UMB FINANCIAL CORP
Form 10-K
February 25, 2014
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2013

¨ 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 incorporation or organization)	**(I.R.S. Employer 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. x 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 x 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. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x 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 x Accelerated filer ¨ Non- accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

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

As of June 30, 2013 the aggregate market value of common stock outstanding held by nonaffiliates of the registrant was approximately $1,842,394,141 based on the NASDAQ Global Select Market 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 14, 2014
Common Stock, $1.00 Par Value	45,235,254

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 22, 2014, are incorporated by reference into Part III of this Form 10-K.

Table of Contents

INDEX

PART I	3
ITEM 1. BUSINESS	3
ITEM 1A. RISK FACTORS	11
ITEM 1B. UNRESOLVED STAFF COMMENTS	15
ITEM 2. PROPERTIES	15
ITEM 3. LEGAL PROCEEDINGS	16
ITEM 4. MINE SAFETY DISCLOSURES	16
PART II	17
ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	17
ITEM 6. SELECTED FINANCIAL DATA	18
ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	20
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	49
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	56
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	105
ITEM 9A. CONTROLS AND PROCEDURES	105
ITEM 9B. OTHER INFORMATION	107
PART III	107
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	107
ITEM 11. EXECUTIVE COMPENSATION	107
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	107
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	108
ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES	108
PART IV	108
ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES	108
SIGNATURES	111
CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT	
CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT	
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002	
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002	

Table of Contents

PART I

ITEM 1. *BUSINESS*

General

UMB Financial Corporation (the Company) is a diversified financial holding company that is headquartered in Kansas City, Missouri. Together with its subsidiaries, the Company supplies banking services, institutional investment management, asset servicing, and payment solutions to its customers in the United States and around the globe.

The Company was organized as a corporation under Missouri law in 1967 and is registered as a bank holding company under the Bank Holding Company Act of 1956 (the BHCA) and a financial holding company under the Gramm-Leach-Bliley Act of 1999 (the GLBA). The Company currently owns all of the outstanding stock of one national bank and several nonbank subsidiaries.

The Company s national bank, UMB Bank, National Association (the Bank), has its principal office in Missouri and also has branches in Arizona, Colorado, Illinois, Kansas, Nebraska, Oklahoma, and Texas. The Bank offers a full complement of banking services to commercial, retail, government, and correspondent-bank customers, including a wide range of asset-management, trust, bank-card, and cash-management services.

The Company s significant nonbank subsidiaries include the following:

Scout Investments, Inc. (Scout) is an institutional asset-management company that is headquartered in Kansas City, Missouri. Scout offers domestic and international equity strategies through its Scout Asset Management Division and fixed-income strategies through its Reams Asset Management Division.

UMB Fund Services, Inc. (UMBFS) is located in Milwaukee, Wisconsin, Kansas City, Missouri, and Chadds Ford, Pennsylvania and provides fund accounting, transfer agency, and other services to mutual fund groups. JD Clark & Co., Inc., a subsidiary of UMBFS, is located in Ogden, Utah, and provides similar services to alternative-investment groups.

On a full-time equivalent basis at December 31, 2013, the Company and its subsidiaries employed 3,498 persons.

Business Segments

The Company s products and services are grouped into four segments: Bank, Institutional Investment Management, Asset Servicing, and Payment Solutions.

These segments and their financial results are described in detail in (i) the section of Management s Discussion and Analysis entitled *Business Segments*, which can be found in Item 7, pages 33 through 35, of this report and (ii) Note 12 to the Consolidated Financial Statements, which can be found in Item 8, pages 87 through 88, of this report.

Competition

The Company faces intense competition in each of its business segments and in all of the markets and geographic regions that the Company and its subsidiaries serve. Competition comes from both traditional and non-traditional financial-services providers, including banks, savings associations, finance companies, investment advisors, asset managers, mutual funds, private-equity firms, hedge funds, brokerage firms, mortgage-banking companies, credit-card companies, insurance companies, trust companies, securities processing companies, and credit unions. Many of these competitors, moreover, are not subject to the same kind or degree of supervision and regulation that the Company and its subsidiaries experience.

Competition is based on a number of factors. Banking customers are generally influenced by convenience, rates and pricing, personal experience, quality and availability of products and services, lending limits, transaction execution, and reputation. Investment advisory services compete primarily on returns, expenses, third-party ratings, and the reputation and performance of managers. Asset servicing competes primarily on price, quality of services, and reputation.

Successfully competing in the Company s chosen markets and regions also depends on the Company s ability to attract, retain, and motivate talented employees, to invest in technology and infrastructure, and to innovate, all the while effectively managing its expenses. The Company expects that competition will only intensify in the future.

Government Monetary and Fiscal Policies

In addition to the impact of general economic conditions, the Company s business, results of operations, financial condition, capital, liquidity, and prospects are significantly affected by government monetary and fiscal policies that are announced or implemented in the United States and abroad.

A sizeable influence is exerted, in particular, by the policies of the Board of Governors of the Federal Reserve System (FRB), which influences monetary and credit conditions in the economy in pursuit of maximum employment, stable prices, and moderate long-term interest rates. Among the FRB s policy tools are (1) open market operations (that is, purchases or sales of securities in the open market for the purpose of adjusting the supply of reserve balances and thus achieving targeted federal funds rates or for the purpose of putting pressure on longer-term interest rates and thus achieving more desirable levels of economic activity and job creation), (2) the discount rate charged on loans by the Federal Reserve Banks, (3) the level of reserves required to be held by depository institutions against specified deposit liabilities, (4) the interest paid on balances maintained with the Federal Reserve Banks by depository institutions, including balances used to satisfy their reserve requirements, and (5) other deposit and loan facilities.

The FRB and its policies have a substantial bearing on the availability of loans and deposits, the rates and other aspects of pricing for loans and deposits, and the conditions in equity, fixed-income, currency, and other markets in which the Company and its subsidiaries operate. Policies announced or implemented by other central banks around the world have a meaningful effect as well.

Tax and other fiscal policies, moreover, impact not only general economic conditions but also give rise to incentives or disincentives that affect how the Company and its customers prioritize objectives, operate businesses, and deploy resources.

Regulation and Supervision

The Company and its subsidiaries are subject to regulatory frameworks in the United States at federal, State, and local levels and in the foreign jurisdictions where its business segments operate. In addition, the Company and its subsidiaries are subject to the direct supervision of government authorities charged with overseeing the kinds of financial activities conducted by its business segments.

This section summarizes some pertinent provisions of the principal laws that apply to the Company or its subsidiaries. The descriptions, however, are not complete and are qualified in their entirety by the full text and judicial or administrative interpretations of those laws and of other laws that affect the Company or its subsidiaries.

Overview

The Company is a bank holding company under the BHCA and a financial holding company under the GLBA. As a result, the Company and its subsidiaries including all of its businesses and operations in the

Table of Contents

United States and abroad are subject to the regulation, supervision, and examination of the FRB and to restrictions on permissible activities. This scheme of regulation, supervision, and examination is intended primarily for the protection and benefit of depositors and other customers of the Bank, the Deposit Insurance Fund (DIF) of the Federal Deposit Insurance Corporation (FDIC), the banking and financial systems as a whole, and the broader economy, not for the protection or benefit of its shareholders or its non-deposit creditors.

Many of the Company s subsidiaries are also subject to separate or related schemes of regulation, supervision, and examination: for example, (1) the Bank by the Office of the Comptroller of the Currency (OCC) under the National Banking Acts, the FDIC under the Federal Deposit Insurance Act (FDIA) , and the Consumer Financial Protection Bureau (CFPB) under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act); (2) Scout, Scout Distributors, LLC, UMBFS, UMB Distribution Services, LLC, UMB Financial Services, Inc., and Prairie Capital Management, LLC by the Securities and Exchange Commission (SEC) and State regulatory authorities under federal and State securities laws, and UMB Distribution Services, LLC and UMB Financial Services, Inc. by the Financial Industry Regulatory Authority (FINRA) as well; and (3) UMB Insurance, Inc. by State regulatory authorities under applicable State insurance laws. These schemes, like that overseen by the FRB, are designed to protect public or private interests that often are not aligned with those of its shareholders or non-deposit creditors.

The FRB possesses extensive authorities and powers to regulate the conduct of the Company s businesses and operations. If the FRB were to take the position that the Company or its subsidiaries have violated any law or commitment or engaged in any unsafe or unsound practice, formal or informal corrective or enforcement actions could be taken by the FRB against the Company, its subsidiaries, and institution-affiliated parties (such as directors, officers, and agents). These enforcement actions could include an imposition of civil monetary penalties and could directly affect not only the Company, its subsidiaries, and institution-affiliated parties but also the Company s counterparties, shareholders, and creditors and its commitments, arrangements, or other dealings with them. The OCC has similarly expansive authorities and powers over the Bank and its subsidiaries, as does the CFPB over matters involving consumer financial laws. The SEC, FINRA, and other domestic or foreign government authorities also have an array of means at their disposal to regulate and enforce matters within their jurisdiction that could impact the Company s businesses and operations.

Restrictions on Permissible Activities and Corporate Matters

Bank holding companies and their subsidiaries are generally limited, under the BHCA, to the business of banking and to closely related activities that are a proper incident to banking.

As a bank holding company that has elected to become a financial holding company under the GLBA, the Company is also able directly or through its subsidiaries to engage in activities that are financial in nature, that are incidental to a financial activity, or that are complementary to a financial activity and do not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. Activities that are financial in nature include (1) underwriting, dealing in, or making a market in securities, (2) providing financial, investment, or economic advisory services, (3) underwriting insurance, and (4) merchant banking.

The Company s ability to directly or indirectly engage in these banking and financial activities, however, is subject to conditions and other limits imposed by law or the FRB and, in some cases, requires the approval of the FRB or other government authorities. These conditions or other limits may arise due to the particular type of activity or may apply more generally. An example of the former are the substantial restrictions on the timing, amount, form, substance, interconnectedness, and management of its merchant banking investments. An example of the latter is a condition that, in order for the Company to engage in broader financial activities, its depository institutions must remain well capitalized and well managed under applicable banking laws and must receive at least a satisfactory rating under the Community Reinvestment Act (CRA).

Under amendments to the BHCA effected by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 and the Dodd-Frank Act, the Company may acquire banks outside of its home State of Missouri

subject to specified limits and may establish new branches in other States to the same extent as banks chartered in those States. Under the BHCA, however, the Company must procure the prior approval of the FRB to directly or indirectly acquire ownership or control of more than 5% of any class of voting securities of an unaffiliated bank, savings association, or bank holding company or substantially all of its assets. In deciding whether to approve any acquisition or branch, the FRB, the OCC, and other government authorities will consider public or private interests that may not be aligned with those of its shareholders or non-deposit creditors. The FRB also has the power to require the Company to divest a depository institution that cannot maintain its well capitalized or well managed status.

The FRB also maintains a targeted policy that requires a bank holding company to inform and consult with staff of the FRB sufficiently in advance of (1) declaring and paying a dividend that could raise safety and soundness concerns (for example, a dividend that exceeds earnings in the period for which the dividend is being paid), (2) redeeming or repurchasing regulatory capital instruments when the holding company is experiencing financial weaknesses, or (3) redeeming or repurchasing common stock or perpetual preferred stock that would result in a net reduction as of the end of the quarter in the amount of those equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred.

Requirements Affecting the Relationships among the Company, Its Subsidiaries, and Other Affiliates

The Company is a legal entity separate and distinct from the Bank, Scout, UMBFS, and its other subsidiaries but receives the vast majority of its funds in the form of dividends from those subsidiaries. Without the approval of the OCC, however, dividends payable by the Bank in any calendar year may not exceed the lesser of (1) the current year s net income combined with the retained net income of the two preceding years and (2) undivided profits. In addition, under the Basel III capital-adequacy standards described below, the Bank will be compelled beginning January 1, 2016, to maintain a capital conservation buffer in excess of its minimum risk-based capital ratios and will be restricted in declaring and paying dividends whenever the buffer is breached. The authorities and powers of the FRB, the OCC, and other government authorities to prevent any unsafe or unsound practice also could be employed to further limit the dividends that the Bank or its other subsidiaries may declare and pay.

The Dodd-Frank Act codified the FRB s policy requiring a bank holding company like UMB to serve as a source of financial strength for its depository-institution subsidiaries and to commit resources to support those subsidiaries in circumstances when the holding company might not otherwise elect to do so. The functional regulator of any nonbank subsidiary of the holding company, however, may prevent that subsidiary from directly or indirectly contributing its financial support, and if that were to preclude the holding company from serving as an adequate source of strength, the FRB may instead require the divestiture of depository-institution subsidiaries and impose operating restrictions pending such a divestiture.

