, considering such items as historical loss trends including a migration analysis, a review of individual loans, current economic conditions, loan growth and characteristics, industry or segment concentration and other factors. A primary indicator of credit quality and risk management is the level of nonperforming loans. Nonperforming loans include both nonaccrual loans and restructured loans. The Company's nonperforming loans increased \$2.2 million from December 31, 2007 and were flat compared to December 31, 2006. The

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Company's nonperforming loans have not exceeded 0.35 percent of total loans in any of the last five years. While the Company plans to increase its loan portfolio, management does not intend to compromise the Company's high credit standards as it grows its loan portfolio. The impact of future loan growth on the allowance for loan losses is uncertain as it is dependent on many factors including asset quality and changes in the overall economy.

The Company had \$1.6 million in other real estate owned as of December 31, 2008. There was \$1.2 million of other real estate owned at December 31, 2007. Loans past due more than 90 days totaled \$6.9 million at December 31, 2008, compared to \$2.9 million at December 31, 2007.

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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 \$141,000 of restructured loans at December 31, 2008, and \$144,000 at December 31, 2007.

Table 17

LOAN QUALITY (in thousands)

| | December 31 | | | | |
|---|------------------|-----------------|-----------------|-----------------|------------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Nonaccrual loans | \$ 8,675 | \$ 6,437 | \$ 6,539 | \$ 5,439 | \$ 9,752 |
| Restructured loans | 141 | 144 | 24 | | 298 |
| Total nonperforming loans | 8,816 | 6,581 | 6,563 | 5,439 | 10,050 |
| Other real estate owned | 1,558 | 1,151 | 317 | | |
| Total nonperforming assets | \$ 10,374 | \$ 7,732 | \$ 6,880 | \$ 5,439 | \$ 10,050 |
| Loans past due 90 days or more | \$ 6,923 | \$ 2,922 | \$ 4,034 | \$ 4,829 | \$ 3,028 |
| Allowance for loans losses | 52,297 | 45,986 | 44,926 | 40,825 | 42,723 |
| Ratios | | | | | |
| Nonperforming loans as a % of loans | 0.20% | 0.17% | 0.17% | 0.16% | 0.35% |
| Nonperforming assets as a % of loans plus other real estate owned | 0.24 | 0.20 | 0.18 | 0.16 | 0.35 |
| Nonperforming assets as a % of total assets | 0.09 | 0.08 | 0.08 | 0.07 | 0.13 |
| Loans past due 90 days or more as a % of loans | 0.16 | 0.07 | 0.11 | 0.14 | 0.11 |
| Allowance for Loan Losses as a % of loans | 1.19 | 1.17 | 1.20 | 1.20 | 1.49 |
| Allowance for Loan Losses as a multiple of nonperforming loans | 5.93x | 6.99x | 6.85x | 7.51x | 4.38x |

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 Company believes that 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 on and maturity of assets, which include \$4.8 billion of high-quality securities available for sale. 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.

Another factor affecting liquidity is the amount of deposits and customer repurchase agreements that have pledging requirements. All customer repurchase agreements require collateral in the form of a security. The U.S. Government, other public entities, and certain trust depositors require the Company to pledge securities if their deposit balances are greater than the FDIC-insured deposit limitations. These pledging requirements affect liquidity risk in that the related security cannot otherwise be disposed due to the pledging restriction. At December 31, 2008, approximately 95.7 percent of the securities available-for-sale were pledged or used as collateral; compared to 94.7 percent at December 31, 2007.

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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. The Company has not issued any debt since 1993 when \$15 million of medium-term notes were issued to fund bank acquisitions. Prior to being paid off in February 2003, these notes were rated A3 by Moody's Investor Service and A- by Standard and Poor's.

The Company also has other commercial commitments that may impact liquidity. These commitments include unused commitments to extend credit, standby letters of credit, and commercial letters of credit. The total amount of these commercial commitments at December 31, 2008, was \$3.4 billion. The Company believes that 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, operating expenses, 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 relating to transaction processing and systems, and breaches of the internal control system and compliance requirements. This risk of loss also includes the potential legal or regulatory actions that could arise as a result of an operational deficiency, or as a result of noncompliance with applicable regulatory standards. Included in the legal and regulatory issues with which the Company must comply are a number of rules resulting from the enactment of the Sarbanes-Oxley Act of 2002.

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

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

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ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of UMB Financial Corporation & Subsidiaries:

We have audited the accompanying consolidated balance sheets of UMB Financial Corporation and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of UMB Financial Corporation and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Kansas City, MO

February 25, 2009

Table of Contents**CONSOLIDATED BALANCE SHEETS****UMB FINANCIAL CORPORATION AND SUBSIDIARIES**

(in thousands, except share data)

| | December 31 | |
|--|---------------|--------------|
| | 2008 | 2007 |
| ASSETS | | |
| Loans | \$ 4,388,148 | \$ 3,917,125 |
| Allowance for loan losses | (52,297) | (45,986) |
| Net loans | 4,335,851 | 3,871,139 |
| Loans held for sale | 21,886 | 12,240 |
| Investment securities: | | |
| Available for sale | 4,815,072 | 3,385,952 |
| Held to maturity (market value of \$56,929 and \$42,209 respectively) | 49,350 | 37,658 |
| Federal Reserve Bank stock and other | 21,505 | 19,287 |
| Trading securities | 38,480 | 43,883 |
| Total investment securities | 4,924,407 | 3,486,780 |
| Federal funds sold and securities purchased under agreements to resell | 235,092 | 712,012 |
| Interest-bearing due from banks | 575,309 | |
| Cash and due from banks | 423,599 | 806,600 |
| Bank premises and equipment, net | 226,790 | 235,528 |
| Accrued income | 64,513 | 62,021 |
| Goodwill | 104,924 | 94,512 |
| Other intangibles | 18,101 | 16,463 |
| Other assets | 46,124 | 45,664 |
| Total assets | \$ 10,976,596 | \$ 9,342,959 |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing demand | \$ 2,383,454 | \$ 2,094,422 |
| Interest-bearing demand and savings | 3,880,165 | 2,959,109 |
| Time deposits under \$100,000 | 789,375 | 852,837 |
| Time deposits of \$100,000 or more | 672,332 | 644,434 |
| Total deposits | 7,725,326 | 6,550,802 |
| Federal funds purchased and repurchase agreements | 2,127,353 | 1,734,749 |
| Short-term debt | 15,807 | 33,753 |
| Long-term debt | 35,925 | 36,032 |
| Accrued expenses and taxes | 81,429 | 76,362 |
| Other liabilities | 15,945 | 20,687 |
| Total liabilities | 10,001,785 | 8,452,385 |
| SHAREHOLDERS EQUITY | | |
| | 55,057 | 55,057 |

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Common stock, \$1.00 par value; 80,000,000 shares authorized, 55,056,730 shares issued and 40,947,795 and 41,327,624 shares outstanding, respectively

| | | |
|---|----------------------|---------------------|
| Capital surplus | 707,812 | 702,914 |
| Retained earnings | 502,073 | 430,824 |
| Accumulated other comprehensive income | 41,105 | 12,246 |
| Treasury stock, 14,108,935 and 13,729,106 shares, at cost, respectively | (331,236) | (310,467) |
| Total shareholders' equity | 974,811 | 890,574 |
| Total liabilities and shareholders' equity | \$ 10,976,596 | \$ 9,342,959 |

See Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF INCOME****UMB FINANCIAL CORPORATION AND SUBSIDIARIES**

(in thousands, except share and per share data)

| | Year Ended December 31 | | |
|---|------------------------|----------------|----------------|
| | 2008 | 2007 | 2006 |
| INTEREST INCOME | | | |
| Loans | \$ 241,727 | \$ 270,638 | \$ 238,356 |
| Securities: | | | |
| Available for sale taxable interest | 110,379 | 97,575 | 85,575 |
| Available for sale tax exempt interest | 25,380 | 24,378 | 21,213 |
| Held to maturity taxable interest | | 1 | 10 |
| Held to maturity tax exempt interest | 866 | 891 | 2,235 |
| Total securities income | 136,625 | 122,845 | 109,033 |
| Federal funds sold and resell agreements | 7,799 | 18,659 | 19,112 |
| Interest-bearing due from banks | 441 | | |
| Trading securities | 1,381 | 2,271 | 2,582 |
| Total interest income | 387,973 | 414,413 | 369,083 |
| INTEREST EXPENSE | | | |
| Deposits | 89,744 | 120,217 | 96,889 |
| Federal funds purchased and repurchase agreements | 21,306 | 59,250 | 52,832 |
| Short-term debt | 222 | 591 | 619 |
| Long-term debt | 1,650 | 1,671 | 1,519 |
| Total interest expense | 112,922 | 181,729 | 151,859 |
| Net interest income | 275,051 | 232,684 | 217,224 |
| Provision for loan losses | 17,850 | 9,333 | 8,734 |
| Net interest income after provision for loan losses | 257,201 | 223,351 | 208,490 |
| NONINTEREST INCOME | | | |
| Trust and securities processing | 122,255 | 115,585 | 98,250 |
| Trading and investment banking | 19,636 | 19,288 | 18,192 |
| Service charges on deposit accounts | 85,064 | 79,880 | 73,598 |
| Insurance fees and commissions | 4,564 | 3,418 | 3,956 |
| Brokerage fees | 8,660 | 8,023 | 6,228 |
| Bankcard fees | 43,348 | 39,972 | 38,759 |
| Gain on sale of securities transfer, net | 1,090 | 7,218 | |
| Gains on sales of securities available for sale, net | 3,334 | 1,010 | 117 |
| Gain on mandatory redemption of Visa, Inc. class B common stock | 8,875 | | |
| Other | 15,957 | 14,394 | 15,845 |
| Total noninterest income | 312,783 | 288,788 | 254,945 |
| NONINTEREST EXPENSE | | | |
| Salaries and employee benefits | 227,938 | 206,883 | 193,980 |

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| | | | |
|---|-------------------|-------------------|-------------------|
| Occupancy, net | 32,472 | 30,255 | 27,776 |
| Equipment | 53,044 | 52,711 | 48,968 |
| Supplies and services | 24,221 | 23,435 | 22,805 |
| Marketing and business development | 19,431 | 15,443 | 14,835 |
| Processing fees | 32,742 | 29,861 | 28,292 |
| Legal and consulting | 8,214 | 8,451 | 8,175 |
| Bankcard | 11,537 | 11,064 | 13,831 |
| Amortization of other intangible assets | 3,105 | 2,943 | 1,600 |
| Covered litigation provision | (4,023) | 4,628 | |
| Other | 21,472 | 21,490 | 21,155 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total noninterest expense | 430,153 | 407,164 | 381,417 |
| | <u> </u> | <u> </u> | <u> </u> |
| Income before income taxes | 139,831 | 104,975 | 82,018 |
| Income tax expense | 41,756 | 30,762 | 22,251 |
| | <u> </u> | <u> </u> | <u> </u> |
| Net income | \$ 98,075 | \$ 74,213 | \$ 59,767 |
| | <u> </u> | <u> </u> | <u> </u> |
| PER SHARE DATA | | | |
| Net income basic | \$ 2.41 | \$ 1.78 | \$ 1.40 |
| Net income diluted | 2.38 | 1.77 | 1.40 |
| Weighted average shares outstanding | 40,739,240 | 41,712,223 | 42,592,960 |

See Notes to Consolidated Financial Statements.