A number of laws, principally, Sections 23A and 23B of the Federal Reserve Act, also exist to prevent the Company and its nonbank subsidiaries from taking improper advantage of the benefits afforded to the Bank as a depository institution, including its access to federal deposit insurance and the discount window. These laws generally require the Bank and its subsidiaries to deal with the Company and its nonbank subsidiaries only on market terms and, in addition, impose restrictions on the Bank and its subsidiaries in directly or indirectly extending credit to or engaging in other covered transactions with the Company or its nonbank subsidiaries. The Dodd-Frank Act recently extended the restrictions to derivatives and securities lending transactions and expanded the restrictions for transactions involving hedge funds or private-equity funds that are owned or sponsored by the Company or its nonbank subsidiaries.

In addition, under amendments to the BHCA effected by the Dodd-Frank Act and commonly known as the Volcker Rule, the Company and its subsidiaries are subject to extensive limits on proprietary trading and on owning or sponsoring hedge funds and private-equity funds. The limits on proprietary trading are largely focused on purchases or sales of financial instruments by a banking entity as principal primarily for the purpose of short-

Table of Contents

term resale, benefitting from actual or expected short-term price movements, or realizing short-term arbitrage profits. The limits on owning or sponsoring hedge funds and private-equity funds are designed to ensure that banking entities generally maintain only small positions in managed or advised funds and are not exposed to significant losses arising directly or indirectly from them. The Volcker Rule also provides for increased capital charges, quantitative limits, rigorous compliance programs, and other restrictions on permitted proprietary trading and fund activities, including a prohibition on transactions with a covered fund that would constitute a covered transaction under Sections 23A and 23B of the Federal Reserve Act. The Company is currently assessing the impact to its businesses of the final regulation implementing the Volcker Rule, which was issued in December 2013, and have until July 21, 2015, to fully conform its activities.

Additional Requirements under the Dodd-Frank Act

On an annual basis beginning in the fall of 2013, the Company and the Bank are required under the Dodd-Frank Act to conduct forward-looking, company-run stress tests as an aid to ensuring that each entity would have sufficient capital to absorb losses and support operations during adverse economic conditions. The first disclosure of a summary of stress-test results for UMB and the Bank is expected to occur in 2015 based on the results of the 2014 stress tests.

Several additional requirements under the Dodd-Frank Act and related regulations apply by their terms only to bank holding companies with consolidated assets of $50 billion or more and systemically important nonbank financial companies. These requirements include enhanced prudential standards, submission to the comprehensive capital analysis and review, more stringent capital and liquidity requirements, stricter limits on leverage, early remediation requirements, resolution planning, single-counterparty exposure limits, increased liabilities for assessments to the FRB and the FDIC, and mandates imposed by the Financial Stability Oversight Council. While the Company and its subsidiaries are not expressly subject to these requirements, their imposition on global and super-regional institutions has resulted in heightened supervision of regional institutions like the Company by the FRB, the OCC, and other government authorities and in a more aggressive use of their extensive authorities and powers to regulate the Company s businesses and operations.

Capital-Adequacy Standards

The FRB and the OCC have adopted risk-based capital and leverage guidelines that require the capital-to-assets ratios of bank holding companies and national banks, respectively, to meet specified minimum standards.

The risk-based capital ratios are based on a banking organization s risk-weighted asset amounts (RWAs), which are generally determined under the standardized approach applicable to the Company and the Bank by (1) assigning on-balance-sheet exposures to broad risk-weight categories according to the counterparty or, if relevant, the guarantor or collateral (with higher risk weights assigned to categories of exposures perceived as representing greater risk) and (2) multiplying off-balance-sheet exposures by specified credit conversion factors to calculate credit equivalent amounts and assigning those credit equivalent amounts to the relevant risk-weight categories. The leverage ratio, in contrast, is based on an institution s average on-balance-sheet exposures alone.

The Company and the Bank are currently subject to capital-adequacy standards that were originally promulgated in 1989 and that are commonly known as Basel I. In July 2013, the FRB and the OCC issued comprehensive revisions to the capital-adequacy standards, commonly known as Basel III, to which the Company and the Bank will begin transitioning on January 1, 2015, with full conformance required by January 1, 2019.

Under Basel I, total qualifying capital is divided into two tiers: more loss-absorbent ier 1 capital and less loss-absorbent tier 2 capital. The maximum amount of tier 2 capital that may be included in a banking organization s qualifying total capital is limited to 100% of its tier 1 capital.

The Company and the Bank must maintain, under Basel I, a minimum total risk-based capital ratio of total qualifying capital to RWAs of 8.0%, a minimum tier 1 risk-based capital ratio of tier 1 capital to RWAs of 4.0%, and a minimum tier 1 leverage ratio of tier 1 capital to average on-balance-sheet exposures of 4.0%.

The capital ratios for the Company and the Bank as of December 31, 2013, are set forth below:

	Tier 1 Leverage Ratio	Tier 1 Risk Based Capital Ratio	Total Risk-Based Capital Ratio
UMB Financial Corporation	8.41	13.61	14.43
UMB Bank, n.a.	7.21	11.73	12.56

These capital-to-assets ratios also play a central role in prompt corrective action (PCA), which is an enforcement framework used by the federal banking agencies to constrain the activities of banking organizations based on their levels of regulatory capital. Five categories have been established using thresholds for the total risk-based capital ratio, the tier 1 risk-based capital ratio, and the leverage ratio: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. While bank holding companies are not subject to the PCA framework, the FRB is empowered to compel a holding company to take measures such as the execution of financial or performance guarantees when prompt correction action is required in connection with one of its depository-institution subsidiaries. At December 31, 2013, the Bank was well capitalized under the PCA framework.

Basel III bolsters the quantity and quality of capital required under the capital-adequacy guidelines, in part, by (1) imposing a new minimum common-equity tier 1 risk-based capital ratio of 4.5%, (2) raising the minimum tier 1 risk-based capital ratio to 6.0%, (3) establishing a new capital conservation buffer of common-equity tier 1 capital to RWAs of 2.5%, (4) amending the definition of qualifying capital to be more conservative, and (5) limiting capital distributions and specified discretionary bonus payments whenever the capital conservation buffer is breached. Basel III also enhances the risk sensitivity of the standardized approach to determining a banking organization s RWAs and addresses other perceived weaknesses in the capital-adequacy guidelines that were identified during the past several years. In addition, as part of their Basel III rulemaking, the federal banking agencies have made corresponding revisions to the PCA framework.

Final and proposed rules relating to Basel III include a number of more rigorous provisions applicable only to banking organizations that are larger or more internationally active than the Company and the Bank. These include, for example, a supplementary leverage ratio incorporating off-balance-sheet exposures, a liquidity coverage ratio, and a net stable funding ratio. It is not yet clear whether, as with the Dodd-Frank Act, these standards may be informally applied or considered by the FRB and the OCC in their regulation, supervision, and examination of UMB and the Bank.

Deposit Insurance and Related Matters

The deposits of the Bank are insured by the FDIC in the standard insurance amount of $250 thousand per depositor for each account ownership category. This insurance is funded through assessments on the Bank and other insured depository institutions. In connection with implementing the Dodd-Frank Act, the FDIC in 2011 changed each institution s assessment base from its total insured deposits to its average consolidated total assets less average tangible equity and created a scorecard method for calculating assessments that combines CAMELS ratings and specified forward-looking financial measures to determine each institution s risk to the DIF. The Dodd-Frank Act also required the FDIC, in setting assessments, to offset the effect of increasing its reserve for the DIF on institutions with consolidated assets of less than $10 billion. The result of this revised approach to deposit-insurance assessments is generally an increase in costs, on an absolute or relative basis, for institutions with consolidated assets of $10 billion or more.

If an insured depository institution such as the Bank were to become insolvent or if other specified events were to occur relating to its financial condition or the propriety of its actions, the FDIC may be appointed as

conservator or receiver for the institution. In that capacity, the FDIC would have the power (1) to transfer assets and liabilities of the institution to another person or entity without the approval of the institution s creditors, (2) to require that its claims process be followed and to enforce statutory or other limits on damages claimed by the institution s creditors, (3) to enforce the institution s contracts or leases according to their terms, (4) to repudiate or disaffirm the institution s contracts or leases, (5) to seek to reclaim, recover, or recharacterize transfers of the institution s assets or to exercise control over assets in which the institution may claim an interest, (6) to enforce statutory or other injunctions, and (7) to exercise a wide range of other rights, powers, and authorities, including those that could impair the rights and interests of all or some of the institution s creditors. In addition, the administrative expenses of the conservator or receiver could be afforded priority over all or some of the claims of the institution s creditors, and under the FDIA, the claims of depositors (including the FDIC as subrogee of depositors) would enjoy priority over the claims of the institution s unsecured creditors.

The FDIA also provides that an insured depository institution can be held liable for any loss incurred or expected to be incurred by the FDIC in connection with another commonly controlled insured depository institution that is in default or in danger of default. This cross-guarantee liability is generally superior in right of payment to claims of the institution s holding company and its affiliates.

Other Regulatory and Supervisory Matters

As a public company, the Company is subject to the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, and other federal and State securities laws. In addition, because the Company s common stock is listed with The NASDAQ Stock Market LLC, it is subject to the listing rules of that exchange.

The Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), the USA PATRIOT Act of 2001, and related laws require all financial institutions, including banks and broker-dealers, to establish a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism. These laws include a variety of recordkeeping and reporting requirements (such as currency and suspicious activity reporting) as well as know-your-customer and due-diligence rules.

Under the CRA, the Bank has a continuing and affirmative obligation to help meet the credit needs of its local communities including low- and moderate-income neighborhoods consistent with safe and sound banking practices. The CRA does not create specific lending programs but does establish the framework and criteria by which the OCC regularly assesses the Bank s record in meeting these credit needs. The Bank s ratings under the CRA are taken into account by the FRB and the OCC when considering merger or other specified applications that UMB or the Bank may submit from time to time.

The Bank is subject as well to a vast array of consumer-protection laws, such as qualified-mortgage and other mortgage-related rules under the jurisdiction of the CFPB. Lending limits, restrictions on tying arrangements, limits on permissible interest-rate charges, and other laws governing the conduct of banking or fiduciary activities are also applicable to the Bank. In addition, the GLBA imposes on the Company and its subsidiaries a number of obligations relating to financial privacy.

Acquisitions

A discussion of past acquisitions is included in Note 15 to the Consolidated Financial Statements, which can be found in Item 8, pages 91 through 92, of this report.

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 55, of this report.

Table of Contents

Executive Officers of the Registrant. 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.

Name	Age	Position with Registrant
Craig Anderson	54	Mr. Anderson joined the Company in 1986. In 2011, he was named President of Commercial Banking for the Bank and, in that capacity, is responsible for all areas of commercial banking, including treasury management. Prior to his appointment to that position, he served as the President for Regional Banking for the Bank from September 2009 through November 2011 and as Chairman and CEO of National Bank of America in Salina, Kansas, from May 2004 to September 2009.
Peter J. deSilva	52	Mr. deSilva has served as President and Chief Operating Officer of the Company since January 2004. He was named Vice Chairman of the Bank in January 2014 and, between December 2012 and January 2014, served as President and Chief Operating Officer of the Bank. Mr. deSilva was previously employed by Fidelity Investments from 1987 to 2004, the last seven years as Senior Vice President with principal responsibility for brokerage operations.
Michael D. Hagedorn	47	Mr. Hagedorn has served as Vice Chairman of the Company since October 2009 and was named President and Chief Executive Officer of the Bank in January 2014. Between March 2005 and January 2014, he served as Chief Financial Officer of the Company and, from October 2009 to January 2014, also as Chief Administrative Officer of the Company. He previously served as Senior Vice President and Chief Financial Officer of Wells Fargo, Midwest Banking Group, from April 2001 to March 2005.
Daryl S. Hunt	57	Mr. Hunt was named Chief Administrative Officer of the Company in January 2014. Between November 2007 and January 2014, he served as Executive Vice President of the Operations and Technology Group for the Company and the Bank. Previously, Mr. Hunt worked at Fidelity Investments where he served as Senior Vice President for Transfer Operations from 2006 to 2007, Senior Vice President of Customer Processing Operations from 2003 to 2006, and Senior Vice President of Outbound Mail Operations from 2001 to 2003.
Andrew J. Iseman	49	Mr. Iseman joined Scout as Chief Executive Officer in August 2010. From February 2009 to June 2010, he served as Chief Operating Officer of RK Capital Management. He was previously employed by Janus Capital Group from January 2003 to April 2008, most recently serving as the Executive Vice President from January 2008 to April 2008 and Chief Operating Officer from May 2007 to April 2008.
J. Mariner Kemper	41	Mr. Kemper has served as the Chairman and Chief Executive Officer of the Company since May 2004, as the Chairman and Chief Executive Officer of the Bank between December 2012 and January 2014, and as Chairman and Chief Executive Officer of UMB Bank Colorado, n.a. (a prior subsidiary of UMB) between 2000 and 2012. He was President of UMB Bank Colorado from 1997 to 2000.

Table of Contents

Name	Age	Position with Registrant
David D. Kling	67	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 the Bank since November 2007. He also served as Executive Vice President of Financial Services and Support of the Bank from 1997 to 2007.
Christine Pierson	51	Ms. Pierson joined the Company in January 2011 as Executive Vice President of Consumer Banking. Prior to 2011, she served the Vice President of US Sales Animal Health Division for Bayer Healthcare Corporation since 2005.
Lawrence G. Smith	66	Mr. Smith has served as Executive Vice President and Chief Organizational Effectiveness Officer of the Bank since March 2005. Prior to coming to the Bank, 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.
Scott A. Stengel	42	Mr. Stengel was named Executive Vice President and General Counsel of the Company and the Bank in January 2014. He joined the Company as Senior Vice President and Deputy General Counsel in April 2013 after practicing law in Washington, D.C., as a partner with King & Spalding LLP from 2011 to 2013 and as a partner with Orrick, Herrington & Sutcliffe LLP from 2005 to 2011.
Brian J. Walker	42	Mr. Walker was named Executive Vice President and Chief Financial Officer of UMB in January 2014 and has served as Chief Accounting Officer of UMB since June 2007. From July 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 2004.
John P. Zader	52	Mr. Zader serves as Chief Executive Officer of UMBFS, which he joined in December 2006. He previously served as a consultant to Jefferson Wells International in 2006 and 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.

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.

ITEM 1A. ***RISK FACTORS***

Financial-services companies routinely encounter and address risks and uncertainties. In the following paragraphs, the Company describes some of the principal risks and uncertainties that could adversely affect its business, results of operations, financial condition (including capital and liquidity), or prospects or the value of or return on an investment in the Company. These risks and uncertainties, however, are not the only ones faced by the Company. Other risks and uncertainties that are not presently known to the Company, that it has failed to appreciate, or that it currently consider immaterial may adversely affect the Company as well. Except where otherwise noted, the descriptions here address risks and certainties that may affect the Company as well as its

subsidiaries. These risk factors should be read in conjunction with Management s Discussion and Analysis (which can be found in Item 7 of this report beginning on page 20) and its Consolidated Financial Statements (which can be found in Item 8 of this report beginning on page 56).

The levels of or changes in interest rates could affect the Company s business. The Compnay s business, results of operations, and financial condition are highly dependent on net interest income, which is the difference between interest income on earning assets (such as loans and investments) and interest expense on deposits and borrowings. Net interest income is significantly affected by market rates of interest, which in turn are influenced by monetary and fiscal policies, general economic conditions, the regulatory environment, competitive pressures, and expectations about future changes in interest rates. The policies and regulations of the FRB, in particular, have a substantial impact on market rates of interest. See Government Monetary and Fiscal Policies in Part I, Item 1. The Company may be adversely affected by policies, regulations, or events that have the effect of altering the difference between long-term and short-term interest rates (commonly known as the yield curve), depressing the interest rates associated with its earning assets to levels near the rates associated with interest expense, or changing the relationship between different interest-rate indices. The Company s customers and counterparties also may be negatively impacted by the levels of or changes in interest rates, which could increase the risk of delinquency or default on obligations to the Company. The levels of or changes in interest rates, moreover, may have an adverse effect on the value of the Company s investment portfolio and other financial instruments, the return on or demand for loans, the prepayment speed of loans, the cost or availability of deposits or other funding sources, or the purchase or sale of investment securities. In addition, a rapid change in interest rates could result in interest expense increasing faster than interest income because of differences in the maturities of the Company s assets and liabilities. The level of and changes in market rates of interest and, as a result, these risks and uncertainties are beyond the Company s control. See Quantitative and Qualitative Disclosures About Market Risk Interest Rate Risk in Part II, Item 7A for a discussion of how the Company monitors and manages interest-rate risk.

Weak or deteriorating economic conditions could increase the Company s credit risk and adversely affect its lending or other banking businesses and the value of its loans or investment securities. The Company s business and results of operations depend significantly on general economic conditions. When those conditions are weak or deteriorating in any of the markets or regions where the Company operates, its business or results of operations could be adversely affected. The Company s lending and other banking businesses, in particular, are susceptible to weak or deteriorating economic conditions, which could result in reduced loan demand or utilization rates and at the same time increased delinquencies or defaults. These kinds of conditions also could dampen the demand for products in the Company s asset-management, insurance, brokerage, or related businesses. If delinquencies or defaults on the Company s loans or investment securities increase, their value could be adversely affected. In addition, to the extent that charge-offs exceed estimates, an increase to the amount of provision expense related to the allowance for loan losses would reduce its income. See Quantitative and Qualitative Disclosures About Market Risk Credit Risk in Part II, Item 7A for a discussion of how the Company monitors and manages credit risk.

Challenging business, economic, or market conditions could adversely affect the Company s fee-based banking, investment-management, asset-servicing, or other businesses. The Company s fee-based banking, investment-management, asset-servicing, and other businesses are driven by wealth creation in the economy, robust market activity, fiscal stability, and positive investor, business, and consumer sentiment. Economic downturns, market disruptions, high unemployment or underemployment, unsustainable debt levels, depressed real-estate markets, or other challenging business, economic, or market conditions could adversely affect these businesses and their results. For example, if any of these conditions were to cause flows into or the fair value of assets held in the funds and accounts advised by Scout to weaken or decline, its revenue could be negatively impacted. If the funds or other groups that are clients of UMBFS were to encounter similar difficulties, its revenue also could suffer. The Company s bank-card revenue is driven primarily by transaction volumes in business and consumer spending that generate interchange fees, and any of these conditions could dampen those volumes. Revenue from trading, asset management, custody, trust, cash and treasury management, and the Company s other fee-based businesses could be adversely affected as well if any of these conditions were to occur or persist.

Table of Contents

The Company operates in a highly regulated industry, and its business could be adversely affected by the regulatory and supervisory frameworks applicable to it, changes in those frameworks, and other regulatory risks and uncertainties. The Company is subject to expansive regulatory frameworks in the United States at federal, State, and local levels and in the foreign jurisdictions where its business segments operate. In addition, the Company is subject to the direct supervision of government authorities charged with overseeing the kinds of financial activities conducted by its business segments. Much in these regulatory and supervisory frameworks is designed to protect public or private interests that often are not aligned with those of its shareholders or nondeposit creditors. See Regulation and Supervision in Part I, Item 1. In the wake of the recent economic crisis, moreover, government scrutiny of all financial-services companies has been amplified, fundamental changes have been made to the banking, securities, and other laws that govern financial services (with the Dodd-Frank Act and Basel III being two of the more prominent examples), and a host of related business practices have been reexamined and reshaped. These seismic shifts in the financial-services industry have yet to slow in an appreciable way, and as a result, the Company expects to continue devoting increased time and resources to risk management, compliance, and regulatory change management. All of this could have a detrimental impact on the Company s business and results of operations. Risks also exist that government authorities could judge the Company s business or other practices unfavorably and bring formal or informal corrective or enforcement actions against it including fines or other penalties and directives to change its products or services that, for practical or other reasons, the Company could not resist and that also could give rise to litigation by private plaintiffs. These and other regulatory risks and uncertainties could adversely affect the Company s reputation, business, results of operations, financial condition, or prospects.

The Company s business relies on systems, employees, service providers, and counterparties, and failures by any of them or other operational risks could adversely affect the Company. We engage in a variety of businesses in diverse markets and rely on systems, employees, service providers, and counterparties to properly process a high volume of transactions. This gives rise to meaningful operational risk including the risk of fraud by employees or outside parties, unauthorized access to its premises or systems, errors in processing, failures of technology, breaches of internal controls or compliance safeguards, inadequate integration of acquisitions, human error, and breakdowns in business continuity plans. Significant financial, business, reputational, regulatory, or other harm could come to the Company as a result of these or related risks and uncertainties. For example, the Company could be negatively impacted if financial, accounting, data-processing, or other systems were to fail or not fully perform their functions. The Company also could be adversely affected if key personnel or a significant number of employees were to become unavailable due to a pandemic, natural disaster, war, act of terrorism, accident, or other reason. These risks arise as well with the systems and employees of the service providers and counterparties on whom we depend as well as with their third-party service providers and counterparties. See Quantitative and Qualitative Disclosures About Market Risk Operational Risk in Part II, Item 7A for a discussion of how the Company monitors and manages operational risk.

In the ordinary course of its business, the Company collects, stores, and transmits sensitive, confidential, or proprietary data and other information, including intellectual property, business information, and the personally identifiable information of its customers and employees. The secure processing, storage, maintenance, and transmission of this information is critical to the Company s operations and reputation, and if any of this information were mishandled, misused, improperly accessed, or lost, the Company could suffer significant financial, business, reputational, regulatory, or other damage. For example, despite security measures, the Company s information technology and infrastructure may be breached in cyber-attacks, by computer viruses or malware, or with other means. A breach also could occur due to employee error, malfeasance, or other disruptions. Even when an attempted breach is successfully avoided or thwarted, the Company may need to expend substantial resources in doing so and may be required take actions that could adversely affect customer satisfaction or behavior. If a breach were to occur, moreover, the Company could be exposed to regulatory actions or litigation by private plaintiffs. Despite the Company s efforts to ensure the integrity of systems and controls, it may not be able to anticipate or implement effective measures to prevent all security breaches or all risks to the sensitive, confidential, or proprietary information that it collects, stores, or transmits.

Negative publicity outside of the Company s control or its failure to successfully manage issues arising from its conduct or in connection with the financial-services industry generally could damage the Company s reputation and adversely affect its business. The performance and value of the Company s business could be negatively impacted by any reputational harm that it may suffer. This harm could arise from negative publicity outside of its control or its failure to adequately address issues arising from its conduct or in connection with the financial-services industry generally. Risks to the Company s reputation could arise in any number of contexts for example, continuing government responses to the recent economic crisis, cyber-attacks and security breaches, mergers and acquisitions, lending practices, actual or potential conflicts of interest, failures to prevent money laundering, and corporate governance.

The Company s faces intense competition from other financial-services companies, and competitive pressures could adversely affect the Company s business. The Company faces intense competition in each of its business segments and in all of its markets and geographic regions, and the Company expects competitive pressures only to intensify in the future especially in light of legislative and regulatory initiatives arising out of the recent economic crisis, technological innovations that alter the barriers to entry, current economic and market conditions, and government monetary and fiscal policies. See Competition in Part I, Item 1. Competitive pressures may drive the Company to take actions that it might otherwise eschew, such as lowering the interest rates on loans or raising the interest rates on deposits in order to keep or attract high-quality customers. These pressures also may accelerate actions that it might otherwise elect to defer, such as investments in technology or infrastructure. Whatever the reason, actions that it takes in response to competition may adversely affect its results of operations and financial condition. This result could be exacerbated if the Company is not successful in introducing new products and services, achieving market acceptance of its products and services, developing and maintaining a strong customer base, or prudently managing expenses.

The Company s risk-management framework may not be effective in mitigating risk and loss. The Company maintains an enterprise risk-management program that is designed to identify, quantify, monitor, report, and control the risks that it faces. These include interest-rate risk, credit risk, liquidity risk, operational risk, reputational risk, and compliance and litigation risk. While the Company assesses and improves this program on an ongoing basis, there can be no assurance that its approach and framework for risk management and related controls will effectively mitigate risk and limit losses in its business. If conditions or circumstances arise that expose flaws or gaps in the Company s risk-management program or if its controls break down, the performance and value of its business could be adversely affected.