Table of Contents**STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY****UMB FINANCIAL CORPORATION AND SUBSIDIARIES**

(dollars in thousands, except per share data)

| | 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 |
| Net income | | | | 59,767 | | | 59,767 |
| Change in net unrealized losses on securities | | | | | 4,291 | | 4,291 |
| Total comprehensive income | | | | | | | 64,058 |
| Cash dividends (\$0.52 per share) | | | | (21,978) | | | (21,978) |
| Stock split 2 for 1 | 27,529 | (27,529) | | | | | |
| Purchase of treasury stock | | | | | | (29,598) | (29,598) |
| Issuance of equity awards | | (938) | | | | 1,088 | 150 |
| Adoption of SFAS 123(R) | | (1,904) | 1,904 | | | | |
| Recognition of equity based compensation | | 1,669 | | | | | 1,669 |
| Sale of treasury stock | | 280 | | | | 194 | 474 |
| Exercise of stock options | | 108 | | | | 529 | 637 |
| Balance December 31, 2006 | \$ 55,057 | \$ 699,794 | \$ | \$ 380,464 | \$ (17,259) | \$ (269,181) | \$ 848,875 |
| Net income | | | | 74,213 | | | 74,213 |
| Change in net unrealized losses on securities | | | | | 29,505 | | 29,505 |
| Total comprehensive income | | | | | | | 103,718 |
| Cash Dividends (\$0.57 per share) | | | | (23,853) | | | (23,853) |
| Purchase of treasury stock | | | | | | (43,309) | (43,309) |
| Issuance of equity awards | | (946) | | | | 1,083 | 137 |
| Recognition of equity based compensation | | 3,383 | | | | | 3,383 |
| Net tax benefit related to equity compensation plans | | 26 | | | | | 26 |
| Sale of treasury stock | | 321 | | | | 181 | 502 |
| Exercise of stock options | | 336 | | | | 759 | 1,095 |
| Balance December 31, 2007 | \$ 55,057 | \$ 702,914 | \$ | \$ 430,824 | \$ 12,246 | \$ (310,467) | \$ 890,574 |
| Net income | | | | 98,075 | | | 98,075 |
| Change in net unrealized gains on securities | | | | | 28,859 | | 28,859 |
| Total comprehensive income | | | | | | | 126,934 |
| Cash Dividends (\$0.655 per share) | | | | (26,826) | | | (26,826) |
| Purchase of treasury stock | | | | | | (23,406) | (23,406) |
| Issuance of equity awards | | (899) | | | | 1,039 | 140 |
| Recognition of equity based compensation | | 4,212 | | | | | 4,212 |
| Net tax benefit related to equity compensation plans | | 367 | | | | | 367 |
| Sale of treasury stock | | 392 | | | | 170 | 562 |

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| | | | | | | | |
|---------------------------|-----------|------------|----|------------|-----------|--------------|------------|
| Exercise of stock options | | 826 | | | | 1,428 | 2,254 |
| Balance December 31, 2008 | \$ 55,057 | \$ 707,812 | \$ | \$ 502,073 | \$ 41,105 | \$ (331,236) | \$ 974,811 |

See Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS****UMB FINANCIAL CORPORATION AND SUBSIDIARIES**

(in thousands)

| | Year Ended December 31 | | |
|---|------------------------|-------------|-------------|
| | 2008 | 2007 | 2006 |
| OPERATING ACTIVITIES | | | |
| Net income | \$ 98,075 | \$ 74,213 | \$ 59,767 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Provision for loan losses | 17,850 | 9,333 | 8,734 |
| Depreciation and amortization | 37,729 | 37,385 | 34,931 |
| Deferred income taxes | (5,023) | 1,253 | (569) |
| Net decrease (increase) in trading securities and other earning assets | 5,403 | 20,651 | (6,046) |
| Gains on sales of securities available for sale | (3,334) | (1,010) | (117) |
| Losses (gains) on sales of assets and deposits, net | 567 | 597 | (793) |
| Amortization of securities premiums, net of discount accretion | 3,425 | (5,162) | (1,210) |
| Originations of loans held for sale | (133,229) | (114,849) | (123,740) |
| Net gains on sales of loans held for sale | (726) | (479) | (384) |
| Proceeds from sales of loans held for sale | 124,309 | 117,208 | 129,464 |
| Issuance of equity awards | 140 | 137 | 150 |
| Equity based compensation | 4,212 | 3,409 | 1,669 |
| Changes in: | | | |
| Accrued income | (1,598) | (4,708) | (3,901) |
| Accrued expenses and taxes | (3,669) | 4,838 | (2,012) |
| Other assets and liabilities, net | (10,100) | (11,535) | 32,894 |
| Net cash provided by operating activities | 134,031 | 131,281 | 128,837 |
| INVESTING ACTIVITIES | | | |
| Proceeds from maturities of securities held to maturity | 15,984 | 12,185 | 68,184 |
| Proceeds from sales of securities available for sale | 110,339 | 67,929 | 3,895 |
| Proceeds from maturities of securities available for sale | 3,173,015 | 1,762,252 | 8,337,478 |
| Purchases of securities held to maturity | (30,657) | (9,603) | (45,992) |
| Purchases of securities available for sale | (4,649,962) | (1,923,890) | (8,167,290) |
| Net increase in loans | (427,693) | (172,015) | (205,359) |
| Net decrease (increase) in fed funds sold and resell agreements | 476,920 | 136,910 | (422,344) |
| Net increase in interest bearing balances due from other financial institutions | (70,943) | | |
| Purchases of bank premises and equipment | (20,637) | (27,873) | (41,889) |
| Net cash paid for acquisitions and branch sales | (47,100) | (785) | (43,308) |
| Proceeds from sales of bank premises and equipment | 712 | 485 | 2,117 |
| Net cash used in investing activities | (1,470,022) | (154,405) | (514,508) |
| FINANCING ACTIVITIES | | | |
| Net increase in demand and savings deposits | 1,151,514 | 116,310 | 28,475 |
| Net (decrease) increase in time deposits | (62,078) | 125,528 | 106,963 |
| Net increase in fed funds purchased and repurchase agreements | 392,604 | 113,804 | 249,822 |
| Net change in short-term debt | (17,946) | 15,872 | (17,210) |
| Proceeds from long-term debt | 4,200 | 2,480 | 1,780 |

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| | | | |
|--|-------------------|-------------------|-------------------|
| Repayment of long-term debt | (4,307) | (4,468) | (2,231) |
| Cash dividends paid | (26,814) | (29,278) | (21,833) |
| Net tax benefit related to equity compensation plans | 367 | | |
| Proceeds from exercise of stock options and sales of treasury shares | 2,816 | 1,597 | 1,111 |
| Purchases of treasury stock | (23,406) | (43,309) | (29,598) |
| | <u>1,416,950</u> | <u>298,536</u> | <u>317,279</u> |
| Increase (decrease) in cash and due from banks | 80,959 | 275,412 | (68,392) |
| Cash and due from banks at beginning of year | 806,600 | 531,188 | 599,580 |
| | <u>\$ 887,559</u> | <u>\$ 806,600</u> | <u>\$ 531,188</u> |
| Supplemental disclosures: | | | |
| Income taxes paid | \$ 45,516 | \$ 31,615 | \$ 22,688 |
| Total interest paid | 122,873 | 178,797 | 148,596 |

See Notes to Consolidated Financial Statements.

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UMB FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

UMB Financial Corporation (the Company) is a multi-bank 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, Wisconsin, Indiana, and Pennsylvania. 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. Following is a summary of the more significant accounting policies to assist the reader in understanding the financial presentation.

Consolidation

The Company and its subsidiaries are included in the consolidated financial statements (references hereinafter to the Company in these Notes to Consolidated Financial Statements include wholly owned subsidiaries). Intercompany accounts and transactions have been eliminated.

Revenue Recognition

Interest on loans and securities is recognized based on rate times the principal amount outstanding. Interest accrual is discontinued when, in the opinion of management, the likelihood of collection becomes doubtful. Other noninterest income is recognized as services are performed or revenue-generating transactions are executed.

Cash and Due From Banks

Cash on hand, cash items in the process of collection, and amounts due from correspondent banks and the Federal Reserve Bank are included in cash and due from banks.

Interest-bearing Due From Banks

Amounts due from the Federal Reserve Bank which are interest-bearing in 2008 and amounts due from certificates of deposits held at other financial institutions are included in interest-bearing due from banks. The amount due from the Federal Reserve Bank totaled \$464.0 million and is considered cash and cash equivalent. The amounts due from certificates of deposit totaled \$111.3 million at December 31, 2008.

Loans and Loans Held for Sale

A loan is considered to be impaired when management believes it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. If a loan is impaired, the Company records a loss valuation allowance equal to the carrying amount of the loan in excess of the present value of the estimated future cash flows discounted at the loan's effective rate, based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Consumer loans are collectively evaluated for impairment. Commercial loans are generally evaluated for impairment on a loan-by-loan basis.

The adequacy of the allowance for loan losses is based on management's continuing evaluation of the pertinent factors underlying the quality of the loan portfolio, including actual loan loss experience, current economic conditions, detailed analysis of individual loans for which full collectibility may not be assured, determination of the existence and realizable value of the collateral and guarantees securing such loans. The actual losses, notwithstanding such considerations, however, could differ from the amounts estimated by management.

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UMB FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Loans held for sale are carried at the lower of aggregate cost or market value. Loan fees (net of certain direct loan origination costs) on loans held for sale are deferred until the related loans are sold or repaid. Gains or losses on loan sales are recognized at the time of sale and determined using the specific identification method.

Securities

Debt securities available for sale principally include U.S. Treasury and agency securities, mortgage-backed securities, and certain securities of state and political subdivisions. Securities classified as available for sale are measured at fair value. Unrealized holding gains and losses are excluded from earnings and reported in accumulated other comprehensive income (loss) until realized. Realized gains and losses on sales are computed by the specific identification method at the time of disposition and are shown separately as a component of noninterest income.

Securities held to maturity are carried at amortized historical cost based on management's intention, and the Company's ability, to hold them to maturity. The Company classifies certain securities of state and political subdivisions as held to maturity. Certain significant unforeseeable changes in circumstances may cause a change in the intent to hold these securities to maturity. For example, such changes may include deterioration in the issuer's credit-worthiness that is expected to continue or a change in tax law that eliminates the tax-exempt status of interest on the security.

Trading securities, generally acquired for subsequent sale to customers, are carried at market value. Market adjustments, fees and gains or losses on the sale of trading securities are considered to be a normal part of operations and are included in trading and investment banking income.

On the Consolidated Statements of Shareholders' Equity, Accumulated Other Comprehensive Income (Loss) consists only of unrealized gain (loss) on securities.

Goodwill and Other Intangibles

Goodwill on purchased affiliates represents the cost in excess of net tangible assets acquired. The Company has elected November 30 as its annual measurement date for testing impairment, and as a result of the impairment tests of goodwill performed on that date in 2008, 2007 and 2006, no impairment charge was recorded. Other intangible assets are amortized over a period of up to 17 years.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation, which is computed primarily on the straight line method. Bank premises are depreciated over 15 to 40 year lives, while equipment is depreciated over lives of 3 to 20 years. Gains and losses from the sale of bank premises and equipment are included in other noninterest income.

Impairment of Long-Lived Assets

Long-lived assets, including premises and equipment, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or group of assets may not be recoverable. The impairment review includes a comparison of future cash flows expected to be generated by the asset or group of assets to their current carrying value. If the carrying value of the asset or group of assets exceeds expected cash flows (undiscounted and without interest charges), an impairment loss is recognized to the extent the carrying value exceeds fair value.

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UMB FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Taxes

The Company recognizes certain income and expenses in different time periods for financial reporting and income tax purposes. The provision for deferred income taxes is based on the liability method and represents the change in the deferred income tax accounts during the year excluding the tax effect of the change in net unrealized gain/(loss) on securities available for sale.

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 recognizes accrued interest related to unrecognized tax benefits in interest expense and penalties in other noninterest expense. For the years ended December 31, 2008 and 2007, the Company has recognized an immaterial amount in interest and penalties related to the unrecognized tax benefits.

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 year-to-date income per share includes the dilutive effect of 399,230; 293,820; and 220,602 shares issuable upon the exercise of stock options granted by the Company at December 31, 2008, 2007, and 2006, respectively.

Options issued under employee benefit plans to purchase 122,900; 512,312; and 380,661 shares of common stock were outstanding at December 31, 2008, 2007, and 2006, respectively, but were not included in the computation of diluted earnings per share because the options were anti-dilutive.

On May 30, 2006, the Company's common stock was split 2-for-1 in the form of a stock dividend. Stockholders received one additional share for every share owned. The Board of Directors declared the stock split April 25, 2006 and the record date was May 16, 2006. All share and per share amounts (including stock options and restricted stock) in the Consolidated Financial Statements and accompanying notes were restated to reflect the split.

Accounting for Stock-Based Compensation

Effective with the first quarter of 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (R) Share Based Payment . SFAS No. 123 (R) establishes accounting standards for all transactions in which the Company exchanges its equity instruments for goods and services. SFAS No. 123 (R) focuses primarily on accounting for transactions with employees, and carries forward, without change, prior guidance for share-based payments for transactions with non-employees.

SFAS No. 123 (R) eliminates the intrinsic value measurement objective in APB Opinion No. 25 and generally requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the date of the grant. The standard requires the grant date fair value to be estimated using either an option-pricing model which is consistent with the terms of the award or an observed market price, if such a price exists. Such cost is generally recognized over the vesting

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

period during which an employee is required to provide service in exchange for the award. The standard also requires the Company to estimate the number of instruments that will ultimately be issued, rather than accounting for forfeitures as they occur.

The Company uses the Black-Scholes pricing model to determine the fair value of its options. The assumptions for stock-based awards in the past three years utilized in the model are shown in the table below.

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|-------------|-------------|-------------|
| Black-Scholes pricing model: | | | |
| Weighted average fair value of the granted options | \$ 8.02 | \$ 8.77 | \$ 8.60 |
| Weighted average risk-free interest rate | 3.04% | 4.34% | 4.72% |
| Expected option life in years | 6.64 | 6.77 | 6.50 |
| Expected volatility | 18.23% | 15.71% | 16.13% |
| Expected dividend yield | 1.57% | 1.46% | 1.50% |

The expected option life is derived from historical exercise patterns and represents the amount of time that options granted are expected to be outstanding. The expected volatility is based on historical volatilities of the Company's stock. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The modified prospective method of adoption was chosen by the Company. This method requires the provisions of SFAS No. 123 (R) to be generally applied to share based awards granted or modified after the adoption of the new standard. In addition, compensation expense must be recognized for any unvested awards outstanding as of the date of adoption on a straight-line basis over the remaining vesting period. The financial statements for periods prior to the adoption of SFAS No. 123 (R) are not changed under this method.

As noted above, prior to adoption of SFAS No. 123 (R), forfeitures were recognized as they actually occurred. Under the current standard, an estimate of forfeitures is made for all share-based compensation outstanding and applied to compensation expense starting at the initial grant date. Forfeiture adjustments are required over the term of each grant's service period to account for changes in the Company's actual forfeitures of share-based instruments. The Company recognized a transition adjustment of \$0.2 million in 2006 upon adoption of SFAS No. 123 (R).

The Company recognized \$1.5 million, \$1.2 million, and \$0.7 million in expense related to outstanding stock options and \$2.8 million, \$2.1 million, and \$1.0 million in expense related to outstanding restricted stock grants for the years ended December 31, 2008, 2007, and 2006, respectively. The Company has \$4.9 million of unrecognized compensation expense related to the outstanding options and \$5.3 million of unrecognized compensation expense related to outstanding restricted stock grants at December 31, 2008.

2. NEW ACCOUNTING PRONOUNCEMENTS

Fair Value Measurements In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . The statement establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This statement is applicable under other accounting pronouncements that require fair value recognition. It does not create new fair value measurements; however, it provides increased consistency in the application of various fair value measurements. The Company adopted this Statement on January 1, 2008 as discussed further in Note 18 to the consolidated financial statements.

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UMB FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

3. LOANS AND ALLOWANCE FOR LOAN LOSSES

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

| | Year Ended December 31, | |
|---|-------------------------|--------------|
| | 2008 | 2007 |
| Commercial, financial, and agricultural | \$ 2,128,512 | \$ 1,769,505 |

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| | | |
|-------------------------------------|---------------------|---------------------|
| Real estate construction | 89,960 | 83,292 |
| Consumer | 569,879 | 795,826 |
| Real Estate | 1,589,902 | 1,262,389 |
| Leases | 9,895 | 6,113 |
| | <u> </u> | <u> </u> |
| Total loans | 4,388,148 | 3,917,125 |
| Loans held for sale | 21,886 | 12,240 |
| | <u> </u> | <u> </u> |
| Total loans and loans held for sale | <u>\$ 4,410,034</u> | <u>\$ 3,929,365</u> |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Maturities and Sensitivities to Changes in Interest Rates**

This table details loan maturities by variable and fixed rates as of December 31, 2008 (in thousands):

| | <u>Due in one year or less</u> | <u>Due after one year through five years</u> | <u>Due after five years</u> | <u>Total</u> |
|--|------------------------------------|--|---------------------------------|---------------------|
| Variable Rate | | | | |
| Commercial, financial and agricultural | \$ 652,840 | \$ 194,405 | \$ 42,301 | \$ 889,546 |
| Real estate construction | 35,175 | 3,022 | 1,630 | 39,827 |
| All other loans | 310,140 | 78,535 | 121,919 | 510,594 |
| | <u>998,155</u> | <u>275,962</u> | <u>165,850</u> | <u>1,439,967</u> |
| Fixed Rate | | | | |
| Commercial, financial and agricultural | 765,495 | 373,604 | 93,154 | 1,232,253 |
| Real estate construction | 18,596 | 24,628 | 6,908 | 50,132 |
| All other loans | 552,547 | 994,328 | 140,807 | 1,687,682 |
| | <u>1,336,638</u> | <u>1,392,560</u> | <u>240,869</u> | <u>2,970,067</u> |
| Total fixed rate loans | <u>1,336,638</u> | <u>1,392,560</u> | <u>240,869</u> | <u>2,970,067</u> |
| Total loans and loans held for sale | <u>\$ 2,334,793</u> | <u>\$ 1,668,522</u> | <u>\$ 406,719</u> | <u>\$ 4,410,034</u> |

This table details loan maturities by variable and fixed rates as of December 31, 2007 (in thousands):

| | <u>Due in one year or less</u> | <u>Due after one year through five years</u> | <u>Due after five years</u> | <u>Total</u> |
|--|------------------------------------|--|---------------------------------|------------------|
| Variable Rate | | | | |
| Commercial, financial and agricultural | \$ 687,752 | \$ 219,963 | \$ 27,584 | \$ 935,299 |
| Real estate construction | 45,990 | 2,867 | 206 | 49,063 |
| All other loans | 266,032 | 63,178 | 97,474 | 426,684 |
| | <u>999,774</u> | <u>286,008</u> | <u>125,264</u> | <u>1,411,046</u> |
| Fixed Rate | | | | |

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| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Commercial, financial and agricultural | 464,038 | 302,387 | 67,781 | 834,206 |
| Real estate construction | 20,336 | 12,166 | 1,727 | 34,229 |
| All other loans | 446,406 | 1,019,006 | 184,472 | 1,649,884 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fixed rate loans | 930,780 | 1,333,559 | 253,980 | 2,518,319 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total loans and loans held for sale | \$ 1,930,554 | \$ 1,619,567 | \$ 379,244 | \$ 3,929,365 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Allowance for Loan Losses**

This table provides a rollforward of the allowance for loan losses for the three years ended December 31, 2008, 2007 and 2006 (in thousands):

| | Year Ended December 31 | | |
|--|------------------------|-----------|-----------|
| | 2008 | 2007 | 2006 |
| Allowance beginning of year | \$ 45,986 | \$ 44,926 | \$ 40,825 |
| Additions (deductions): | | | |
| Charge-offs | (16,581) | (12,474) | (12,937) |
| Recoveries | 4,826 | 4,201 | 5,945 |
| Net charge-offs | (11,755) | (8,273) | (6,992) |
| Provision charged to expense | 17,850 | 9,333 | 8,734 |
| Allowance for banks and loans acquired | 216 | | 2,359 |
| Allowance end of year | \$ 52,297 | \$ 45,986 | \$ 44,926 |

Impaired Loans under SFAS 114

This table provides an analysis of impaired loans for the three years ended December 31, 2008, 2007, and 2006 (in thousands):

| | Year Ended December 31 | | |
|---|------------------------|----------|----------|
| | 2008 | 2007 | 2006 |
| Total impaired loans as of December 31 | \$ 7,582 | \$ 5,617 | \$ 5,485 |
| Amount of impaired loans which have a related allowance | 537 | 798 | 1,117 |
| Amount of related allowance | 225 | 433 | 318 |
| Remaining impaired loans with no allowance | 7,045 | 4,819 | 4,368 |
| Average recorded investment in impaired loans during year | 5,958 | 5,798 | 6,522 |

4. SECURITIES

Securities Available for Sale

This table provides detailed information about securities available for sale at December 31, 2008 and 2007 (in thousands):

| 2008 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|----------------------------------|---------------------------|---------------------------------------|--|---------------------|
| U.S. Treasury | \$ 456,183 | \$ 11,799 | \$ (21) | \$ 467,961 |
| U.S. Agencies | 2,216,866 | 24,330 | (672) | 2,240,524 |
| Mortgage-backed | 1,283,036 | 17,351 | (1,384) | 1,299,003 |
| State and political subdivisions | 793,171 | 15,241 | (828) | 807,584 |
| Total | \$ 4,749,256 | \$ 68,721 | \$ (2,905) | \$ 4,815,072 |
| | | | | |
| 2007 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury | \$ 420,319 | \$ 11,713 | \$ | \$ 432,032 |
| U.S. Agencies | 1,162,406 | 7,671 | (108) | 1,169,969 |
| Mortgage-backed | 1,052,304 | 3,172 | (6,032) | 1,049,444 |
| State and political subdivisions | 730,712 | 4,983 | (1,188) | 734,507 |
| Total | \$ 3,365,741 | \$ 27,539 | \$ (7,328) | \$ 3,385,952 |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents contractual maturity information for securities available for sale at December 31, 2008 (in thousands):

| | Amortized Cost | Fair Value |
|-------------------------------------|---------------------------|-----------------------|
| | <u> </u> | <u> </u> |
| Due in 1 year or less | \$ 1,677,000 | \$ 1,685,137 |
| Due after 1 year through 5 years | 1,559,138 | 1,596,142 |
| Due after 5 years through 10 years | 200,148 | 204,659 |
| Due after 10 years | 29,934 | 30,131 |
| | <u> </u> | <u> </u> |
| Total | 3,466,220 | 3,516,069 |
| Mortgage-backed securities | 1,283,036 | 1,299,003 |
| | <u> </u> | <u> </u> |
| Total securities available for sale | <u>\$ 4,749,256</u> | <u>\$ 4,815,072</u> |

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

During 2008, proceeds from the sales of securities available for sale were \$110,339,000 compared to \$67,929,000 for 2007. Securities transactions resulted in gross realized gains of \$3,339,000 for 2008, \$1,201,000 for 2007 and \$130,000 for 2006. The gross realized losses were \$5,000 for 2008, \$191,000 for 2007 and \$13,000 for 2006.

Trading Securities

The net unrealized gains on trading securities at December 31, 2008, 2007, and 2006 were \$90,283, \$67,335, and \$62,214 respectively, and were included in trading and investment banking income.

Securities Held to Maturity

The table below provides detailed information for securities held to maturity at December 31, 2008 and 2007 (in thousands):

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| | December 31 | | | |
|----------------------------------|-------------------|------------------------------|-------------------------------|---------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| 2008 | | | | |
| State and political subdivisions | \$ 49,350 | \$ 7,579 | \$ | \$ 56,929 |
| 2007 | | | | |
| State and political subdivisions | \$ 37,658 | \$ 4,551 | \$ | \$ 42,209 |

The following table presents contractual maturity information for securities held to maturity at December 31, 2008 (in thousands):

| | Amortized Cost | Fair Value |
|--|-------------------|------------------|
| Due in 1 year or less | \$ | \$ |
| Due after 1 year through 5 years | 11,503 | 13,270 |
| Due after 5 years through 10 years | 15,744 | 18,162 |
| Due after 10 years | 22,103 | 25,497 |
| Total securities held to maturity | \$ 49,350 | \$ 56,929 |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

There were no sales of securities held to maturity during 2008 and 2007.

Securities available for sale and held to maturity with a market value of \$4,609,245,000 at December 31, 2008, and \$3,206,222,000 at December 31, 2007, were pledged to secure U.S. Government deposits, other public deposits and certain Trust deposits as required by law.

The following table shows the Company's available for sale investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2008 and 2007 (in thousands).

| 2008 | Less than 12 months | | 12 months or more | | Total | |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Direct obligations of U.S. government agencies | \$ 351,561 | \$ (694) | \$ | \$ | \$ 351,561 | \$ (694) |
| Federal agency mortgage backed securities | 202,893 | (1,381) | 1,230 | (2) | 204,123 | (1,383) |
| Municipal securities | 65,600 | (788) | 1,169 | (40) | 66,769 | (828) |
| Total temporarily-impaired debt securities available for sale | \$ 620,054 | \$ (2,863) | \$ 2,399 | \$ (42) | \$ 622,453 | \$ (2,905) |

| 2007 | Less than 12 months | | 12 months or more | | Total | |
|--|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Direct obligations of U.S. government agencies | \$ 327,621 | \$ (85) | \$ 9,979 | \$ (23) | \$ 337,600 | \$ (108) |
| Federal agency mortgage backed securities | 307,012 | (2,035) | 366,166 | (3,997) | 673,178 | (6,032) |
| Municipal securities | 44,821 | (327) | 152,196 | (861) | 197,017 | (1,188) |
| Total temporarily-impaired debt securities available for sale | \$ 679,454 | \$ (2,447) | \$ 528,341 | \$ (4,881) | \$ 1,207,795 | \$ (7,328) |

The unrealized losses in the Company's investments in direct obligations of U.S. government agencies, federal agency mortgage backed securities, and municipal securities were caused by interest rate risk. Because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2008.

5. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

The Company regularly enters into agreements for the purchase of securities with simultaneous agreements to resell (resell agreements). The agreements permit the Company to sell or repledge these securities. Resell agreements were \$150,171,000 and \$509,287,000 at December 31, 2008 and 2007, respectively. Of those balances, \$0 in 2008 and \$450,000,000 in 2007 represented sales of securities in which securities were received under reverse repurchase agreements (resell agreements).

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOANS TO OFFICERS AND DIRECTORS**

Certain Company and principal affiliate bank executive officers and directors, including companies in which those persons are principal holders of equity securities or are general partners, borrow in the normal course of business from affiliate banks of the Company. All such loans have been made on the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties. In addition, all such loans are current as to repayment terms.

For the years 2008 and 2007, an analysis of activity with respect to such aggregate loans to related parties appears below (in thousands):

| | Year Ended December 31 | |
|---------------------------|-------------------------------|-------------------|
| | 2008 | 2007 |
| Balance beginning of year | \$ 207,304 | \$ 195,071 |
| New loans | 453,369 | 164,053 |
| Repayments | (283,371) | (151,820) |
| Balance end of year | \$ 377,302 | \$ 207,304 |

7. GOODWILL AND OTHER INTANGIBLES

Changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2007 by operating segment are as follows (in thousands):

| | Consumer Services | Asset Management | Commercial Banking and Lending | Fund Services | Total |
|---|------------------------------|-----------------------------|---|--------------------------|------------------|
| Balances as of January 1, 2007 | \$ 30,982 | \$ 10,479 | \$ 36,753 | \$ 15,509 | \$ 93,723 |
| Acquisition of Mountain States Bank adjustments | 393 | | 396 | | 789 |
| Balances as of December 31, 2007 | \$ 31,375 | \$ 10,479 | \$ 37,149 | \$ 15,509 | \$ 94,512 |

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| | | | | | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Balances as of January 1, 2008 | \$ 31,375 | \$ 10,479 | \$ 37,149 | \$ 15,509 | \$ 94,512 |
| Acquisition of The Citadel Bank | 4,562 | | 5,850 | | 10,412 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Balances as of December 31, 2008 | \$ 35,937 | \$ 10,479 | \$ 42,999 | \$ 15,509 | \$ 104,924 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

During 2007, additional purchase accounting adjustments were made relating to the September 15, 2006 purchase of Mountain States Bancorporation, Inc. in Denver, Colorado. See additional disclosure about the acquisition in Note 16.