Liquidity is essential to the Company s business, and it could be adversely affected by constraints in or increased costs for funding. Liquidity is the ability to fund increases in assets and meet obligations as they come due, all without incurring unacceptable losses. Banks are especially vulnerable to liquidity risk because of their role in the maturity transformation of demand or short-term deposits into longer-term loans or other extensions of credit. The Company, like other financial-services companies, relies to a significant extent on external sources of funding (such as deposits and borrowings) for the liquidity needed in the conduct of its business. A number of factors beyond the Company s control, however, could have a detrimental impact on the level or cost of that funding and thus on its liquidity. These include market disruptions, changes in its credit ratings or the sentiment of its investors, the loss of substantial deposit relationships, and reputational damage. Unexpected declines or limits on the dividends declared and paid by the Company s subsidiaries also could adversely affect its liquidity position. While the Company s policies and controls are designed to ensure that it maintains adequate liquidity to conduct its business in the ordinary course even in a stressed environment, there can be no assurance that its liquidity position will never become compromised. In such an event, the Company may be required to sell assets at a loss in order to continue its operations. This could damage the performance and value of its business, prompt regulatory intervention, and harm its reputation, and if the condition were to persist for any appreciable period of time, its viability as a going concern could be threatened. See Quantitative and Qualitative Disclosures About Market Risk Liquidity Risk in Part II, Item 7A for a discussion of how the Company monitors and manages liquidity risk.

Table of Contents

An inability to attract, retain, or motivate qualified employees could adversely affect the Company s business. Skilled employees are the Company s most important resource, and competition for talented people is intense. Even though compensation is among the Company s highest expenses, it may not be able to hire the best people, keep them with the Company, or properly motivate them to perform at a high level. Recent scrutiny of compensation practices, especially in the financial-services industry, has made this only more difficult. In addition, some parts of its business are particularly dependent on key personnel, including investment management, asset servicing, and commercial lending. If the Company were to lose and find itself unable to replace these personnel or other skilled employees or if the competition for talent drove its compensation costs to unsustainable levels, the business, results of operations, and financial condition could be negatively impacted.

The Company is subject to a variety of litigation or other proceedings, which could adversely affect its business. The Company is involved from time to time in a variety of judicial, alternative-dispute, or other proceedings arising out of its business or operations. The Company establishes reserves for claims when appropriate under generally accepted accounting principles, but costs often can be incurred in connection with a matter before any reserve has been created. In addition, the actual costs associated with resolving a claim may be substantially higher than amounts that the Company has reserved. Substantial legal claims could have a detrimental impact on the Company s business, results of operations, and financial condition and cause reputational harm.

Changes in accounting standards could impact the Company s financial statements and reported earnings. Accounting standard-setting bodies, such as the Financial Accounting Standards Board, periodically change the financial accounting and reporting standards that affect the preparation of the consolidated financial statements. These changes are beyond the Company s control and could have a meaningful impact on its consolidated financial statements.

The Company s management s selection of accounting methods, assumptions, and estimates could impact its financial statements and reported earnings. To comply with generally accepted accounting principles, management must sometimes exercise judgment in selecting, determining, and applying accounting methods, assumptions, and estimates. This can arise, for example, in determining the allowance for loan losses or the fair value of assets or liabilities. The judgments required of management can involve difficult, subjective, or complex matters with a high degree of uncertainty, and several different judgments could be reasonable under the circumstances and yet result in significantly different results being reported. See Critical Accounting Policies and Estimates in Part II, Item 7. If management s judgments later prove to have been inaccurate, we may experience unexpected losses that could be substantial.

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). Both the 928 Grand and 906 Grand buildings house backroom support functions. The 928 Grand building also houses Scout Investments, Inc. Additionally, within the 906 Grand building there is 20,000 square

feet of space leased to several small tenants. The 928 Grand building underwent a major renovation during 2004 and 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 52,000 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, n.a. also leases 30,000 square feet on the first, second, third, and fifth 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 additional operational and administrative support functions.

UMB Fund Services, Inc., a subsidiary of the Company, leases 72,000 square feet in Milwaukee, Wisconsin, at which its fund services operation is headquartered. JD Clark & Co., Inc. is headquartered in Ogden, Utah where it leases 37,300 square feet.

As of December 31, 2013, the Bank operated a total of 112 banking centers and one wealth management office.

The Company utilizes all of these properties to support aspects of all of the Company s business segments.

Additional information with respect to premises and equipment is presented in Notes 1 and 8 to the Consolidated Financial Statements in Item 8, pages 62 and 80 of this report.

ITEM 3. ***LEGAL PROCEEDINGS***

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

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

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 14, 2014, the Company had 2,184 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			
2013	March 31	June 30	Sept. 30	Dec. 31
Dividend	$ 0.215	$ 0.215	$ 0.215	$ 0.225
Book value	31.73	30.20	32.85	33.30
Market price:				
High	49.42	56.14	62.20	65.44
Low	43.27	46.34	51.86	53.72
Close	49.07	55.67	54.34	64.28

Per Share	Three Months Ended			
2012	March 31	June 30	Sept. 30	Dec. 31
Dividend	$ 0.205	$ 0.205	$ 0.205	$ 0.215
Book value	29.90	30.89	31.88	31.71
Market price:				
High	46.33	51.57	52.61	49.17
Low	37.68	42.90	46.80	40.55
Close	44.74	51.23	48.68	43.82

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 3 and Note 10 to the Consolidated Financial Statements provided in Item 8, pages 82 and 83 of this report. Information concerning securities the Company issued under equity compensation plans is contained in Item 12, pages 107 and 108 and in Note 11 to the Consolidated Financial Statements provided in Item 8, pages 84 through 87 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, 2013:

ISSUER PURCHASES 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, 2013	205	$ 59.84	205	1,985,553
November 1 November 30, 2013	23,393	52.01	23,393	1,962,160
December 1 December 31, 2013	4,280	60.40	4,280	1,957,880
Total	27,878	$ 53.35	27,878	

On April 23, 2013, the Company announced a plan to repurchase up to 2 million shares of common stock. This plan will terminate on April 22, 2014. 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

Table of Contents

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. The Company has not made any repurchases other than through this plan.

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 20 through 49, of this report.

Table of Contents

FIVE-YEAR FINANCIAL SUMMARY

(in thousands except per share data)

As of and for the years ended December 31

EARNINGS	**2013**	**2012**	**2011**	**2010**	**2009**
Interest income	$ 348,341	$ 339,685	$ 343,653	$ 346,507	$ 356,217
Interest expense	15,072	19,629	26,680	35,894	53,232
Net interest income	333,269	320,056	316,973	310,613	302,985
Provision for loan losses	17,500	17,500	22,200	31,510	32,100
Noninterest income	491,833	458,122	414,332	360,370	310,176
Noninterest expense	624,178	590,454	562,746	512,622	460,585
Net income	133,965	122,717	106,472	91,002	89,484
AVERAGE BALANCES					
Assets	$ 15,030,762	$ 13,389,192	$ 12,417,274	$ 11,108,233	$ 10,110,655
Loans, net of unearned interest	6,221,318	5,251,278	4,756,165	4,490,587	4,383,551
Securities	7,034,542	6,528,523	5,774,217	5,073,839	4,382,179
Interest-bearing due from banks	663,818	547,817	837,807	593,518	492,915
Deposits	11,930,318	10,521,658	9,593,638	8,451,966	7,584,025
Long-term debt	4,748	5,879	11,284	19,141	32,067
Shareholders equity	1,337,107	1,258,284	1,138,625	1,066,872	1,006,591
YEAR-END BALANCES					
Assets	$ 16,911,852	$ 14,927,196	$ 13,541,398	$ 12,404,932	$ 11,663,355
Loans, net of unearned interest	6,521,869	5,690,626	4,970,558	4,598,097	4,332,228
Securities	7,051,127	7,134,316	6,277,482	5,742,104	5,003,720
Interest-bearing due from banks	2,093,467	720,500	1,164,007	848,598	1,057,195
Deposits	13,640,766	11,653,365	10,169,911	9,028,741	8,534,488
Long-term debt	5,055	5,879	6,529	8,884	25,458
Shareholders equity	1,506,065	1,279,345	1,191,132	1,060,860	1,015,551
PER SHARE DATA					
Earnings basic	$ 3.25	$ 3.07	$ 2.66	$ 2.27	$ 2.22
Earnings diluted	3.20	3.04	2.64	2.26	2.20
Cash dividends	0.87	0.83	0.79	0.75	0.71
Dividend payout ratio	26.77%	27.04%	29.70%	33.04%	31.98%
Book value	$ 33.30	$ 31.71	$ 29.46	$ 26.24	$ 25.11
Market price					
High	65.44	52.61	45.20	44.51	49.75
Low	43.27	37.68	30.49	31.88	33.65
Close	64.28	43.82	37.25	41.44	39.35
Return on average assets	0.89%	0.92%	0.86%	0.82%	0.89%
Return on average equity	10.02	9.75	9.35	8.53	8.89
Average equity to average assets	8.90	9.40	9.17	9.60	9.96
Total risk-based capital ratio	14.43	11.92	12.20	12.45	14.18

Table of Contents

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

MANAGEMENT S DISCUSSION AND ANALYSIS

This review highlights the material changes in the results of operations and changes in financial condition for the year-ended December 31, 2013. It should be read in conjunction with the accompanying condensed consolidated financial statements, notes to condensed consolidated financial statements, and other financial statistics appearing elsewhere in this report. Results of operations for the periods included in this review are not necessarily indicative of results to be attained during any future period.

CAUTIONARY NOTICE ABOUT FORWARD-LOOKING STATEMENTS

From time to time the Company has made, and in the future will make, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as believe, expect, anticipate, intend, estimate, project, outlook, forecast, target, goal, or other words of comparable meaning or future-tense or conditional verbs such as may, will, should, would, or could. Forward-look statements convey the Company s expectations, intentions, or forecasts about future events, circumstances, results, or aspirations.

This report, including any information incorporated by reference in this report, contains forward-looking statements. The Company also may make forward-looking statements in other documents that are filed or furnished with the SEC. In addition, the Company may make forward-looking statements orally or in writing to investors, analysts, members of the media, or others.

All forward-looking statements, by their nature, are subject to assumptions, risks, and uncertainties, which may change over time and many of which are beyond the Company s control. You should not rely on any forward-looking statement as a prediction or guarantee about the future. Actual future objectives, strategies, plans, prospects, performance, conditions, or results may differ materially from those set forth in any forward-looking statement. While no list of assumptions, risks, or uncertainties could be complete, some of the factors that may cause actual results or other future events, circumstances, or aspirations to differ from those in forward-looking statements include:

- local, regional, national, or international business, economic, or political conditions or events;
- changes in laws or the regulatory environment, including as a result of recent financial-services legislation or regulation;
- changes in monetary, fiscal, or trade laws or policies, including as a result of actions by central banks or supranational authorities;
- changes in accounting standards or policies;
- shifts in investor sentiment or behavior in the securities, capital, or other financial markets, including changes in market liquidity or volatility or changes in interest or currency rates;
- changes in spending, borrowing, or saving by businesses or households;
- the Company s ability to effectively manage capital or liquidity or to effectively attract or deploy deposits;
- changes in any credit rating assigned to the Company or its affiliates;

adverse publicity or other reputational harm to the Company;

changes in the Company s corporate strategies, the composition of its assets, or the way in which it funds those assets;

the Company s ability to develop, maintain, or market products or services or to absorb unanticipated costs or liabilities associated with those products or services;

the Company s ability to innovate to anticipate the needs of current or future customers, to successfully compete in its chosen business lines, to increase or hold market share in changing competitive environments, or to deal with pricing or other competitive pressures;

changes in the credit, liquidity, or other condition of the Company s customers, counterparties, or competitors;

the Company s ability to effectively deal with economic, business, or market slowdowns or disruptions;

judicial, regulatory, or administrative investigations, proceedings, disputes, or rulings that create uncertainty for or are adverse to the Company or the financial-services industry;

the Company s ability to address stricter or heightened regulatory or other governmental supervision or requirements;

the Company s ability to maintain secure and functional financial, accounting, technology, data processing, or other operating systems or facilities, including its capacity to withstand cyber-attacks;

the adequacy of the Company s corporate governance, risk-management framework, compliance programs, or internal controls, including its ability to control lapses or deficiencies in financial reporting or to effectively mitigate or manage operational risk;

the efficacy of the Company s methods or models in assessing business strategies or opportunities or in valuing, measuring, monitoring, or managing positions or risk;

the Company s ability to keep pace with changes in technology that affect the Company or its customers, counterparties, or competitors;

mergers or acquisitions, including the Company s ability to integrate acquisitions;

the adequacy of the Company s succession planning for key executives or other personnel;

the Company s ability to grow revenue, to control expenses, or to attract or retain qualified employees;

natural or man-made disasters, calamities, or conflicts, including terrorist events; or

other assumptions, risks, or uncertainties described in the Risk Factors (Item 1A), Management s Discussion and Analysis (Item 7), or the Notes to Consolidated Financial Statements (Item 8) in this Annual Report on Form 10-K or described in any of the Company s

quarterly or current reports.