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Following are the intangible assets that continue to be subject to amortization as of December 31, 2008 and 2007 (in thousands):

| | As of December 31, 2008 | | |
|---|----------------------------------|-------------------------------------|--------------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Core deposit intangible assets | \$ 33,586 | \$ 21,873 | \$ 11,713 |
| Core deposit premium from the acquisition of The Citadel Bank | 2,911 | 49 | 2,862 |
| Total core deposit intangible assets | 36,497 | 21,922 | 14,575 |
| Other intangible assets | 7,319 | 5,419 | 1,900 |
| Other intangible assets acquired during period | 1,832 | 206 | 1,626 |
| Total other intangible assets | 9,151 | 5,625 | 3,526 |
| Total intangible assets | \$ 45,648 | \$ 27,547 | \$ 18,101 |
| | | | |
| | As of December 31, 2007 | | |
| Core deposit intangible assets | \$ 33,586 | \$ 19,810 | \$ 13,776 |
| Other intangible assets | 7,222 | 4,596 | 2,626 |
| Other intangible assets acquired during period | 97 | 36 | 61 |
| Total other intangible assets | 7,319 | 4,632 | 2,687 |
| Total intangible assets | \$ 40,905 | \$ 24,442 | \$ 16,463 |

Amortization expense for the years ended December 31, 2008, 2007 and 2006 was \$3,104,000, \$2,943,000 and \$1,600,000, respectively. The following table discloses the estimated amortization expense of intangible assets in future years (in thousands):

| | |
|--------------------------------------|----------|
| For the year ended December 31, 2009 | \$ 3,441 |
| For the year ended December 31, 2010 | 3,184 |
| For the year ended December 31, 2011 | 2,546 |
| For the year ended December 31, 2012 | 2,018 |
| For the year ended December 31, 2013 | 1,433 |

8. BANK PREMISES AND EQUIPMENT

Bank premises and equipment consisted of the following (in thousands):

| | December 31 | |
|--------------------------------------|--------------------|-------------------|
| | 2008 | 2007 |
| Land | \$ 43,333 | \$ 42,531 |
| Buildings and leasehold improvements | 261,647 | 250,303 |
| Equipment | 123,822 | 119,950 |
| Software | 86,623 | 81,729 |
| | <u>515,425</u> | <u>494,513</u> |
| Accumulated depreciation | (226,758) | (210,498) |
| Accumulated amortization | (61,877) | (48,487) |
| | <u>226,790</u> | <u>235,528</u> |
| Bank premises and equipment, net | <u>\$ 226,790</u> | <u>\$ 235,528</u> |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Consolidated rental and operating lease expenses were \$6,588,000 in 2008, \$6,054,000 in 2007 and \$5,993,000 in 2006. Consolidated bank premises and equipment depreciation and amortization expenses were \$34,625,000 in 2008, \$34,442,000 in 2007 and \$33,331,000 in 2006. Minimum future rental commitments as of December 31, 2008 for all non-cancelable operating leases are: 2009 \$5,211,000; 2010 \$5,013,000; 2011 \$4,242,000; 2012 \$3,805,000; 2013 \$3,572,000; and thereafter \$28,938,000.

9. BORROWED FUNDS

The components of the Company's short-term and long-term debt are as follows (in thousands):

| | December 31 | |
|--|--------------------|---------------|
| | 2008 | 2007 |
| Short-term debt: | | |
| U. S. Treasury demand notes and other | \$ 15,807 | \$ 33,753 |
| Long-term debt: | | |
| Federal Home Loan Bank 3.27% due 2011 | 1,200 | |
| Federal Home Loan Bank 3.80% due 2018 | 1,779 | 1,933 |
| Federal Home Loan Bank 4.53% due 2018 | 1,241 | 1,345 |
| Federal Home Loan Bank 4.56% due 2019 | 786 | 847 |
| Federal Home Loan Bank 4.75% due 2018 | | 1,195 |
| Federal Home Loan Bank 4.86% due 2019 | 4,428 | 4,731 |
| Federal Home Loan Bank 4.92% due 2019 | 574 | 614 |
| Federal Home Loan Bank 5.00% due 2019 | 1,201 | 1,290 |
| Federal Home Loan Bank 5.14% due 2020 | 92 | 98 |
| Federal Home Loan Bank 5.47% due 2020 | 14,775 | 15,700 |
| Federal Home Loan Bank 5.54% due 2021 | 1,358 | 1,428 |
| Federal Home Loan Bank 5.89% due 2014 | 1,875 | 2,157 |
| Federal Home Loan Bank 7.13% due 2010 | 293 | 508 |
| Kansas Equity Fund IV, L.P. 0% due 2014 | 774 | 893 |
| Kansas Equity Fund V, L.P. 0% due 2016 | 460 | 495 |
| Kansas Equity Fund VI, L.P. 0% due 2016 | 872 | |
| Kansas City Equity Fund, L.L.C. 0% due 2014 | 731 | 980 |
| Kansas City Equity Fund 2008, L.L.C. 0% due 2014 | 1,000 | |
| St. Louis Equity Fund 2005 LLC 0% due 2010 | 488 | 668 |
| St. Louis Equity Fund 2006 LLC 0% due 2010 | 198 | 240 |
| St. Louis Equity Fund 2007 LLC 0% due 2010 | 890 | 910 |
| St. Louis Equity Fund 2008 LLC 0% due 2010 | 910 | |
| Total long-term debt | 35,925 | 36,032 |

| | | |
|----------------------|------------------|------------------|
| Total borrowed funds | <u>\$ 51,732</u> | <u>\$ 69,785</u> |
|----------------------|------------------|------------------|

Aggregate annual repayments of long-term debt at December 31, 2008 are as follows (in thousands):

| | |
|------------|------------------|
| 2009 | \$ 5,037 |
| 2010 | 4,099 |
| 2011 | 5,113 |
| 2012 | 2,898 |
| 2013 | 2,667 |
| Thereafter | 16,111 |
| Total | <u>\$ 35,925</u> |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

All of the Federal Home Loan Bank notes are secured by investment securities of the Company. Federal Home Loan Bank notes require monthly principal and interest payments and may require a penalty for payoff prior to the maturity date.

The Company enters into sales of securities with simultaneous agreements to repurchase (repurchase agreements). The amounts received under these agreements represent short-term borrowings and are reflected as a separate item in the consolidated balance sheets. The amount outstanding at December 31, 2008, was \$2,058,546,000 (with accrued interest payable of \$16,924). The amount outstanding at December 31, 2007, was \$2,155,335,000 (with accrued interest payable of \$566,493). This amount consists of \$450,000,000 representing sales of securities in which securities were received under reverse repurchase agreements (resell agreements) and \$1,705,335,000 of sales of U.S. Treasury and Agency securities from the Company's securities portfolio.

The carrying amounts and market values of the securities and the related repurchase liabilities and weighted average interest rates of the repurchase liabilities (grouped by maturity of the repurchase agreements) were as follows as of December 31, 2008 (in thousands):

| <u>Maturity of the Repurchase Liabilities</u> | <u>Securities Market Value</u> | <u>Repurchase Liabilities</u> | <u>Weighted Average Interest Rate</u> |
|---|------------------------------------|-----------------------------------|---|
| On Demand | \$ 16,666 | \$ 16,662 | 0.11% |
| 2 to 30 days | 2,020,437 | 2,041,884 | 0.22 |
| Total | \$ 2,037,103 | \$ 2,058,546 | 0.22% |

10. REGULATORY REQUIREMENTS

Payment of dividends by the affiliate banks to the parent company is subject to various regulatory restrictions. For national banks, the governing regulatory agency must approve the declaration of any dividends generally in excess of the sum of net income for that year and retained net income for the preceding two years. At December 31, 2008, approximately \$40,499,000 of the equity of the affiliate banks and non-bank subsidiaries was available for distribution as dividends to the parent company without prior regulatory approval or without reducing the capital of the respective affiliate banks below minimum levels.

Certain affiliate banks maintain reserve balances with the Federal Reserve Bank as required by law. During 2008, this amount averaged \$90,032,000, compared to \$13,963,000 in 2007.

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The Company is required to maintain minimum amounts of capital to total risk weighted assets, as defined by the banking regulators. At December 31, 2008, the Company is required to have minimum Tier 1 and Total capital ratios of 4.0% and 8.0%, respectively. The Company's actual ratios at that date were 13.2% and 14.1%, respectively. The Company's leverage ratio at December 31, 2008, was 8.5%.

As of December 31, 2008, the most recent notification from the Office of Comptroller of the Currency categorized all of the affiliate banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized all of the Company's affiliate banks must maintain total risk-based, Tier 1 risk-based and Tier 1 leverage ratios of 10.0%, 6.0% and 5.0%, respectively. There are no conditions or events since that notification that management believes have changed the affiliate banks' category.

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Actual capital amounts as well as required and well-capitalized Tier 1, Total and Tier 1 Leverage ratios as of December 31 for the Company and its banks are as follows (in thousands):

| | 2008 | | | | | |
|------------------------------------|------------|--------|-------------------------------|-------|--|-------|
| | Actual | | For Capital Adequacy Purposes | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | | | | | | |
| <i>(in thousands)</i> | | | | | | |
| Tier 1 Capital: | | | | | | |
| UMB Financial Corporation | \$ 814,461 | 13.23% | \$ 246,326 | 4.00% | \$ N/A | N/A% |
| UMB Bank, n. a. | 556,357 | 10.88 | 204,468 | 4.00 | 306,702 | 6.00 |
| UMB National Bank of America, n.a. | 67,921 | 21.41 | 12,692 | 4.00 | 19,037 | 6.00 |
| UMB Bank Colorado, n.a. | 93,614 | 13.95 | 26,850 | 4.00 | 40,274 | 6.00 |
| UMB Bank Arizona, n.a. | 8,681 | 11.37 | 3,053 | 4.00 | 4,580 | 6.00 |
| Total Capital: | | | | | | |
| UMB Financial Corporation | 867,756 | 14.09 | 492,652 | 8.00 | N/A | N/A |
| UMB Bank, n. a. | 599,904 | 11.74 | 408,937 | 8.00 | 511,171 | 10.00 |
| UMB National Bank of America, n.a. | 69,693 | 21.97 | 25,383 | 8.00 | 31,729 | 10.00 |
| UMB Bank Colorado, n.a. | 100,756 | 15.01 | 53,699 | 8.00 | 67,124 | 10.00 |
| UMB Bank Arizona, n.a. | 9,515 | 12.47 | 6,106 | 8.00 | 7,633 | 10.00 |
| Tier 1 Leverage: | | | | | | |
| UMB Financial Corporation | 814,461 | 8.47 | 384,539 | 4.00 | N/A | N/A |
| UMB Bank, n. a. | 556,357 | 6.80 | 327,435 | 4.00 | 409,294 | 5.00 |
| UMB National Bank of America, n.a. | 67,921 | 10.90 | 24,914 | 4.00 | 31,143 | 5.00 |
| UMB Bank Colorado, n.a. | 93,614 | 11.33 | 33,061 | 4.00 | 41,326 | 5.00 |
| UMB Bank Arizona, n.a. | 8,681 | 11.89 | 2,921 | 4.00 | 3,651 | 5.00 |
| 2007 | | | | | | |
| Tier 1 Capital: | | | | | | |
| UMB Financial Corporation | \$ 766,399 | 13.74% | \$ 223,117 | 4.00% | \$ N/A | N/A% |
| UMB Bank, n. a. | 533,871 | 11.33 | 188,520 | 4.00 | 282,780 | 6.00 |
| UMB National Bank of America, n.a. | 58,207 | 20.85 | 11,169 | 4.00 | 16,754 | 6.00 |
| UMB Bank Colorado, n.a. | 89,851 | 14.53 | 24,731 | 4.00 | 37,097 | 6.00 |
| UMB Bank Arizona, n.a. | 8,813 | 19.46 | 1,811 | 4.00 | 2,717 | 6.00 |
| Total Capital: | | | | | | |
| UMB Financial Corporation | 813,383 | 14.58 | 446,234 | 8.00 | N/A | N/A |
| UMB Bank, n. a. | 571,547 | 12.13 | 377,040 | 8.00 | 471,300 | 10.00 |
| UMB National Bank of America, n.a. | 59,781 | 21.41 | 22,339 | 8.00 | 27,923 | 10.00 |
| UMB Bank Colorado, n.a. | 97,247 | 15.73 | 49,462 | 8.00 | 61,828 | 10.00 |

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| | | | | | | |
|------------------------------------|---------|-------|---------|------|---------|-------|
| UMB Bank Arizona, n.a. | 9,150 | 20.20 | 3,623 | 8.00 | 4,529 | 10.00 |
| Tier 1 Leverage: | | | | | | |
| UMB Financial Corporation | 766,399 | 9.63 | 318,314 | 4.00 | N/A | N/A |
| UMB Bank, n. a. | 533,871 | 7.98 | 267,616 | 4.00 | 334,520 | 5.00 |
| UMB National Bank of America, n.a. | 58,207 | 10.28 | 22,657 | 4.00 | 28,321 | 5.00 |
| UMB Bank Colorado, n.a. | 89,851 | 12.17 | 29,540 | 4.00 | 36,925 | 5.00 |
| UMB Bank Arizona, n.a. | 8,813 | 27.56 | 1,279 | 4.00 | 1,599 | 5.00 |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. EMPLOYEE BENEFITS**

The Company has a discretionary noncontributory profit sharing plan, which features an employee stock ownership plan. This plan is for the benefit of substantially all eligible officers and employees of the Company and its subsidiaries. The Company has accrued and anticipates making a discretionary payment of \$3,437,315 in March, 2009 for 2008. A \$1,954,041 contribution was paid in 2008 for 2007. A \$1,234,529 contribution was paid in 2007 for 2006.

The Company has a qualified 401(k) profit sharing plan that permits participants to make contributions by salary deduction. The Company made a matching contribution to this plan of \$2,610,653 in 2008 for 2007 and \$2,448,105 in 2007 for 2006. The Company anticipates making a matching contribution of \$3,027,254 in March 2009 for 2008.

On April 18, 2002, the shareholders of the Company approved the 2002 Incentive Stock Options Plan (the 2002 Plan), which provides incentive options to certain key employees to receive up to 2,000,000 common shares of the Company. All options that are issued under the 2002 Plan are in effect for 10 years (except for any option granted to a person holding more than 10 percent of the Company's stock, in which case the option is in effect for five years). All options issued prior to 2005 under the 2002 Plan cannot be exercised until at least four years 11 months after the date they are granted. Options issued in 2006, 2007, and 2008 under the 2002 Plan have a vesting schedule of 50 percent after three years; 75 percent after four years and 100 percent after four years and eleven months. Except under circumstances of death, disability or certain retirements, the options cannot be exercised after the grantee has left the employment of the Company or its subsidiaries. The exercise period for an option may be accelerated upon the optionee's qualified disability, retirement or death. All options expire at the end of the exercise period. Prior to 2006, the Company made no recognition in the balance sheet of the options until such options were exercised and no amounts applicable thereto were reflected in net income as all options were granted at strike prices at the then current fair value of the underlying shares. For options granted after January 1, 2006, SFAS No. 123 (R) requires compensation expense to be recognized on unvested options outstanding. Options are granted at exercise prices of no less than 100 percent of the fair market value of the underlying shares based on the fair value of the option at date of grant. The plan terminates April 17, 2012.

The table below discloses the information relating to option activity in 2008 under the 2002 Plan:

| Stock Options | Number of Shares | Weighted Average Price Per Share | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|-------------------------------|-------------------------|---|--|----------------------------------|
| Under the 2002 Plan | | | | |
| Outstanding December 31, 2007 | 734,968 | \$ 31.02 | | |
| Granted | 123,000 | 40.93 | | |
| Canceled | (28,600) | 33.04 | | |
| Exercised | (31,189) | 22.52 | | |
| Outstanding December 31, 2008 | 798,179 | 32.66 | 7.2 | \$ 13,151,334 |

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| | | | | |
|--|---------|----------|-----|---------------|
| Exercisable or expected to be exercisable December 31, 2008 | 782,033 | \$ 31.68 | 6.9 | \$ 13,654,546 |
|--|---------|----------|-----|---------------|

The weighted average grant-date fair value of options granted during the years 2008, 2007, and 2006 was \$9.27, \$8.98 and \$8.88, respectively. The total intrinsic value of options exercised during the year ended December 31, 2008 and 2007 was \$1,491,966 and \$158,704. No options were exercised during 2006. As of December 31, 2008, there was \$2,718,999 of unrecognized compensation cost related to the nonvested shares. The cost is expected to be recognized over a period of 3.8 years.

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On April 16, 1992, the shareholders of the Company approved the 1992 Incentive Stock Option Plan (the 1992 Plan), which provides incentive options to certain key employees for up to 1,000,000 common shares of the Company. Of the options granted prior to 1998, 40 percent are exercisable two years from the date of the grant and are thereafter exercisable in 20 percent increments annually, or for such periods or vesting increments as the Board of Directors, or a committee thereof, specify (which may not exceed 10 years or in the case of a recipient holding more than 10 percent of the Company's stock, five years), provided that the optionee has remained in the employment of the Company or its subsidiaries. None of the options granted during or after 1998 are exercisable until four years eleven months after the grant date. The exercise period may be accelerated for an option upon the optionee's qualified disability, retirement or death. All options expire at the end of the exercise period. Prior to 2006, the Company made no recognition in the balance sheet of the options until such options were exercised and no amounts applicable thereto were reflected in net income, because options were granted at exercise prices of no less than 100 percent of the fair market value of the underlying shares at date of grant. No further options may be granted under the 1992 Plan.

The table below discloses the information relating to option activity in 2008 under the 1992 Plan:

| Stock Options | Number of Shares | Weighted Average Price Per Share | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|-------------------------|---|--|----------------------------------|
| Under the 1992 Plan | | | | |
| Outstanding December 31, 2007 | 161,517 | \$ 18.52 | | |
| Granted | | | | |
| Canceled | (1,059) | 19.67 | | |
| Exercised | (55,659) | 18.65 | | |
| Outstanding December 31, 2008 | 104,799 | 18.44 | 2.2 | \$ 3,217,147 |
| Exercisable or expected to be exercisable December 31, 2008 | 104,799 | \$ 18.44 | 2.2 | \$ 3,217,147 |

There were no options granted under the plan during the years 2008, 2007, and 2006. The total intrinsic value of options exercised during the years ended December 31, 2008, 2007, and 2006 was \$2,594,069, \$2,017,266 and \$637,516, respectively. As of December 31, 2008, there was no unrecognized compensation expense to be recognized for this plan.

On May 4, 2004, the Company entered into an agreement with Peter J. deSilva, President and Chief Operating Officer of the Company to issue 8,000 shares of common stock of the Company. The shares vest 20 percent per year of employment through January 20, 2009. These restricted shares are automatically enrolled in the dividend reinvestment plan of the Company. Dividends paid on the restricted shares are used to purchase new shares which contain the same restriction. If Mr. deSilva terminates employment all non-vested shares are forfeited.

The table below discloses the status of the restricted shares during 2008:

| <u>Restricted Stock</u> | <u>Number of Shares</u> | <u>Weighted Average Grant Date Fair Value</u> |
|-----------------------------|-----------------------------|---|
| Nonvested December 31, 2007 | 3,200 | \$ 25.52 |
| Granted | | |
| Canceled | | |
| Vested | (1,600) | 25.52 |
| Nonvested December 31, 2008 | 1,600 | \$ 25.52 |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2008, there was no unrecognized compensation cost related to the nonvested shares. Total fair value of shares vested during the years ended December 31, 2008, 2007, and 2006 was \$61,912, \$57,224 and \$40,832, respectively.

At the April 26, 2005, shareholders meeting, the shareholders approved the UMB Financial Corporation Long-Term Incentive Compensation Plan (LTIP) which became effective as of January 1, 2005. The Plan permits the issuance to selected officers of the Company service based restricted stock grants, performance-based restricted stock grants and non-qualified stock options. Service-based restricted stock grants will contain a service requirement. The performance-based restricted grants will contain performance and service requirements. The non-qualified stock options will contain a service requirement.

The Plan reserves up to 2,000,000 shares of the Company's stock. Of the total, no more than 800,000 shares can be issued as restricted stock. These two requirements were in effect with the 2006 LTIP issuance. In 2005, the service and performance based restricted stock grants were issued out of treasury stock. No one eligible employee may receive more than \$1,000,000 in benefits under the Plan during any one fiscal year taking into account the value of all stock options and restricted stock received during such fiscal year.

The service-based restricted stock grants contain a service requirement. The vesting schedule is 50 percent of the shares after three years of service, 75 percent after four years of service and 100 percent after five years of service.

The performance-based restricted stock grants contain a service and a performance requirement. The performance requirement is based on a predetermined performance requirement over a three year period. The service requirement portion is a three year cliff vesting. If the performance requirement is not met, the executives do not receive the shares.

The dividends on service and performance-based restricted stock grants are treated as two separate transactions. First, cash dividends are paid on the restricted stock. Those cash dividends are then paid to purchase additional shares of restricted stock. The dividends paid on the stock are recorded as a reduction to retained earnings (similar to all dividend transactions).

The table below discloses the status of the service based restricted shares during 2008:

| Service Based Restricted Stock | Number of Shares | Weighted Average Grant Date Fair Value |
|---------------------------------------|---------------------------------|---|
| Nonvested December 31, 2007 | 146,799 | \$ 34.36 |
| Granted | 52,388 | 42.71 |

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| | | |
|-----------------------------|-------------------|-------------------|
| Canceled | (4,235) | 32.82 |
| Vested | (24,334) | 28.52 |
| | <u> </u> | <u> </u> |
| Nonvested December 31, 2008 | 170,618 | \$ 37.79 |
| | <u> </u> | <u> </u> |

As of December 31, 2008, there was \$3,989,399 of unrecognized compensation cost related to the nonvested shares. The cost is expected to be recognized over a period of 2.7 years. Total fair value of shares vested during the year ended December 31, 2008 and 2007 was \$1,285,183, and \$189,998, respectively. No shares vested in 2006.

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The table below discloses the status of the performance based restricted shares during 2008:

| Performance Based Restricted Stock | Number of Shares | Weighted Average Grant Date Fair Value |
|---|---------------------------------|---|
| Nonvested December 31, 2007 | 98,222 | \$ 33.66 |
| Granted | 36,478 | 37.73 |
| Canceled | (2,945) | 38.84 |
| Vested | (31,106) | 27.10 |
| Nonvested December 31, 2008 | 100,649 | \$ 37.01 |

As of December 31, 2008, there was \$1,356,293 of unrecognized compensation cost related to the nonvested shares. The cost is expected to be recognized over a period of 1.8 years. Total fair value of shares vested during the year ended December 31, 2008 was \$1,144,219. No shares vested in 2007 and 2006.

The non-qualified stock options carry a service requirement and will vest 50 percent after three years, 75 percent after four years and 100 percent after five years.

The table below discloses the information relating to option activity in 2008 under the LTIP:

| Stock Options Under the LTIP | Number of Shares | Weighted Average Price Per Share | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|-----------------------------|---|--|--------------------------------------|
| Outstanding December 31, 2007 | 347,908 | \$ 33.90 | | |
| Granted | 188,546 | 37.88 | | |
| Canceled | (5,184) | 34.56 | | |
| Exercised | (16,073) | 31.49 | | |
| Outstanding December 31, 2008 | 515,197 | 33.90 | 7.8 | \$ 6,850,850 |
| Exercisable or expected to be exercisable December 31, 2008 | 485,387 | \$ 36.13 | 7.4 | \$ 6,313,853 |

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The weighted average grant-date fair value of options granted during the years 2008, 2007, and 2006 was \$7.20, \$8.56 and \$8.21. The total intrinsic value of options exercised during the year ended December 31, 2008 was \$734,335. No options were exercised during 2007 and 2006. As of December 31, 2008, there was \$2,225,945 million of unrecognized compensation cost related to the nonvested shares. The cost is expected to be recognized over a period of 3.4 years.

Cash received from options exercised under all share based compensation plans was \$2,253,976, \$1,094,669 and \$636,872 for the years ended December 31, 2008, 2007, and 2006, respectively. The tax benefit realized for stock options exercised was \$367,000 in 2008 and inconsequential for 2007 and 2006.

The Company has no specific policy to repurchase common shares to mitigate the dilutive impact of options; however, the Company has historically made adequate discretionary purchases to satisfy stock option exercise activity. See a description of the Company's share repurchase plan in Note 14 to the Consolidated Financial Statements provided in Item 8, page 76 of this report.

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. OTHER COMPREHENSIVE INCOME (LOSS)**

The table below discloses the Company's components of other comprehensive income (loss) during the periods presented, which are comprised of unrealized gains (losses) on available for sale securities (in thousands):

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---|------------------|------------------|-----------------|
| Change in unrealized holding gains, net | \$ 48,901 | \$ 47,592 | \$ 6,879 |
| Reclassification adjustments for gains included in net income | (3,334) | (1,010) | (117) |
| Net unrealized holding gains | <u>45,567</u> | <u>46,582</u> | <u>6,762</u> |
| Income tax expense | (16,708) | (17,077) | (2,471) |
| Other comprehensive income | <u>\$ 28,859</u> | <u>\$ 29,505</u> | <u>\$ 4,291</u> |

13. 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 December 31, 2008 consistent with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information .

In determining revenues and expenses associated with each individual business segment, the Company utilizes a funds transfer pricing model. This model records cost of funds or credit for funds using matched maturity funding for certain assets and liabilities, or a blended rate based on various maturities for the remaining assets and liabilities. The allowance for loan losses is allocated using specifically identified reserves assigned to loans where available, with general reserves assigned to the remaining loan portfolio based on historical losses, economic outlook and other factors. The related loan loss provision is assigned based on the amount necessary to maintain reserves adequate for each segment. Noninterest income and noninterest expense directly attributable to a segment are assigned to that segment. Direct expenses incurred by areas whose services support the overall Company are allocated to the Business Segments based on standard unit costs applied to actual volume measurements. Administrative expenses are allocated based on the estimated time expended for each segment. Any remaining expenses, such as corporate overhead, are assigned based on the ratio of an individual business segment's noninterest expense to total noninterest expense incurred by all business lines. Virtually all interest rate risk is assigned to the Treasury and Other business segment that is the offset to the funds transfer pricing charges and credits assigned to each business segment.