Any forward-looking statement made by the Company or on its behalf speaks only as of the date that it was made. The Company does not undertake to update any forward-looking statement to reflect the impact of events, circumstances, or results that arise after the date that the statement was made. You, however, should consult further disclosures (including disclosures of a forward-looking nature) that the Company may make in any subsequent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, or Current Report on Form 8-K.

Results of Operations

Overview

The Company focuses on the following four core strategies. Management believes these strategies will guide its efforts to achieving its vision, to deliver *the* Unparalleled Customer Experience, all the while maintaining a focus to improve net income and strengthen the balance sheet.

The first strategy is to grow the Company s fee-based businesses. As the industry continues to experience economic uncertainty, the Company has continued to emphasize its fee-based operations. With a diverse source of revenues, this strategy has helped reduce the Company s exposure to sustained low interest rates. During 2013,

Table of Contents

noninterest income increased $33.7 million, or 7.4 percent, to $491.8 million for the year ended December 31, 2013, compared to the same period in 2012. Trust and securities processing income increased $40.9 million, or 18.1 percent, for year-to-date December 31, 2013 compared to the same period in 2012. Equity earnings on alternative investments increased $18.6 million for the year-ended December 31, 2013 primarily due to $17.0 million in unrealized gains on Prairie Capital Management equity method investments. These increases in noninterest income were offset by decreases in trading and investment banking income, gains on sales of available for sale securities and other noninterest income. Trading and investment banking income decreased $9.7 million, or 32.0 percent, due to a decline in trading volume. Gains of $8.5 million on securities available for sale were recognized during the year ended December 31, 2013 compared to $20.2 million during the same period in 2012. Other noninterest income decreased $11.3 million primarily due to an $8.7 million adjustment in contingent consideration liabilities on acquisitions recognized in 2012. These adjustments were due to the adoption of new accounting guidance in 2012 related to fair value measurements and changes in cash flow projections.

The second strategy is a focus on net interest income through loan and deposit growth. During 2013, continued progress on this strategy was illustrated by an increase in net interest income of $13.2 million, or 4.1 percent, from the previous year. The Company has continued to show increased net interest income in a historically low rate environment through the effects of increased volume of average earning assets and a low cost of funds in its balance sheet. Average earning assets increased by $1.6 billion, or 13.0 percent, from 2012. Average loan balances increased $970.0 million, or 18.5 percent, for year-to-date December 31, 2013 compared to the same period in 2012. Earning asset growth was primarily funded with a $955.6 million increase in average interest-bearing deposits, or 15.3 percent, and a $453.0 million increase in average noninterest-bearing deposits, or 10.6 percent, compared to 2012 respectively. Net interest margin, on a tax-equivalent basis, decreased 20 basis points, and net interest spread decreased 16 basis points compared to 2012, respectively.

The third strategy is a focus on improving operating efficiencies. At December 31, 2013, the Company had 112 branches. The Company continues to emphasize increasing its primary retail customer base by providing a broad offering of services through our existing branch network. These efforts have resulted in the total loans and deposits growth previously discussed. The Company continues to invest in technological advances that will help management drive operating efficiencies through improved data analysis and automation. During 2013, systems infrastructure enhancements have been implemented. In addition to the use of automation technology, the Company has merged the subsidiary banks into a single chartered entity. This helped enhance regulatory capital and provides a more streamlined structure for the implementation of strategic initiatives. The Company continues to evaluate core systems and will invest in enhancements that will yield operating efficiencies. The Company evaluates its cost structure for opportunities to moderate expense growth without sacrificing growth initiatives.

The fourth 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 continues to maximize shareholder value through a mix of reinvesting in organic growth, evaluating acquisition opportunities that complement the strategies, increasing dividends over time, and properly utilizing a share buy-back strategy. At December 31, 2013, the Company had $1.5 billion in total shareholders equity. This is an increase of $226.7 million, or 17.7 percent, compared to total shareholders equity at December 31, 2012. On September 16, 2013, the Company completed the issuance of 3.9 million shares of common stock with net proceeds of $201.2 million to be used for strategic growth purposes. In addition, UMB granted the underwriters a 30-day option to purchase up to an additional 585 thousand shares of common stock. On October 17, 2013, the underwriters exercised the option of 585 thousand shares, which generated additional net proceeds of $30.2 million. At December 31, 2013, the Company had a total risk-based capital ratio of 14.43 percent. The Company repurchased 66,462 shares at an average price of $52.67 per share during 2013. Further, the Company paid $36.4 million in dividends during 2013, which represents an 8.1 percent increase compared to 2012.

Earnings Summary

The Company recorded consolidated net income of $134.0 million for the year-ended December 31, 2013. This represents a 9.2 percent increase over 2012. Net income for 2012 was $122.7 million, or an increase of 15.3 percent compared to 2011. Basic earnings per share for the year-ended December 31, 2013, were $3.25 per share compared to $3.07 per share in 2012 and $2.66 per share in 2011. Basic earnings per share for 2013 increased 5.9 percent over 2012, which increased 15.4 percent over 2011. Fully diluted earnings per share for the year-ended December 31, 2013, were $3.20 per share compared to $3.04 per share in 2012 and $2.64 per share in 2011. The Company s net interest income increased to $333.3 million in 2013 compared to $320.1 million in 2012 and $317.0 million in 2011. In total, a favorable volume variance outpaced the impact from an unfavorable rate variance, resulting in a $13.2 million increase in net interest income in 2013, compared to 2012. The impact from an unfavorable rate variance and favorable volume variance on earning assets was slightly offset by the reduced cost of funding on the volume growth of interest-bearing deposits, resulting in the net favorable volume variance described. See Table 2 on page 27. The favorable volume variance on earning assets was predominately driven by the increase in average loan balances of $970.0 million, or 18.5 percent, for 2013 compared to the same period in 2012. This was largely impacted by an unfavorable rate variance in the same categories. Additionally, a 10 basis points reduction in rate on a volume increase of $955.6 million on average interest-bearing deposits helped drive the resulting increase in net interest income. While decreasing due to the current low rate environment, the Company continues to see benefit from interest-free funds. The impact of this benefit is illustrated on Table 3 on page 28. The $3.1 million increase in net interest income in 2012, compared to 2011, is primarily a result of a favorable volume variance. The favorable volume variance on earning assets was predominately driven by the increase in average loan balances of $495.1 million, or 10.4 percent, for 2012 compared to the same period in 2011. This was more than offset by an unfavorable rate variance in the same categories. However, a 12 basis points reduction in rate on a volume increase of $86.2 million on interest-bearing deposits drove the resulting increase in net interest income. The current economic 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 20 on page 50 for an illustration of the impact of a rate increase or decrease on net interest income as of December 31, 2013.

The Company had an increase of $33.7 million, or 7.4 percent, in noninterest income in 2013, compared to 2012, and a $43.8 million, or 10.6 percent, increase in 2012, compared to 2011. The increase in 2013 is primarily attributable to higher trust and securities processing income and equity earnings in alternative investments, partially offset by decreases in trading and investment banking, gains on the sales of securities available for sale, and other noninterest income. Trust and securities processing income increased $40.9 million, or 18.2 percent, for the year-ended December 31, 2013, compared to the same period in 2012. Equity earnings on alternative investments increased $18.6 million for the year-ended December 31, 2013, primarily due to $17.0 million in unrealized gains on Prairie Capital Management equity method investments. Trading and investment banking income decreased $9.7 million, or 32.0 percent, due to a general decline in trading volume. Gains of $8.5 million on securities available for sale were recognized during the year ended December 31, 2013 compared to $20.2 million during the same period in 2012. Other noninterest income decreased $11.3 million primarily due to an $8.7 million adjustment in contingent consideration liabilities on acquisitions recognized in 2012. These adjustments were due to the adoption of new accounting guidance related to fair value measurements and additional changes in cash flow projections. The change in noninterest income in 2013 from 2012, and 2012 from 2011 is illustrated on Table 6 on page 31.

Noninterest expense increased in 2013 by $33.7 million, or 5.7 percent, compared to 2012 and increased in 2012 by $27.7 million, or 4.9 percent, compared to 2011. This increase is primarily driven by an increase of $19.8 million, or 6.2 percent, in salary and employee benefit expense, a $6.6 million, or 12.9 percent, increase in processing fees primarily driven by fees paid by the advisor to third-party distributors of the Scout Funds, and a $5.7 million, or 13.2 percent increase in equipment expense driven by increased computer hardware and software expense. Other noninterest expense increased $3.7 million, or 11.4 percent, due to a $5.2 million increase in contingent consideration liabilities on acquisitions, offset by a $4.0 million decrease in derivatives expense. The increase in noninterest expense in 2013 from 2012, and 2012 from 2011 is illustrated on Table 7 on page 32.

Table of Contents

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 2 summarizes the change in net interest income resulting from changes in volume and rates for 2013, 2012 and 2011.

Net interest margin is calculated as net interest income on a fully tax equivalent basis (FTE) as a percentage of average earning assets. 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. A critical component of net interest income and related net interest margin is the percentage of earning assets funded by interest-free sources. Table 3 analyzes net interest margin for the three years ended December 31, 2013, 2012 and 2011. Net interest income, average balance sheet amounts and the corresponding yields earned and rates paid for the years 2011 through 2013 are presented in Table 1 below.

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.

Table of Contents

Table 1

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

	2013			2012		
	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)	$ 6,221.3	$ 229.7	3.69%	$ 5,251.3	$ 217.6	4.14%
Securities:						
Taxable	4,876.3	75.2	1.54	4,612.5	81.0	1.76
Tax-exempt (FTE)	2,102.2	62.5	2.97	1,862.8	57.9	3.11
Total securities	6,978.5	137.7	1.97	6,475.3	138.9	2.14
Federal funds sold and resell agreements	36.6	0.2	0.53	26.5	0.1	0.46
Interest-bearing	663.9	1.9	0.29	547.8	1.8	0.33
Other earning assets (FTE)	56.0	1.1	1.90	53.2	1.2	2.34
Total earning assets (FTE)	13,956.3	370.6	2.66	12,354.1	359.6	2.91
Allowance for loan losses	(72.4)			(73.0)		
Cash and due from banks	439.5			402.1		
Other assets	707.4			706.0		
Total assets	$ 15,030.8			$ 13,389.2		
LIABILITIES AND SHAREHOLDERS EQUITY						
Interest-bearing demand and savings deposits	$ 6,073.5	$ 5.3	0.09%	$ 5,021.5	$ 6.5	0.13%
Time deposits under $100,000	527.3	3.5	0.66	577.6	4.9	0.85
Time deposits of $100,000 or more	619.9	4.4	0.71	665.9	6.0	0.90
Total interest bearing deposits	7,220.7	13.2	0.18	6,265.0	17.4	0.28
Short-term debt	0.2			5.6	0.1	1.75
Long-term debt	4.7	0.2	4.26	5.9	0.3	5.08
Federal funds purchased and repurchase agreements	1,613.6	1.7	0.11	1,410.5	1.9	0.13
Total interest bearing liabilities	8,839.2	15.1	0.17	7,687.0	19.7	0.26
Noninterest bearing demand deposits	4,709.6			4,256.6		
Other	144.9			187.3		
Total	13,693.7			12,130.9		
Total shareholders equity	1,337.1			1,258.3		
Total liabilities and shareholders equity	$ 15,030.8			$ 13,389.2		
Net interest income (FTE)		$ 355.5			$ 339.9	
Net interest spread			2.49%			2.65%
Net interest margin			2.55%			2.75%

(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 $22.2 million, $19.9 million, and $18.6 million in 2013, 2012, and 2011, respectively.

(2) Loan fees are included in interest income. Such fees totaled $10.9 million, $11.0 million, and $11.6 million in 2013, 2012, and 2011, 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.

(4) Amount includes loans held for sale.