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 provides 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.

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UMB FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 mainly to the Company's correspondent bank customer network in the Midwest. Products and services include bond trading transactions, cash letter collections, FiServ account processing, investment portfolio accounting and safekeeping, reporting for asset/liability management, and 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.

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

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

Fund Services provides a broad array of services for mutual funds, partnerships, 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.

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****BUSINESS SEGMENT INFORMATION**

Line of business/segment financial results were as follows:

| | Year Ended December 31 | | | | | |
|--|--------------------------------|--------------|--------------|----------------------------------|--------------|--------------|
| | Commercial Banking and Lending | | | Payment and Technology Solutions | | |
| | 2008 | 2007 | 2006 | 2008 | 2007 | 2006 |
| | (dollars in thousands) | | | | | |
| Net interest income | \$ 58,120 | \$ 55,513 | \$ 53,647 | \$ 88,112 | \$ 68,558 | \$ 63,152 |
| Provision for loan losses | 6,171 | 3,981 | 5,989 | 176 | 61 | |
| Noninterest income | 2,185 | 2,538 | 1,856 | 66,048 | 68,980 | 61,425 |
| Noninterest expense | 36,464 | 30,388 | 27,058 | 90,202 | 83,945 | 83,256 |
| Net income before tax | \$ 17,670 | \$ 23,682 | \$ 22,456 | \$ 63,782 | \$ 53,532 | \$ 41,321 |
| Average assets | \$ 3,210,000 | \$ 2,806,000 | \$ 2,480,000 | \$ 87,000 | \$ 69,000 | \$ 59,000 |
| Depreciation and amortization | 1,767 | 1,878 | 1,800 | 10,361 | 9,502 | 9,246 |
| Expenditures for additions to premises and equipment | 580 | 970 | 1,879 | 3,251 | 4,660 | 9,366 |
| | Banking Services | | | Consumer Services | | |
| | 2008 | 2007 | 2006 | 2008 | 2007 | 2006 |
| | (dollars in thousands) | | | | | |
| Net interest income | \$ 4,490 | \$ 3,561 | \$ 4,196 | \$ 108,854 | \$ 97,079 | \$ 93,853 |
| Provision for loan losses | | | | 11,432 | 5,278 | 2,745 |
| Noninterest income | 31,013 | 24,960 | 27,513 | 73,011 | 67,496 | 62,934 |
| Noninterest expense | 34,527 | 29,901 | 29,833 | 159,109 | 158,193 | 150,542 |
| Net income (loss) before tax | \$ 976 | \$ (1,380) | \$ 1,876 | \$ 11,324 | \$ 1,104 | \$ 3,500 |
| Average assets | \$ 103,000 | \$ 119,000 | \$ 86,000 | \$ 1,159,000 | \$ 1,343,000 | \$ 1,395,000 |
| Depreciation and amortization | 1,567 | 1,457 | 1,365 | 17,918 | 17,843 | 15,516 |
| Expenditures for additions to premises and equipment | 443 | 746 | 1,541 | 18,244 | 16,154 | 22,654 |
| | Asset Management | | | Fund Services | | |
| | 2008 | 2007 | 2006 | 2008 | 2007 | 2006 |

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| | (dollars in thousands) | | | | | |
|--|------------------------|-----------|-----------|-----------|-----------|-----------|
| Net interest income | \$ 8,619 | \$ 7,314 | \$ 2,158 | \$ 6,792 | \$ 1,092 | \$ 1,277 |
| Provision for loan losses | 71 | 13 | | | | |
| Noninterest income | 92,469 | 89,999 | 75,070 | 45,125 | 38,289 | 32,058 |
| Noninterest expense | 78,031 | 71,809 | 63,326 | 39,440 | 34,548 | 32,500 |
| Net income before tax | \$ 22,986 | \$ 25,491 | \$ 13,902 | \$ 12,477 | \$ 4,833 | \$ 835 |
| Average assets | \$ 128,000 | \$ 77,000 | \$ 32,000 | \$ 36,000 | \$ 34,000 | \$ 29,000 |
| Depreciation and amortization | 3,135 | 3,413 | 3,313 | 1,512 | 1,805 | 2,087 |
| Expenditures for additions to premises and equipment | 2,281 | 2,050 | 3,404 | 912 | 689 | 1,880 |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | Treasury and Other Adjustments | | | Total Consolidated Company | | |
|--|--------------------------------|--------------|--------------|----------------------------|--------------|--------------|
| | 2008 | 2007 | 2006 | 2008 | 2007 | 2006 |
| | (dollars in thousands) | | | | | |
| Net interest income | \$ 64 | \$ (433) | \$ (1,059) | \$ 275,051 | \$ 232,684 | \$ 217,224 |
| Provision for loan losses | | | | 17,850 | 9,333 | 8,734 |
| Noninterest income | 2,932 | (3,474) | (5,911) | 312,783 | 288,788 | 254,945 |
| Noninterest expense | (7,620) | (1,620) | (5,098) | 430,153 | 407,164 | 381,417 |
| Net income (loss) before tax | \$ 10,616 | \$ (2,287) | \$ (1,872) | \$ 139,831 | \$ 104,975 | \$ 82,018 |
| Average assets | \$ 4,175,000 | \$ 3,548,000 | \$ 3,502,000 | \$ 8,898,000 | \$ 7,996,000 | \$ 7,583,000 |
| Depreciation and amortization | 1,469 | 1,487 | 1,603 | 37,729 | 37,385 | 34,930 |
| Expenditures for additions to premises and equipment | 1,468 | 2,605 | 1,165 | 27,179 | 27,874 | 41,889 |

14. COMMON STOCK AND EARNINGS PER SHARE

The following table summarizes the share transactions for the three years ended December 31, 2008:

| | Shares Issued | Shares in Treasury |
|---|---------------|--------------------|
| Balance December 31, 2005 | 55,056,730 | (12,075,608) |
| Purchase of Treasury Stock | | (850,997) |
| Sale of Treasury Stock | | 13,784 |
| Issued for stock options & restricted stock | | 122,132 |
| Balance December 31, 2006 | 55,056,730 | (12,790,689) |
| Purchase of Treasury Stock | | (1,099,998) |
| Sale of Treasury Stock | | 12,950 |
| Issued for stock options & restricted stock | | 148,631 |
| Balance December 31, 2007 | 55,056,730 | (13,729,106) |
| Purchase of Treasury Stock | | (580,096) |
| Sale of Treasury Stock | | 12,112 |
| Issued for stock options & restricted stock | | 188,155 |
| Balance December 31, 2008 | 55,056,730 | (14,108,935) |

On April 22, 2008 the Company announced a plan to repurchase up to two million shares of common stock. This plan will terminate on April 22, 2009. The Company has not made any repurchases other than through this plan, which permits both open market and privately negotiated transactions. 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.

On May 30, 2006, the Company's common stock was split 2-for-1 in the form of a stock dividend. Stockholders received one additional share for every share owned. The Board of Directors declared the stock split April 25, 2006 and the record date was May 16, 2006. All share and per share amounts (including stock options and restricted stock) in the Consolidated Financial Statements and accompanying notes were restated to reflect the split.

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Basic earnings per share are computed by dividing income available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share gives effect to all potential common shares that were outstanding during the year.

The shares used in the calculation of basic and diluted earnings per share, are shown below:

| | For the Years Ended December 31 | | |
|---|--|-------------|-------------|
| | 2008 | 2007 | 2006 |
| Weighted average basic common shares outstanding | 40,739,240 | 41,712,223 | 42,592,960 |
| Dilutive effect of stock options and restricted stock | 399,230 | 293,820 | 220,602 |
| Weighted average diluted common shares outstanding | 41,138,470 | 42,006,043 | 42,813,562 |

15. COMMITMENTS, CONTINGENCIES AND GUARANTEES

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 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 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

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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 obligation to a third party. The Company issues standby letters of credit for terms ranging from three months to three years. The Company generally requires the customer to pledge collateral to support the letter of credit. The maximum liability to the Company under standby letters of credit at December 31, 2008 and 2007 was \$288.7 million and \$291.7 million, respectively. As of December 31, 2008 and 2007, standby letters of credit totaling \$64.1 million and \$63.1 million, respectively were with related parties to the Company.

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UMB FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 uses contracts to offset interest rate risk on specific securities held in the trading portfolio. Open futures contract positions averaged \$16.7 million and \$30.2 million during the years ended December 31, 2008 and 2007, respectively. Net futures activity resulted in losses of \$2.1 million and \$1.0 million for 2008 and 2007, respectively, and gains of \$0.4 million in 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 in 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 2008, contracts to purchase and to sell foreign currency averaged approximately \$16.9 million compared to \$13.8 million during 2007. The net gains on these foreign exchange contracts for 2008, 2007 and 2006 were \$2.3 million, \$1.9 million and \$1.6 million, respectively.

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 December 31, 2008, 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 December 31 | |
|--|--|--------------|
| | 2008 | 2007 |
| | (in thousands) | |
| Commitments to extend credit for loans (excluding credit card loans) | \$ 1,951,564 | \$ 1,302,101 |
| Commitments to extend credit under credit card loans | 1,156,447 | 1,013,317 |
| Commercial letters of credit | 2,552 | 6,155 |
| Standby letters of credit | 288,699 | 291,661 |
| Futures contracts | 9,000 | 14,900 |
| Forward foreign exchange contracts | 11,060 | 10,295 |
| Spot foreign exchange contracts | 19,100 | 17,475 |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. ACQUISITIONS**

The following acquisitions, which are not considered to be material business combinations, were completed during the fourth quarter of 2008 and the third quarter of 2006:

On October 31, 2008, UMB Financial Corporation completed the acquisition of Citadel Bank, a bank organized under the laws of the state of Colorado headquartered in Colorado Springs, Colorado which had consolidated assets of \$91.7 million at the time of the merger. The Citadel Bank was merged with and into UMB Bank Colorado on October 31, 2008. The Citadel Bank operated from a single location in Colorado Springs, Colorado. Initial goodwill, subject to the completion of appraisals and valuation of the assets acquired and liabilities assumed, amounted to \$10.4 million. Identifiable intangible assets including core deposit intangibles and non-compete agreements amounted to \$3.2 million. The goodwill and intangibles resulting from this transaction are not deductible for tax purposes.

On September 15, 2006, UMB Financial Corporation completed the acquisition of Mountain States Bancorporation, Inc., a bank holding company headquartered in Denver, Colorado which had consolidated assets of \$284.1 million at the time of the merger. Mountain States Bancorporation, and its subsidiary, Mountain States Bank were merged with and into UMB Bank Colorado on September 15, 2006. Mountain States Bank operated from a single location in Denver, Colorado. Initial goodwill, subject to the completion of appraisals and valuation of the assets acquired and liabilities assumed, amounted to \$33.0 million. Identifiable intangible assets including core deposit intangibles, non-compete agreements, and commercial loan customer lists amounted to \$13.9 million. The goodwill and intangibles resulting from this transaction are not deductible for tax purposes.

17. INCOME TAXES

Income taxes as set forth below produce effective income tax rates of 29.9 percent in 2008, 29.3 percent in 2007, and 27.1 percent in 2006. These percentages are computed by dividing total income tax by the sum of such tax and net income.

Income taxes include the following components (in thousands):

Year Ended December 31

| 2008 | 2007 | 2006 |
|------|------|------|
|------|------|------|

Current

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| | | | |
|--|-------------------|-------------------|-------------------|
| Federal provision | \$ 44,422 | \$ 28,290 | \$ 22,875 |
| State provision (benefit) | 2,357 | 1,219 | (55) |
| | <u> </u> | <u> </u> | <u> </u> |
| Total current tax provision | 46,779 | 29,509 | 22,820 |
| Deferred | | | |
| Federal (benefit) provision | (4,815) | 517 | (1,247) |
| State (benefit) provision | (208) | 736 | 678 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total deferred tax (benefit) provision | (5,023) | 1,253 | (569) |
| | <u> </u> | <u> </u> | <u> </u> |
| Total tax provision | \$ 41,756 | \$ 30,762 | \$ 22,251 |
| | <u> </u> | <u> </u> | <u> </u> |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The reconciliation between the income tax provision and the amount computed by applying the statutory federal tax rate of 35% to income taxes is as follows (in thousands):

| | Year Ended December 31 | | |
|---|-------------------------------|------------------|------------------|
| | 2008 | 2007 | 2006 |
| Provision at statutory rate | \$ 48,941 | \$ 36,741 | \$ 28,706 |
| Tax-exempt interest income | (8,756) | (7,676) | (6,859) |
| State and local income taxes, net of federal tax benefits | 1,451 | 1,497 | 739 |
| Federal tax credits | (234) | (122) | (18) |
| Other | 354 | 322 | (317) |
| Total tax provision | \$ 41,756 | \$ 30,762 | \$ 22,251 |

In preparing its tax returns, the Company is required to interpret complex tax laws and regulations to determine its taxable income. Periodically, the Company is subject to examinations by various taxing authorities that may give rise to differing interpretations of these complex laws. The Company is not in the examination process with any tax jurisdictions at December 31, 2008. However, upon examination, agreement of tax liabilities between the Company and the multiple tax jurisdictions in which the Company files tax returns may ultimately be different.