Table of Contents

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

	2011		
	Average Balance	Interest Income/ Expense (1)	Rate Earned/ Paid (1)
ASSETS			
Loans, net of unearned interest (FTE) (2) (3)	$ 4,756.2	$ 219.4	4.61%
Securities:			
Taxable	4,224.5	85.1	2.01
Tax-exempt (FTE)	1,497.8	53.0	3.54
Total securities	5,722.3	138.1	2.41
Federal funds sold and resell agreements	31.3	0.1	0.32
Interest-bearing	837.8	3.3	0.39
Other earning assets (FTE)	51.9	1.4	2.64
Total earning assets (FTE)	11,399.5	362.3	3.18
Allowance for loan losses	(73.0)		
Cash and due from banks	396.9		
Other assets	693.9		
Total assets	$ 12,417.3		
LIABILITIES AND SHAREHOLDERS EQUITY			
Interest-bearing demand and savings deposits	$ 4,731.3	$ 8.0	0.17%
Time deposits under $100,000	662.0	7.8	1.18
Time deposits of $100,000 or more	785.5	8.8	1.12
Total interest bearing deposits	6,178.8	24.6	0.40
Short-term debt	25.3	0.2	0.79
Long-term debt	11.3	0.2	1.77
Federal funds purchased and repurchase agreements	1,471.0	1.7	0.12
Total interest bearing liabilities	7,686.4	26.7	0.35
Noninterest bearing demand deposits	3,414.8		
Other	177.4		
Total	11,278.6		
Total shareholders equity	1,138.7		
Total liabilities and shareholders equity	$ 12,417.3		
Net interest income (FTE)		$ 335.6	
Net interest spread			2.83%
Net interest margin			2.94%

Table of Contents

Table 2

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		2013 vs. 2012	Increase (Decrease)		
2013	2012	2013	2012		Volume	Rate	Total
				Change in interest earned on:			
$ 6,221,318	$ 5,251,278	3.69%	4.14%	Loans	$ 35,918	$ (23,644)	$ 12,274
				Securities:			
4,876,304	4,612,510	1.54	1.76	Taxable	4,068	(9,879)	(5,811)
2,102,216	1,862,786	2.97	3.11	Tax-exempt	5,315	(3,140)	2,175
36,589	26,459	0.53	0.46	Federal funds sold and resell agreements	53	19	72
663,818	547,817	0.29	0.33	Interest-bearing due from banks	335	(206)	129
56,022	53,227	1.90	2.34	Other	52	(235)	(183)
13,956,267	12,354,077	2.66	2.91	Total	45,741	(37,085)	8,656
				Change in interest incurred on:			
7,220,675	6,265,040	0.18	0.28	Interest-bearing deposits	1,745	(5,978)	(4,233)
1,613,584	1,410,478	0.11	0.13	Federal funds purchased and repurchase agreements	219	(364)	(145)
4,972	11,514	3.02	2.86	Other	(197)	18	(179)
$ 8,839,231	$ 7,687,032	0.17%	0.26%	Total	1,767	(6,324)	(4,557)
				Net interest income	$ 43,974	$ (30,761)	$ 13,213

Average Volume		Average Rate		2012 vs. 2011	Increase (Decrease)		
2012	2011	2012	2011		Volume	Rate	Total
				Change in interest earned on:			
$ 5,251,278	$ 4,756,165	4.14%	4.61%	Loans	$ 20,571	$ (22,256)	$ (1,685)
				Securities:			
4,612,510	4,224,456	1.76	2.01	Taxable	6,816	(10,923)	(4,107)
1,862,786	1,497,834	3.11	3.54	Tax-exempt	10,458	(7,001)	3,457
26,459	31,273	0.46	0.32	Federal funds sold and resell agreements	(22)	42	20
547,817	837,807	0.33	0.39	Interest-bearing due from banks	(947)	(548)	(1,495)
53,227	51,927	2.34	2.64	Other	25	(183)	(158)
12,354,077	11,399,462	2.91	3.18	Total	36,901	(40,869)	(3,968)
				Change in interest incurred on:			
6,265,040	6,178,795	0.28	0.40	Interest-bearing deposits	240	(7,452)	(7,212)
1,410,478	1,471,011	0.13	0.12	Federal funds purchased and repurchase agreements	(81)	253	172
11,514	36,580	2.86	0.93	Other	(716)	704	(12)
$ 7,687,032	$ 7,686,386	0.26%	0.35%	Total	(557)	(6,495)	(7,052)

Net interest income	$ 37,458	$ (34,374)	$ 3,084

Table of Contents

Table 3

ANALYSIS OF NET INTEREST MARGIN ***(in thousands)***

	2013	2012	2011
Average earning assets	$ 13,956,267	$ 12,354,077	$ 11,399,462
Interest-bearing liabilities	8,839,231	7,687,032	7,686,386
Interest-free funds	$ 5,117,036	$ 4,667,045	$ 3,713,076
Free funds ratio (free funds to earning assets)	36.66%	37.78%	32.57%
Tax-equivalent yield on earning assets	2.66%	2.91%	3.18%
Cost of interest-bearing liabilities	0.17	0.26	0.35
Net interest spread	2.49%	2.65%	2.83%
Benefit of interest-free funds	0.06	0.10	0.11
Net interest margin	2.55%	2.75%	2.94%

The Company experienced an increase in net interest income of $13.2 million, or 4.1 percent, for the year 2013, compared to 2012. This follows an increase of $3.1 million, or 1.0 percent, for the year 2012, compared to 2011. As illustrated in Table 1, the 2013 increase is due to the favorable volume variances in earning assets, which was largely offset by the rate variances. In 2012, the volume variance on earning assets was more than offset by the rate variances. However, the Company reduced the average cost of interest-bearing liabilities by 9 basis points during 2013 and 2012, resulting in the positive increase in net interest income.

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 38.0 percent, 42.2 percent and 38.8 percent of total outstanding deposits at December 31, 2013, 2012 and 2011, respectively. As illustrated in Table 3, the impact from these interest-free funds was 6 basis points in 2013, compared to 10 basis points in 2012 and 11 basis points in 2011.

The Company has experienced a repricing of its earning assets and interest-bearing liabilities during the 2013 interest rate cycle. The average rate on earning assets during 2013 has decreased by 25 basis points, while the average rate on interest-bearing liabilities decreased by 9 basis points, resulting in a 16 basis point decline in spread. The volume of loans has increased from an average of $5.3 billion in 2012 to an average of $6.2 billion in 2013. 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 moderate in duration and liquid in its composition of assets. If the Federal Reserve s Open Market Committee maintains rates at current levels, the Company 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 2014, approximately $1.1 billion of available for sale securities are expected to have principal repayments. This includes approximately $404 million which will have principal repayments during the first quarter of 2014. The total investment portfolio had an average life of 47.6 months and 40.0 months as of December 31, 2013 and 2012, respectively. It should be noted that the Company also had a portfolio of short-term investments with original maturities of one year or less as of the end of both 2013 and 2012. At December 31, 2013, the amount of such investments was approximately $15 million, and without these investments, the average life of the investment portfolio would have remained at 47.6 months. At December 31, 2012, the amount of such short-term investments was approximately $215 million, and without these short-term investments, the average life of the investment portfolio would have been 41.2 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. The analysis reflects loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors. After the balance sheet analysis is performed for the ALL, the provision for loan losses is computed as the amount required to adjust the ALL to the appropriate level.

Table 4 presents the components of the allowance by loan portfolio segment. 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. For more information on loan portfolio segments and ALL methodology refer to Note 3 to the Consolidated Financial Statements.

Table 4

ALLOCATION OF ALLOWANCE FOR LOAN LOSSES *(in thousands)*

This table presents an allocation of the allowance for loan losses by loan portfolio segment, which represents the inherent probable loss derived by both quantitative and qualitative methods. The amounts presented are not necessarily indicative of actual future charge-offs in any particular category and are subject to change.

			December 31		
Loan Category	**2013**	**2012**	**2011**	**2010**	**2009**
Commercial	$ 48,886	$ 43,390	$ 37,927	$ 39,138	$ 40,420
Real estate	15,342	15,506	20,486	18,557	13,321
Consumer	10,447	12,470	13,593	16,243	10,128
Leases	76	60	11	14	270
Total allowance	$ 74,751	$ 71,426	$ 72,017	$ 73,952	$ 64,139

Table 5 presents a five-year summary of the Company s ALL. Also, please see Quantitative and Qualitative Disclosures About Market Risk Credit Risk on page 52 in this report for information relating to nonaccrual, past due, restructured loans, and other credit risk matters. For more information on loan portfolio segments and ALL methodology refer to Note 3 of the Consolidated Financial Statements.

As illustrated in Table 5 below, the ALL decreased as a percentage of total loans to 1.15 percent as of December 31, 2013, compared to 1.26 percent as of December 31, 2012. Based on the factors above, management of the Company had no change in expense related to the provision for loan losses in 2013, compared to 2012. This compares to a $4.7 million, or 21.2 percent, decrease in the provision for loan losses in 2012, compared to 2011.

Table of Contents

Table 5

ANALYSIS OF ALLOWANCE FOR LOAN LOSSES ***(in thousands)***

	2013	2012	2011	2010	2009
Allowance-beginning of year	$ 71,426	$ 72,017	$ 73,952	$ 64,139	$ 52,297
Provision for loan losses	17,500	17,500	22,200	31,510	32,100
Allowance of banks and loans acquired					
Charge-offs:					
Commercial	(4,748)	(8,446)	(12,693)	(6,644)	(5,532)
Consumer					
Credit card	(10,531)	(11,148)	(13,493)	(15,606)	(13,625)
Other	(1,600)	(1,530)	(1,945)	(2,979)	(4,911)
Real estate	(775)	(932)	(532)	(258)	(881)
Total charge-offs	(17,654)	(22,056)	(28,663)	(25,487)	(24,949)
Recoveries:					
Commercial	867	1,136	813	637	1,419
Consumer					
Credit card	1,720	1,766	2,366	1,327	1,334
Other	815	1,035	1,317	1,797	1,936
Real estate	77	28	32	29	2
Total recoveries	3,479	3,965	4,528	3,790	4,691
Net charge-offs	(14,175)	(18,091)	(24,135)	(21,697)	(20,258)
Allowance-end of year	$ 74,751	$ 71,426	$ 72,017	$ 73,952	$ 64,139
Average loans, net of unearned interest	$ 6,217,240	$ 5,243,264	$ 4,748,909	$ 4,478,377	$ 4,356,187
Loans at end of year, net of unearned interest	6,520,512	5,686,749	4,960,343	4,583,683	4,314,705
Allowance to loans at year-end	1.15%	1.26%	1.45%	1.61%	1.49%
Allowance as a multiple of net charge-offs	5.27x	3.95x	2.98x	3.41x	3.17x
Net charge-offs to:					
Provision for loan losses	81.00%	103.38%	108.71%	68.86%	63.11%
Average loans	0.23	0.35	0.51	0.48	0.47

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 $33.7 million, or 7.4 percent, to $491.8 million for the year ended December 31, 2013, compared to the same period in 2012. The increase in 2013 is primarily attributable to higher trust and securities processing income and equity earnings on alternative investments, partially offset by trading and investment banking, gains on the sales of securities available for sale, and other noninterest income. The increase in 2012 is primarily attributable to higher trust and securities processing income, gains on the sale of securities available for sale, and adjustments of the contingent consideration liabilities on acquisitions.

The Company s fee-based services provide the opportunity to offer multiple products and services to customers which management believes will more closely align to 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.

Table of Contents

Table 6

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

	Year Ended December 31						
				Dollar Change		Percent Change	
	2013	2012	2011	13-12	12-11	13-12	12-11
Trust and securities processing	$ 265,948	$ 225,094	$ 208,392	$ 40,854	$ 16,702	18.1%	8.0%
Trading and investment banking	20,641	30,359	27,720	(9,718)	2,639	(32.0)	9.5
Service charges on deposit accounts	84,133	78,694	74,659	5,439	4,035	6.9	5.4
Insurance fees and commissions	3,727	4,095	4,375	(368)	(280)	(9.0)	(6.4)
Brokerage fees	11,470	11,105	9,950	365	1,155	3.3	11.6
Bankcard fees	62,031	60,567	59,767	1,464	800	2.4	1.3
Gains on sales of securities available for sale, net	8,542	20,232	16,125	(11,690)	4,107	(57.8)	25.5
Equity earnings on alternative investments	19,048	422	3	18,626	419	>100.0	>100.0
Other	16,293	27,554	13,341	(11,261)	14,213	(40.9)	>100.0
Total noninterest income	$ 491,833	$ 458,122	$ 414,332	$ 33,711	$ 43,790	7.4%	10.6%

Noninterest income and the year-over-year changes in noninterest income are summarized in Table 6 above. The dollar change and percent change columns highlight the respective net increase or decrease in the categories of noninterest income in 2013 compared to 2012, and in 2012 compared to 2011.