The Company has various state net operating loss carryforwards (NOL) of \$15.5 million, \$17.4 million, and \$18.5 million for 2008, 2007, and 2006, respectively. These net operating losses expire at various times through 2027.

Deferred income tax expense (benefit) results from differences between assets and liabilities measured for financial reporting and for income tax return purposes.

The significant components of deferred tax assets and liabilities are reflected in the following table (in thousands):

| | December 31, | |
|----------------------|---------------------|-------------|
| | 2008 | 2007 |
| Deferred tax assets: | | |

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| | | |
|--|-------------------|-------------------|
| Allowance for loan losses | \$ 20,893 | \$ 18,548 |
| Accrued expenses | 5,227 | 5,124 |
| Miscellaneous | 5,033 | 3,441 |
| | <u> </u> | <u> </u> |
| Total deferred tax assets | 31,153 | 27,113 |
| | <u> </u> | <u> </u> |
| Deferred tax liabilities: | | |
| Net unrealized gain on securities available for sale | (23,720) | (7,012) |
| Land, building, and equipment | (24,567) | (22,831) |
| Intangibles | (6,420) | (8,219) |
| Miscellaneous | (6,625) | (7,545) |
| | <u> </u> | <u> </u> |
| Total deferred tax liabilities | (61,332) | (45,607) |
| | <u> </u> | <u> </u> |
| Net deferred tax liability | \$ (30,179) | \$ (18,494) |
| | <u> </u> | <u> </u> |

The net deferred tax liability at December 31, 2008 and 2007 is included in accrued expenses and taxes.

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Liabilities Associated With Unrecognized Tax Benefits**

As of December 31, 2008, the gross amount of unrecognized tax benefits was \$2.4 million. The total amount of unrecognized tax benefits, net of associated deferred tax benefit, that would impact the effective tax rate, if recognized, was \$1.6 million. The unrecognized tax benefit relates to federal tax positions in addition to state tax positions that, if recognized, would result in the recognition of a deferred tax asset for the corresponding federal tax benefit. While it is expected that the amount of unrecognized tax benefits will change in the next twelve months, the Company does not expect this change to have a material impact on the results of operations or the financial position of the Company.

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 2005 in the jurisdictions in which it files.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

| | |
|---|-------------------|
| Unrecognized tax benefits opening balance | 1,477 |
| Gross increases tax positions in prior period | 71 |
| Gross decreases tax positions in prior period | (87) |
| Gross increases current-period tax positions | 1,070 |
| Settlements | |
| Lapse of statute of limitations | (150) |
| | <u> </u> |
| Unrecognized tax benefits ending balance | <u>2,381</u> |

18. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. The following table presents information about the Company's assets measured at fair value on a recurring basis as of December 31, 2008, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets and liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly

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quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the hierarchy. In such cases, the fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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UMB FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assets measured at fair value on a recurring basis as of December 31, 2008 (*in thousands*):

| Description | Fair Value Measurement at Reporting Date Using | | | |
|-------------------------------|--|---|---|---|
| | December 31, 2008 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Trading securities | 38,480 | 15,374 | 23,106 | |
| Available for sale securities | 4,815,072 | 2,708,484 | 2,106,588 | |
| Total | 4,853,552 | 2,723,858 | 2,129,694 | |

SFAS No. 107 requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Short-Term Investments The carrying amounts of cash and due from banks, federal funds sold and resell agreements are reasonable estimates of their fair values.

Securities Available for Sale and Investment Securities Fair values are based on quoted market prices or dealer quotes, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Trading Securities Fair values for trading securities (including financial futures), are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices for similar securities.

Loans Fair values are estimated for portfolios with similar financial characteristics. Loans are segregated by type, such as commercial, real estate, consumer, and credit card. Each loan category is further segmented into fixed and variable interest rate categories. The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit rating and for the same remaining maturities.

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Deposit Liabilities The fair value of demand deposits and savings accounts is the amount payable on demand at December 31, 2008 and 2007. The fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows using the rates that are currently offered for deposits of similar remaining maturities.

Short-Term Debt The carrying amounts of federal funds purchased, repurchase agreements and other short-term debt are reasonable estimates of their fair value because of the short-term nature of their maturities.

Long-Term Debt Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

Other Off-Balance Sheet Instruments The fair value of loan commitments and letters of credit are determined based on the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the present creditworthiness of the counterparties. Neither the fees earned during the year on these instruments nor their fair value at year-end are significant to the Company's consolidated financial position.

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The estimated fair value of the Company's financial instruments at December 31, 2008 and 2007 are as follows (in millions):

| | December 31 | | | |
|--|--------------------|---------------|--------------------|---------------|
| | 2008 | | 2007 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| FINANCIAL ASSETS | | | | |
| Cash and short-term investments | \$ 1,234.0 | \$ 1,234.0 | \$ 1,520.4 | \$ 1,520.4 |
| Securities available for sale | 4,815.1 | 4,815.1 | 3,386.0 | 3,386.0 |
| Securities held to maturity | 49.4 | 56.9 | 37.7 | 42.2 |
| Federal Reserve Bank stock and other | 21.5 | 21.5 | 17.5 | 17.5 |
| Trading securities | 38.5 | 38.5 | 43.9 | 43.9 |
| Loans (exclusive of allowance for loan loss) | 4,410.0 | 4,458.1 | 3,929.4 | 3,910.2 |
| FINANCIAL LIABILITIES | | | | |
| Demand and savings deposits | 6,263.6 | 6,280.4 | 5,053.5 | 5,053.5 |
| Time deposits | 1,461.7 | 1,490.4 | 1,497.3 | 1,527.3 |
| Federal funds and repurchase agreements | 2,127.4 | 2,127.4 | 1,734.7 | 1,734.7 |
| Short-term debt | 15.8 | 15.8 | 33.8 | 33.8 |
| Long-term debt | 35.9 | 40.5 | 36.0 | 38.0 |
| OFF-BALANCE SHEET ARRANGEMENTS | | | | |
| Commitments to extend credit for loans | | 3.1 | | 2.8 |
| Commercial letters of credit | | 0.2 | | 0.2 |
| Standby letters of credit | 288.7 | 1.8 | 291.7 | 2.3 |

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2008 and 2007. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amount presented herein.

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. PARENT COMPANY FINANCIAL INFORMATION****UMB FINANCIAL CORPORATION****BALANCE SHEETS**

| | December 31 | |
|--|----------------|------------|
| | 2008 | 2007 |
| | (in thousands) | |
| ASSETS: | | |
| Investment in subsidiaries: | | |
| Banks | \$ 869,224 | \$ 794,405 |
| Non-banks | 34,616 | 34,568 |
| Total investment in subsidiaries | 903,840 | 828,973 |
| Goodwill on purchased affiliates | 5,011 | 5,011 |
| Cash | 45,313 | 36,552 |
| Securities available for sale and other | 27,285 | 23,437 |
| Total assets | \$ 981,449 | \$ 893,973 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Dividends payable | \$ 108 | \$ 96 |
| Accrued expenses and other | 6,530 | 3,303 |
| Total liabilities | 6,638 | 3,399 |
| Shareholders' equity | 974,811 | 890,574 |
| Total liabilities and shareholders' equity | \$ 981,449 | \$ 893,973 |

STATEMENTS OF INCOME**Year Ended December 31**

| 2008 | 2007 | 2006 |
|------|------|------|
|------|------|------|

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| | _____ | _____ | _____ |
|---|----------------|-----------|-----------|
| | (in thousands) | | |
| INCOME: | | | |
| Dividends and income received from affiliate banks | \$ 88,500 | \$ 61,900 | \$ 74,760 |
| Service fees from subsidiaries | 12,563 | 11,742 | 10,973 |
| Other | (3,034) | 2,940 | 1,690 |
| | _____ | _____ | _____ |
| Total income | 98,029 | 76,582 | 87,423 |
| | _____ | _____ | _____ |
| EXPENSE: | | | |
| Salaries and employee benefits | 19,420 | 15,247 | 12,713 |
| Other | 11,229 | 8,944 | 9,260 |
| | _____ | _____ | _____ |
| Total expense | 30,649 | 24,191 | 21,973 |
| | _____ | _____ | _____ |
| Income before income taxes and equity in undistributed earnings of subsidiaries | 67,380 | 52,391 | 65,450 |
| Income tax benefit | (8,044) | (3,815) | (3,471) |
| | _____ | _____ | _____ |
| Income before equity in undistributed earnings of subsidiaries | 75,424 | 56,206 | 68,921 |
| Equity in undistributed earnings of subsidiaries: | | | |
| Banks | 22,502 | 13,958 | (12,004) |
| Non-Banks | 149 | 4,049 | 2,850 |
| | _____ | _____ | _____ |
| Net income | \$ 98,075 | \$ 74,213 | \$ 59,767 |
| | _____ | _____ | _____ |

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****STATEMENTS OF CASH FLOWS**

| | Year Ended December 31 | | |
|---|------------------------|-----------|-----------|
| | 2008 | 2007 | 2006 |
| | (in thousands) | | |
| OPERATING ACTIVITIES: | | | |
| Adjustments to reconcile net income to cash used in operating activities: | | | |
| Net income | \$ 98,075 | \$ 74,213 | \$ 59,767 |
| Equity in earnings of subsidiaries | (111,151) | (79,907) | (65,606) |
| Net decrease (increase) in trading securities | 3,446 | (2,779) | (12,228) |
| Other | 951 | 6,228 | 6,232 |
| Net cash used in operating activities | (8,679) | (2,245) | (11,835) |
| INVESTING ACTIVITIES: | | | |
| Proceeds from sales of securities available for sale | 349 | | |
| Proceeds from maturities of securities available for sale | | 19,000 | 67,000 |
| Purchases of securities available for sale | (349) | | |
| Net capital investment in subsidiaries | (23,359) | | (83,795) |
| Dividends received from subsidiaries | 88,500 | 61,900 | 74,760 |
| Net capital expenditures for premises and equipment | (664) | (66) | (52) |
| Net cash provided by investing activities | 64,477 | 80,834 | 57,913 |
| FINANCING ACTIVITIES: | | | |
| Cash dividends paid | (26,814) | (29,278) | (21,833) |
| Net purchase of treasury stock | (20,223) | (41,712) | (28,487) |
| Net cash used in financing activities | (47,037) | (70,990) | (50,320) |
| Net increase (decrease) in cash | 8,761 | 7,599 | (4,242) |
| Cash at beginning of period | 36,552 | 28,953 | 33,195 |
| Cash at end of period | \$ 45,313 | \$ 36,552 | \$ 28,953 |

20. FDIC ONE-TIME ASSESSMENT CREDIT

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Effective November 17, 2006, the FDIC implemented a one time credit of \$4.7 billion to eligible institutions. The purpose of the credit was to recognize contributions made by certain institutions to capitalize the Bank Insurance Fund and Savings Association Insurance Fund, which have now been merged into the Deposit Insurance Fund. The affiliate banks of the Company are eligible institutions and have received notice from the FDIC that their remaining share of the credit is approximately \$2.1 million at December 31, 2008. 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.

Table of Contents**UMB FINANCIAL CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****21. SUMMARY OF OPERATING RESULTS BY QUARTER (unaudited) (in thousands except per share data)**

| | Three Months Ended | | | |
|---------------------------|--------------------|------------|------------|------------|
| | March 31 | June 30 | Sept 30 | Dec 31 |
| 2008 | | | | |
| Interest income | \$ 103,114 | \$ 92,340 | \$ 93,374 | \$ 99,145 |
| Interest expense | (38,740) | (26,329) | (27,076) | (20,777) |
| Net interest income | 64,374 | 66,011 | 66,298 | 78,368 |
| Provision for loan losses | (3,000) | (4,850) | (4,500) | (5,500) |
| Noninterest income | 84,989 | 78,988 | 79,121 | 69,685 |
| Noninterest expense | (99,226) | (106,365) | (109,853) | (114,709) |
| Income tax expense | (14,781) | (10,060) | (9,297) | (7,618) |
| Net income | \$ 32,356 | \$ 23,724 | \$ 21,769 | \$ 20,226 |
| 2007 | | | | |
| Interest income | \$ 104,673 | \$ 102,437 | \$ 103,600 | \$ 103,703 |
| Interest expense | (47,709) | (45,582) | (45,593) | (42,845) |
| Net interest income | 56,964 | 56,855 | 58,007 | 60,858 |
| Provision for loan losses | (1,500) | (2,000) | (2,833) | (3,000) |
| Noninterest income | 66,688 | 72,326 | 76,897 | 72,877 |
| Noninterest expense | (97,409) | (98,338) | (101,399) | (110,018) |
| Income tax expense | (7,419) | (8,780) | (9,145) | (5,418) |
| Net income | \$ 17,324 | \$ 20,063 | \$ 21,527 | \$ 15,299 |

| | Three Months Ended | | | |
|--------------------|--------------------|---------|---------|---------|
| | March 31 | June 30 | Sept 30 | Dec 31 |
| Per Share | | | | |
| 2008 | | | | |
| Net income basic | \$ 0.79 | \$ 0.58 | \$ 0.54 | \$ 0.50 |
| Net income diluted | 0.78 | 0.58 | 0.53 | 0.49 |
| Dividend | 0.15 | 0.17 | 0.17 | 0.18 |
| Book value | 22.57 | 22.40 | 22.82 | 23.81 |

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Per Share

| 2007 | March 31 | June 30 | Sept 30 | Dec 31 |
|--------------------|-------------|---------|---------|---------|
| Net income basic | \$ 0.41 | \$ 0.48 | \$ 0.52 | \$ 0.37 |
| Net income diluted | 0.41 | 0.48 | 0.51 | 0.37 |
| Dividend | 0.14 | 0.14 | 0.14 | 0.15 |
| Book value | 20.42 | 20.44 | 21.18 | 21.55 |

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UMB FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. VISA

During the fourth quarter of 2007, the Company, as a member of Visa U.S.A. Inc. (Visa USA), received shares of restricted stock in Visa, Inc. (Visa) as a result of its participation in the global restructuring of Visa U.S.A., Visa Canada Association, and Visa International Service Association, in preparation for an initial public offering. Based on this participation, the Company and other Visa USA member banks became aware of an obligation to provide indemnification to Visa in connection with its potential losses resulting from covered litigation as described in Visa's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on December 21, 2007. The Company recorded a covered litigation provision by accruing \$4.6 million as an estimate of its contingent indemnification liability to Visa, based upon its proportionate membership interest in Visa. During the first quarter of 2008, Visa conducted an initial public offering (IPO). As a direct result of this IPO, a pre-tax gain of \$8.9 million from the mandatory redemption of a portion of the Company's class B shares in Visa was recognized. The Company also reduced its liability accrual in the first quarter of 2008 by \$4.0 million related to the Company's estimated share of Visa's covered litigation. This reduction was a result of funding the covered litigation escrow account as part of its IPO process.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures At the end of the period covered by this report on Form 10-K, the Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's Disclosure Controls and Procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act) and have concluded that the Company's Disclosure Controls and Procedures are reasonably designed to be effective for the purposes for which they are intended and were effective as of the end of the period covered by this report on Form 10-K.

Disclosure Controls and Procedures cannot provide absolute assurance of achieving disclosure objectives because of their inherent limitations. Disclosure Controls and Procedures is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Because of such limitations, there is a risk that errors in meeting the Company's reporting and disclosure obligations may not be prevented or detected on a timely basis by Disclosure Controls and Procedures. However, these inherent limitations are known features of the disclosure process. Therefore it is possible to design into the process safeguards to reduce, although not eliminate, this risk. The Company's Disclosure Controls and Procedures include such safeguards. Projections of any evaluation of effectiveness of Disclosure Controls and Procedures in future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or because the degree of compliance with the Company's policies and procedures may deteriorate.

Management's Report on Internal Control Over Financial Reporting Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934. Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of the Company, and effected by the Company's Board of Directors, management and other personnel, an evaluation of the effectiveness of internal control over financial reporting was conducted based on the Committee of Sponsoring Organizations of the Treadway Commission's *Internal Control - Integrated Framework*. Because this assessment was conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), it included controls over the preparation of the schedules equivalent to the basic financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C).

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore it is possible to design into the process safeguards to reduce, although not eliminate, this risk. The Company's internal control over financial reporting includes such safeguards. Projections of any evaluation of effectiveness of internal control over financial reporting in future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or because the degree of compliance with the Company's policies and procedures may deteriorate.

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Based on the evaluation under the framework in *Internal Control Integrated Framework*, the Company's Chief Executive Officer and Chief Financial Officer have each concluded that internal control over financial reporting was effective at the end of the period covered by this report on Form 10-K. Deloitte & Touche LLP, the independent registered public accounting firm that audited the financial statements included within this report, has issued an attestation report on the effectiveness of internal control over financial reporting at the end of the period covered by this report. Deloitte & Touche LLP's attestation report is set forth below.

Changes in Internal Control Over Financial Reporting No changes in the Company's internal control over financial reporting occurred that has materially affected, or is reasonably likely to materially affect, such controls during the last quarter of the period covered by this report.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of UMB Financial Corporation & Subsidiaries:

We have audited the internal control over financial reporting of UMB Financial Corporation and subsidiaries (the Company) as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), management's assessment and our audit of the Company's internal control over financial reporting included controls over the preparation of the schedules equivalent to the basic financial statements in accordance with the instructions for the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2008, and our report dated February 25, 2009 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Kansas City, MO

February 25, 2009

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item relating to executive officers is included in Part I of this Form 10-K (pages 10 and 11) under the caption Executive Officers of the Registrants.

The information required by this item regarding Directors is incorporated herein by reference under the caption Proposal #1: Election of Directors of the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on April 22, 2009 (the 2009 Annual Meeting of Shareholders).

The information required by this item regarding the Audit Committee and the Audit Committee financial experts is incorporated herein by reference under the caption Corporate Governance Committees of the Board of Directors Audit Committee of the Company's Proxy Statement for the 2009 Annual Meeting of Shareholders.

The information required by this item concerning Section 16(a) beneficial ownership reporting compliance is incorporated herein by reference under the caption Section 16(a) Beneficial Ownership Reporting Compliance of the Company's Proxy Statement for the 2009 Annual Meeting of Shareholders.

The Company has adopted a code of ethics that applies to all directors, officers and employees, including its chief executive officer, chief financial officer and chief accounting officer. You can find the Company's code of ethics on its website by going to the following address: www.umb.com/investor. The Company will post any amendments to the code of ethics, as well as any waivers that are required to be disclosed, under the rules of either the SEC or NASDAQ. A copy of the code of ethics will be provided, at no charge, to any person requesting same, by written notice sent to the Company's Corporate Secretary, 8th floor, 1010 Grand Blvd., Kansas City, Missouri 64106.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference under the Executive Compensation section of the Company's Proxy Statement for the 2009 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners

This information required by this item is incorporated herein by reference to the Company's 2009 Proxy Statement under the caption "Stock Ownership - Principal Shareholders."

Security Ownership of Management

This information required by this item is incorporated herein by reference to the Company's Proxy Statement for the 2009 Annual Meeting of Shareholders under the caption "Stock Beneficially Owned by Directors and Nominees and Executive Officers."

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The following table summarizes shares authorized for issuance under the Company's equity compensation plans.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plan |
|--|--|--|--|
| Equity compensation plans approved by security holders | | | |
| 1992 Incentive Stock Option Plan | 104,799 | \$ 18.44 | None |
| 2002 Incentive Stock Option Plan | 798,179 | 31.68 | 1,164,932 |
| 2005 Long-term Incentive Plan Non-Qualified Stock Options | 515,197 | 33.90 | 668,730 |
| Equity compensation plans not approved by security holders | | | |
| | None | None | None |
| Total | 1,418,175 | \$ 31.51 | 1,833,662 |

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the information provided under the captions Corporate Governance Certain Transactions and Corporate Governance Director Independence of the Company's Proxy Statement for the 2009 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated herein by reference to the information provided under the caption Proposal #2: Ratification of Selection of Independent Public Accountants of the Company's Proxy Statement for the 2009 Annual Meeting of Shareholders.

PART IV**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES****Consolidated Financial Statements and Financial Statement Schedules**

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The following Consolidated Financial Statements of the Company are included in item 8 of this report.

Consolidated Balance Sheets as of December 31, 2008 and 2007

Consolidated Statements of Income for the Three Years Ended December 31, 2008

Consolidated Statements of Cash Flows for the Three Years Ended December 31, 2008

Consolidated Statements of Shareholders' Equity for the Three Years Ended December 31, 2008

Notes to Consolidated Financial Statements

Independent Auditors' Report

Condensed Consolidated Financial Statements for the parent company only may be found in item 8 above. All other schedules have been omitted because the required information is presented in the Consolidated Financial Statements or in the notes thereto, the amounts involved are not significant or the required subject matter is not applicable.

Table of Contents**Exhibits**

The following Exhibit Index lists the Exhibits to Form 10-K

- 3.1 Articles of Incorporation restated as of April 25, 2006. Amended Article III was filed with the Missouri Secretary of State on May 18, 2006 and 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.
- 3.2 Bylaws, amended and restated as of April 22, 2008 incorporated by reference to Exhibit 3 (ii). 2 to the Company's Current Report on Form 8-K and filed with the Commission on April 23, 2008.
- 4 Description of the Registrant's common stock in Amendment No. 1 on Form 8 to its General Form for Registration of Securities on Form 10 dated March 5, 1993. The following portions of those documents define some of the rights of the holders of the Registrant's common stock, par value \$1.00 per share: Articles III (authorized shares), X (amendment of the Bylaws) and XI (amendment of the Articles of Incorporation) of the Articles of Incorporation and Articles II (shareholder meetings), Sections 2 (number and classes of directors) and 3 (election and removal of directors) of Article III, Section 1 (stock certificates) of Article VII and Section 4 (indemnification) of Article IX of the By-laws. Note: No long-term debt instrument issued by the Registrant exceeds 10% of the consolidated total assets of the Registrant and its subsidiaries. In accordance with paragraph 4 (iii) of Item 601 of Regulation S-K, the Registrant will furnish to the Commission, upon request, copies of long-term debt instruments and related agreements.
- 10.1 1992 Incentive Stock Option Plan incorporated by reference to Exhibit 2.8 to Form S-8 Registration Statement filed on February 17, 1993.
- 10.2 2002 Incentive Stock Option Plan, amended and restated as of April 22, 2008 incorporated by reference to Appendix B of the Company's Proxy Statement for the Company's April 22, 2008 Annual Meeting filed with the Commission on March 17, 2008.
- 10.3 UMB Financial Corporation Long-Term Incentive Compensation Plan amended and restated as of January 22, 2008 incorporated by reference to Appendix A of the Company's Proxy Statement for the Company's April 22, 2008 Annual Meeting filed with the Commission on March 17, 2008.
- 10.4 Deferred Compensation Plan, dated as of April 20, 1995 and incorporated by reference to Exhibit 10.6 to Company's Form 10-K filed on March 12, 2003.
- 10.5 UMBF 2005 Short-Term Incentive Plan incorporated by reference to Exhibit 10.7 to the Company's Form 10-K for December 31, 2004 and filed with the Commission on March 14, 2005
- 10.6 Restricted Stock Award Agreement and description of employment arrangement between the Company and Peter J. deSilva, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, and filed with the Commission of May 7, 2004.
- 10.7 Employment offer letter between the Company and Michael D. Hagedorn dated February 9, 2005, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated February 9, 2005, and filed with the Commission on February 14, 2005.
- 10.8 Employment offer letter between the company and Bradley J. Smith dated January 6, 2005 incorporated by reference to Exhibit 10.10 to the Company's Form 10-K for December 31, 2004 and filed with the Commission on March 14, 2005.
- 10.9 Consulting Agreement between the Company and R. Crosby Kemper, Jr. dated November 1, 2004 incorporated by reference to Exhibit 10.11 to the Company's Form 10-K for December 31, 2004 and filed with the Commission on March 14, 2005.
- 10.10 Employment offer letter between the Company and Clyde Wendel dated June 8, 2006, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 and filed with the Commission on August 8, 2006.

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| | |
|-------|---|
| 10.11 | Employment offer letter between the Company and Brian J. Walker dated May 17, 2007, incorporated by reference to Exhibit 10.1 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. |
| 10.12 | Employment offer letter between the company and Daryl S. Hunt dated October 22, 2007 incorporated by reference to Exhibit 10.12 to the Company's Form 10-K for December 31, 2007 and filed with the Commission on February 28, 2008. |
| 10.13 | Employment termination agreement between the UMB Bank, n.a. and James C. Thompson, Jr. incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10Q for the quarter ended March 31, 2008 and filed with the Commission on May 8, 2008. |
| 21 | Subsidiaries of the Registrant. |
| 23 | Consent of Independent Auditors |
| 24 | Powers of Attorney |
| 31.1 | CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act |
| 31.2 | CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act |
| 32.1 | CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act |
| 32.2 | CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act |

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UMB FINANCIAL CORPORATION

/s/ J. Mariner Kemper
J. Mariner Kemper
Chairman of the Board

/s/ Michael D. Hagedorn
Michael D. Hagedorn
Chief Financial Officer

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

Date: February 26, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities on the date indicated.

THEODORE M. ARMSTRONG

Director

Theodore M. Armstrong

PETER J. DESILVA

Director, President, and
Chief Operating Officer

Peter J. deSilva

KEVIN C. GALLAGHER

Director

Kevin C. Gallagher

ALEXANDER C. KEMPER

Director

Alexander C. Kemper

KRIS A. ROBBINS

Director

Kris A. Robbins

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L. JOSHUA SOSLAND

Director

L. Joshua Sosland

JON M. WEFALD

Director

Jon M. Wefald

DAVID R. BRADLEY, JR.

Director

David R. Bradley, Jr.

TERRENCE P. DUNN

Director

Terrence P. Dunn

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|---|---------------------------------|
| GREGORY M. GRAVES | Director |
| Gregory M. Graves | |
| JOHN H. MIZE, JR. | Director |
| John H. Mize, Jr. | |
| THOMAS D. SANDERS | Director |
| Thomas D. Sanders | |
| PAUL UHLMANN III | Director |
| Paul Uhlmann III | |
| THOMAS J. WOOD III | Director |
| Thomas J. Wood III | |
| */s/ J. MARINER KEMPER | Director, Chairman of the Board |
| J. Mariner Kemper | |
| Attorney-in-Fact for each director | |

Date: February 26, 2009