Trust and securities processing income consists of fees earned on personal and corporate trust accounts, custody of securities services, trust investments and investment management services, and mutual fund assets servicing. This income category increased by $40.9 million, or 18.1 percent in 2013, compared to 2012, and increased by $16.7 million, or 8.0 percent in 2012, compared to 2011. The Company increased fund administration and custody services fee income by $5.4 million and $4.6 million in 2013 and 2012, respectively. Advisory fee income from the Scout Funds increased $21.5 million in 2013 compared to 2012 and $9.0 million in 2012 compared to 2011. Fee income from institutional and personal investment management services increased $12.7 million in 2013 and $3.4 million in 2012. Management continues to emphasize sales of services to both new and existing clients as well as increasing and improving the distribution channels.

Trading and investment banking income decreased by $9.7 million, or 32.0 percent in 2013, compared to 2012, and increased $2.6 million, or 9.5 percent in 2012, compared to 2011. The income in this category is market driven and impacted by general increases or decreases in trading volume.

Gains on sales of securities available for sale decreased $11.7 million in 2013 compared to 2012 and increased by $4.1 million in 2012 compared to 2011. This change in sales activity is due to the strategic initiative to rotate earning assets into loans and out of the investment portfolio.

Equity earnings on alternative investments increased $18.6 million in 2013 compared to 2012, primarily due to $17.0 million in unrealized gains on Prairie Capital Management investments.

Other noninterest income decreased $11.3 million primarily due to an $8.7 million adjustment in contingent consideration liabilities on acquisitions recognized in 2012. These adjustments were due to the adoption of new accounting guidance in 2012 related to fair value measurements and changes in cash flow projections.

Table of Contents

Noninterest Expense

Noninterest expense increased in 2013 by $33.7 million, or 5.7 percent, compared to 2012 and increased in 2012 by $27.7 million, or 4.9 percent, compared to 2011. The main drivers of this increase in 2013 were salaries and employee benefits expense, equipment expense, processing fees, and other noninterest expense. The increases in 2012 were salaries and employee benefits expense, marketing and business development, and increases in the contingent consideration liability on acquisitions. Table 7 below summarizes the components of noninterest expense and the respective year-over-year changes for each category.

Table 7

SUMMARY OF NONINTEREST EXPENSE *(in thousands)*

	Year Ended December 31						
				Dollar Change		Percent Change	
	2013	2012	2011	13-12	12-11	13-12	12-11
Salaries and employee benefits	$ 339,691	$ 319,852	$ 294,756	$ 19,839	$ 25,096	6.2%	8.5%
Occupancy, net	39,291	37,927	38,406	1,364	(479)	3.6	(1.2)
Equipment	49,207	43,465	42,728	5,742	737	13.2	1.7
Supplies and services	20,387	21,045	22,166	(658)	(1,121)	(3.1)	(5.1)
Marketing and business development	22,703	24,604	20,150	(1,901)	4,454	(7.7)	22.1
Processing fees	57,791	51,191	49,985	6,600	1,206	12.9	2.4
Legal and consulting	18,703	17,980	15,601	723	2,379	4.0	15.2
Bankcard	18,381	18,154	15,600	227	2,554	1.3	16.4
Amortization of other intangible assets	13,218	14,775	16,100	(1,557)	(1,325)	(10.5)	(8.2)
Regulatory fees	9,129	9,447	10,395	(318)	(948)	(3.4)	(9.1)
Class action litigation settlement			7,800		(7,800)		(>100.0)
Other	35,677	32,014	29,059	3,663	2,955	11.4	10.2
Total noninterest expense	$ 624,178	$ 590,454	$ 562,746	$ 33,724	$ 27,708	5.7%	4.9%

Salaries and employee benefits expense increased $19.8 million, or 6.2 percent, and $25.1 million, or 8.5 percent, in 2013 and 2012, respectively. The increase in both 2013 and 2012 is primarily due to higher employee base salaries, higher commissions and bonuses and higher cost of benefits. Base salaries increased by $10.5 million, or 5.3 percent, in 2013, compared to the same period in 2012. Commissions and bonuses increased by $5.0 million, or 7.6 percent, in 2013, compared to the same period in 2012. Employee benefits increased by $4.4 million, or 8.0 percent, in 2013, compared to the same period in 2012.

Equipment expense increased $5.7 million, or 13.2 percent in 2013. This increase is driven by increased computer hardware and software expenses.

Processing fees increased $6.6 million, or 12.9 percent in 2013. This increase is primarily driven by fees paid by the advisor to third-party distributors of the Scout Funds.

Other noninterest expense increased $3.7 million, or 11.4 percent, primarily driven by an increase in contingent consideration liabilities on acquisitions of $5.2 million due to changes in cash flow projections, offset by a $4.0 million decrease in derivative expense, compared to 2012.

Table of Contents

Income Taxes

Income tax expense totaled $49.5 million, $47.5 million, and $39.9 million in 2013, 2012 and 2011, respectively. These amounts equate to effective rates of 27.0 percent, 27.9 percent, and 27.3 percent for 2013, 2012 and 2011, respectively. The increase in the effective tax rate from 2011 to 2012 results from changes in the portion of income earned from tax-exempt municipal securities and an increase in the state marginal tax rate. The decrease in the effective tax rate from 2012 to 2013 is primarily attributable to federal tax credits realized.

On September 13, 2013, the IRS released final tangible property regulations under Sections 162(a) and 263(a) of the Internal Revenue Code (IRC) and proposed regulations under Section 168 of the IRC. These regulations generally apply to taxable years beginning on or after January 1, 2014 and will affect all taxpayers that acquire, produce, or improve tangible property. Based upon preliminary analysis, the adoption of these regulations will not have a material impact on the Company s Consolidated Financial Statements.

For further information on income taxes refer to Note 16 of the Notes to Consolidated Financial Statements.

Business Segments

The Company has strategically aligned its operations into the following four reportable segments (collectively, Business Segments): Bank, Payment Solutions, Institutional Investment Management, and Asset Servicing. Business segment financial results produced by the Company s internal management accounting system are evaluated regularly by the Executive Committee in deciding how to allocate resources and assess performance for individual Business Segments. The Business Segments were redefined during the first quarter of 2012 to reflect the Executive Committee s changes in executive management responsibilities for each of the core businesses, the products and services provided and the types of customers served, and how financial information is currently evaluated by management. The management accounting system assigns balance sheet and income statement items to each business segment using methodologies that are refined on an ongoing basis.

Table 8

Bank Operating Results

	Year Ended December 31,		Dollar Change	Percent Change
	2013	2012	13-12	13-12
Net interest income	$ 285,112	$ 274,843	$ 10,269	3.7%
Provision for loan losses	5,112	9,267	(4,155)	(44.8)
Noninterest income	210,535	214,595	(4,060)	(1.9)
Noninterest expense	376,365	381,585	(5,220)	(1.4)
Income before taxes	114,170	98,586	15,584	15.8
Income tax expense	28,532	26,452	2,080	7.9
Net income	$ 85,638	$ 72,134	$ 13,504	18.7%

Bank net income increased $13.5 million, or 18.7 percent, from $72.1 million in 2012 to $85.6 million in 2013. Net interest income improved $10.3 million, or 3.7 percent driven by strong Commercial loan growth, while being slightly offset by interest rate margin compression. Provision decreased by $4.2 million due to improvements in the credit characteristics of the loan portfolio in this segment.

Noninterest income decreased $4.1 million, or 1.9 percent, over the same period in 2012. The decrease in noninterest income was driven by decreases in securities gains of $11.7 million, bond trading income of $10.5 million, and other noninterest income of $8.0 million. The reduction in other noninterest income was primarily

Table of Contents

due to a decrease of $3.8 million in fair value adjustments to contingent consideration liabilities due to the adoption of new accounting guidance in 2012 and a decrease of $3.6 million in fair value adjustments on interest rate swap transactions compared to last year. These decreases were partially offset by an increase of $6.2 million in trust and securities processing income and an increase of $18.6 million in equity earnings on alternative investments, primarily due to $17.0 million of unrealized gains on Prairie Capital Management equity method investments recognized in 2013.

Noninterest expense decreased $5.2 million, or 1.4 percent, to $376.4 million, compared to 2012, which was primarily driven by a decrease in fair value adjustments on interest rate swap transactions of $4.0 million.

Table 9

Payment Solutions Operating Results

	Year Ended December 31, 2013	2012	Dollar Change 13-12	Percent Change 13-12
Net interest income	$ 45,832	$ 43,350	$ 2,482	5.7%
Provision for loan losses	12,388	8,233	4,155	50.5
Noninterest income	74,223	67,887	6,336	9.3
Noninterest expense	86,746	69,095	17,651	25.5
Income before taxes	20,921	33,909	(12,988)	(38.3)
Income tax expense	6,732	9,555	(2,823)	(29.5)
Net income	$ 14,189	$ 24,354	$ (10,165)	(41.7)%

Payments Solutions net income after taxes decreased $10.2 million, or 41.7 percent, to $14.2 million from the prior year. Net interest income increased by $2.5 million, or 5.7 percent, due to growth in earning assets and deposits, but offset with a reduction in funds transfer pricing credit on deposits. Provision expense increased by $4.2 million, or 50.5 percent. Noninterest income increased $6.3 million, or 9.3 percent, driven by an increase in deposit service charge income from institutional banking and investor services and healthcare services customers as well as an increase in bankcard income for healthcare services. Noninterest expense increased by $17.7 million, or 25.5 percent, due to increases in salaries and benefits of $4.9 million, support services of $3.2 million, technology project expenses of $3.3 million, processing fees of $2.2 million due to increased volumes, fraud losses of $0.8 million, and legal and compliance fees of $0.8 million.

Table 10

Institutional Investment Management Operating Results

	Year Ended December 31, 2013	2012	Dollar Change 13-12	Percent Change 13-12
Net interest income	$ (32)	$ 2	$ (34)	(>100.0)%
Provision for loan losses				
Noninterest income	126,442	100,051	26,391	26.4
Noninterest expense	88,336	70,981	17,355	24.5
Income before taxes	38,074	29,072	9,002	31.0
Income tax expense	10,011	8,118	1,893	23.3
Net income	$ 28,063	$ 20,954	$ 7,109	33.9%

Institutional Investment Management net income increased $7.1 million, or 33.9 percent, to $28.1 million for 2013 compared to the prior year. Noninterest income increased $26.4 million, or 26.4 percent, to $126.4 million primarily due to a $29.2 million increase in advisory fees driven from an increase in assets under management of $7.7 billion, which was offset by a decrease of $4.3 million in fair value adjustments to the contingent consideration liability due to the adoption of new accounting guidance in 2012. Noninterest expense increased $17.4 million, or 24.5 percent, to $88.3 million compared to a year ago. This increase was primarily due to a $5.9 million increase in salaries and benefits, a $5.7 million increase in third party distribution expense and a $5.1 million increase in contingent consideration liability on acquisitions related to cash flow estimate changes on acquisitions compared to last year.

Table 11

Asset Servicing Operating Results

	Year Ended December 31,		Dollar Change	Percent Change
	2013	2012	13-12	13-12
Net interest income	$ 2,357	$ 1,861	$ 496	26.65%
Provision for loan losses				
Noninterest income	80,633	75,589	5,044	6.67
Noninterest expense	72,731	68,793	3,938	5.72
Income before taxes	10,259	8,657	1,602	18.51
Income tax expense	4,184	3,382	802	23.71
Net income	$ 6,075	$ 5,275	$ 800	15.17%

Asset Servicing net income increased $0.8 million, or 15.2 percent, to $6.1 million compared to 2012. Net interest margin increased by $0.5 million, or 26.7 percent, due to deposit growth within this segment. Noninterest income increased $5.0 million, or 6.7 percent, resulting from a $5.5 million increase in fee income from business added in transfer agent, alternative investment, and fund administration services, increases from asset based fees, fund growth and a $0.7 million gain from the transfer of trust-related distribution services. These increases were offset by a decrease in miscellaneous income of $1.3 million in fair value adjustments to the contingent consideration liability compared to last year due to the adoption of new accounting guidance in 2012. Noninterest expense increased $3.9 million, or 5.7 percent, due primarily to a $1.9 million increase in fair value adjustments to the contingent consideration liability on acquisitions and an increase of $1.7 million in salary and benefit expense to support business growth.

Balance Sheet Analysis

Loans and Loans Held For Sale

Loans represent the Company s largest source of interest income. Loan balances held for investment increased by $833.8 million, or 14.7 percent, in 2013. Commercial and commercial real estate loans had the most significant growth in outstanding balances in 2013, compared to 2012. Residential real estate, construction real estate, and other consumer loans also experienced increases compared to 2012. These increases were offset by small decreases in credit card and HELOC loans.

Table of Contents

Table 12

ANALYSIS OF LOANS BY TYPE ***(in thousands)***

	December 31				
	2013	2012	2011	2010	2009
Commercial	$ 3,301,503	$ 2,873,694	$ 2,234,817	$ 1,937,052	$ 1,963,533
Commercial credit card	103,270	104,320	95,339	84,544	65,273
Real estate construction	152,875	78,486	84,590	128,520	106,914
Real estate commercial	1,702,151	1,435,811	1,394,555	1,294,897	1,141,447
Leases	23,981	19,084	3,834	7,055	7,510
Total business-related	5,283,780	4,511,395	3,813,135	3,452,068	3,284,677
Real estate residential	289,356	212,363	185,886	193,157	218,081
Real estate HELOC	566,128	573,923	533,032	476,057	435,814
Consumer credit card	318,336	334,518	333,646	322,208	231,254
Consumer other	62,912	54,550	94,644	140,193	144,879
Total consumer-related	1,236,732	1,175,354	1,147,208	1,131,615	1,030,028
Loans before allowance and loans held for sale	6,520,512	5,686,749	4,960,343	4,583,683	4,314,705
Allowance for loan losses	(74,751)	(71,426)	(72,017)	(73,952)	(64,139)
Net loans before loans held for sale	6,445,761	5,615,323	4,888,326	4,509,731	4,250,566
Loans held for sale	1,357	3,877	10,215	14,414	17,523
Net loans and loans held for sale	$ 6,447,118	$ 5,619,200	$ 4,898,541	$ 4,524,145	$ 4,268,089
As a % of total loans and loans held for sale					
Commercial	50.63%	50.49%	44.96%	42.13%	45.32%
Commercial credit card	1.58	1.83	1.92	1.84	1.51
Real estate-construction	2.34	1.38	1.70	2.80	2.47
Real estate-commercial	26.10	25.23	28.06	28.16	26.35
Leases	0.37	0.34	0.08	0.15	0.17
Total business-related	81.02	79.27	76.72	75.08	75.82
Real estate residential	4.44	3.73	3.74	4.20	5.03
Real estate HELOC	8.68	10.09	10.72	10.35	10.06
Consumer credit card	4.88	5.88	6.71	7.01	5.34
Consumer other	0.96	0.96	1.90	3.05	3.35
Total consumer-related	18.96	20.66	23.07	24.61	23.78
Loans held for sale	0.02	0.07	0.21	0.31	0.40
Total loans and loans held for sale	100.0%	100.0%	100.0%	100.0%	100.0%

Included in Table 12 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 81.0 percent and 79.3 percent of total loans and loans held for sale at the end of 2013 and 2012, respectively.

Commercial loans represent the largest percent of total loans. Commercial loans have increased $427.8 million, or 14.9 percent, compared to 2012. Commercial loans have also increased to 50.6 percent of total loans compared to 50.5 percent in 2012. The Company has also increased its capacity to lend through increased commitments over 2012. Commercial line utilization has remained low due to the current economic conditions.

As a percentage of total loans, commercial real estate and construction real estate loans now comprise 28.4 percent of total loans, compared to 26.6 percent at the end of 2012. Commercial real estate increased $266.3 million, or 18.6 percent, and construction real estate loans increased $74.4 million, or 94.8 percent, compared to

2012. 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. Most of these properties are owner-occupied and/or have other collateral or guarantees as security.

Residential real estate loans increased $77.0 million, or 36.3 percent, and now represent 4.44 percent of total loans compared to 3.73 percent in 2012.

Nonaccrual, past due and restructured loans are discussed under Credit Risk within the Quantitative and Qualitative Disclosure about Market Risk in Item 7A on page 52 of this report.

Investment Securities

The Company s security portfolio provides liquidity as a result of the composition and cash flow characteristics 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 44.5 percent and 52.0 percent of earning assets as of December 31, 2013 and 2012, respectively. Total investment securities remained flat totaling $7.1 billion at December 31, 2013 and December 31, 2012. Management expects deposit balance changes, loan demand, and collateral pledging requirements for public funds to be the primary factors impacting changes in the level of security holdings.

Securities available for sale comprised 95.9 percent of the Company s investment securities portfolio at December 31, 2013, compared to 97.2 percent at year-end 2012. Securities available for sale had a net unrealized loss of $52.3 million at year-end, compared to a net unrealized gain of $134.8 million the preceding year. This market value change reflects primarily the impact of mid and longer-term market interest rate increases during the second half of 2013. These amounts are reflected, on an after-tax basis, in the Company s other comprehensive income in shareholders equity, as an unrealized loss of $32.6 million at year-end 2013, compared to an unrealized gain of $85.6 million for 2012.

The securities portfolio achieved an average yield on a tax-equivalent basis of 2.0 percent for 2013, compared to 2.1 percent in 2012, and 2.4 percent in 2011. 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 47.6 months at December 31, 2013, compared to 40.0 months at year-end 2012. The increase in average life from December 31, 2012 to December 31, 2013, was related primarily to mortgage-backed securities holdings experiencing extension due to slower prepayment rates resulting from market interest rate increases during the second half of 2013.

Included in Tables 13 and 14 are analyses of the cost, fair value and average yield (tax-equivalent basis) of securities available for sale and securities held to maturity.

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 76 of this document). The unrealized losses in the Company s investments in direct obligations of U.S. treasury obligations, U.S. government agencies, federal agency mortgage-backed securities, municipal securities, and Corporates were caused by changes in interest rates. The Company does not have the intent to sell these securities and does not believe it is more likely than not that the Company will be required to sell these securities before a recovery of fair value. The Company expects to recover its cost basis in the securities and does not consider these investments to be other-than-temporarily impaired at December 31, 2013.

Table of Contents

Table 13

SECURITIES AVAILABLE FOR SALE ***(in thousands)***

December 31, 2013	Amortized Cost	Fair Value
U.S. Treasury	$ 110,789	$ 110,200
U.S. Agencies	1,258,176	1,257,663
Mortgage-backed	2,984,963	2,944,566
State and political subdivisions	2,003,509	1,995,246
Corporates	457,275	454,736
Total	$ 6,814,712	$ 6,762,411

December 31, 2012	Amortized Cost	Fair Value
U.S. Treasury	$ 116,856	$ 117,851
U.S. Agencies	1,019,640	1,026,115
Mortgage-backed	3,480,006	3,556,193
State and political subdivisions	1,842,715	1,892,684
Corporates	337,706	338,887
Commercial Paper	5,733	5,733
Total	$ 6,802,656	$ 6,937,463

	U.S. Treasury Securities		U.S. Agency Securities	
December 31, 2013	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield
Due in one year or less	$ 150	1.01%	$ 218,900	0.92%
Due after 1 year through 5 years	105,420	0.87	1,038,763	0.71
Due after 5 years through 10 years	4,630	1.75		
Due after 10 years				
Total	$ 110,200	0.91%	$ 1,257,663	0.74%

	Mortgage-backed Securities		State and Political Subdivisions	
December 31, 2013	Fair Value	Weighted Average Yield	Fair Value	Weighted Average Yield
Due in one year or less	$ 27,917	2.59%	$ 288,887	2.51%
Due after 1 year through 5 years	2,561,318	2.11	806,912	2.63
Due after 5 years through 10 years	340,202	1.87	741,422	3.02
Due after 10 years	15,129	3.28	158,025	3.18
Total	$ 2,944,566	2.09%	$ 1,995,246	2.80%

	Corporates	
December 31, 2013	Fair Value	Weighted Average Yield
Due in one year or less	$ 17,894	0.57%
Due after 1 year through 5 years	436,842	0.99
Due after 5 years through 10 years		
Due after 10 years		
Total	$ 454,736	0.97%

December 31, 2012	U.S. Treasury Securities Fair Value	U.S. Treasury Securities Weighted Average Yield	U.S. Agency Securities Fair Value	U.S. Agency Securities Weighted Average Yield
Due in one year or less	$ 2,005	0.98%	$ 252,983	1.03%
Due after 1 year through 5 years	96,026	0.89	773,132	0.87
Due after 5 years through 10 years	19,820	1.67		
Due after 10 years				
Total	$ 117,851	1.02%	$ 1,026,115	0.91%

December 31, 2012	Mortgage-backed Securities Fair Value	Mortgage-backed Securities Weighted Average Yield	State and Political Subdivisions Fair Value	State and Political Subdivisions Weighted Average Yield
Due in one year or less	$ 56,799	3.04%	$ 217,581	2.96%
Due after 1 year through 5 years	3,325,225	2.11	826,808	2.84
Due after 5 years through 10 years	171,013	1.89	692,953	3.23
Due after 10 years	3,156	3.34	155,342	3.25
Total	$ 3,556,193	2.11%	$ 1,892,684	3.03%

December 31, 2012	Corporates Fair Value	Corporates Weighted Average Yield	Commercial Paper Fair Value	Commercial Paper Weighted Average Yield	Total Fair Value
Due in one year or less	$ 37,723	1.06%	$ 5,733	0.40%	$ 572,824
Due after 1 year through 5 years	301,164	1.09			5,322,355
Due after 5 years through 10 years					883,786
Due after 10 years					158,498
Total	$ 338,887	1.09%	$ 5,733	0.40%	$ 6,937,463

Table 14

SECURITIES HELD TO MATURITY *(in thousands)*

December 31, 2013	Amortized Cost	Fair Value	Weighted Average Yield/Average Maturity
Due in one year or less	$ 40	$ 44	2.84%
Due after 1 year through 5 years	31,387	34,640	2.46
Due after 5 years through 10 years	97,929	108,078	2.89
Due over 10 years	80,414	88,748	2.97
Total	$ 209,770	$ 231,510	10 yr. 4 mo.

December 31, 2012

Due in one year or less	$ 1,751	$ 1,976	4.81%
Due after 1 year through 5 years	31,802	35,887	3.06
Due after 5 years through 10 years	28,084	31,691	3.21
Due over 10 years	53,119	59,941	3.14
Total	$ 114,756	$ 129,495	10 yr. 8 mo.

FEDERAL BANK STOCK AND OTHER SECURITIES ***(in thousands)***

2013	Amortized Cost	Fair Value
Federal Reserve Bank stock	$ 16,279	$ 16,279
Other securities marketable	20	16,632
Other securities non-marketable	17,139	17,571
Total Federal Reserve Bank stock and other	$ 33,438	$ 50,482
2012		
Federal Reserve Bank stock	$ 11,779	$ 11,779
Other securities non-marketable	14,281	14,554
Total Federal Reserve Bank stock and other	$ 26,060	$ 26,333

Other marketable and non-marketable securities include Prairie Capital Management alternative investments in hedge funds and private equity funds, which are accounted for as equity-method investments. The fair value of other marketable securities includes alternative investment securities of $16.6 million at December 31, 2013. The fair value of other non-marketable securities includes the alternative investment securities fair of $4.7 million at December 31, 2013 and $2.2 million at December 31, 2012.

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 borrowed position was $1.0 million at December 31, 2013, and the net sold position was $32.7 million at December 31, 2012.

The 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 $270.1 million in 2013 and $348.6 million in 2012.

At December 31, 2013, the Company held securities bought under agreements to resell of $75.2 million compared to $57.2 million at year end 2012. The Company used these instruments as short-term secured investments, in lieu of selling federal funds, or to acquire securities required for collateral purposes. These investments averaged $31.8 million in 2013 and $22.0 million in 2012.

The Company also maintains an active securities trading inventory. The average holdings in the securities trading inventory in 2013 were $56.0 million, compared to $53.2 million in 2012, and were recorded at market value. As discussed in the Quantitative and Qualitative Disclosures About Market Risk Trading Account in Part II, Item 7A on page 52, 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.

Interest-bearing due from banks totaled $2.1 billion as of December 31, 2013 compared to $720.5 million as of December 31, 2012 and includes amounts due from the Federal Reserve Bank and from certificates of deposits held at other financial institutions. The amount due from the Federal Reserve Bank totaled $2.1 billion and $698.6 million at December 31, 2013 and 2012, respectively. The amounts due from certificates of deposit totaled $30.5 million and $21.7 million at December 31, 2013 and 2012, respectively.

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 $13.6 billion at December 31, 2013, and $11.7 billion at year end 2012. Deposits averaged $11.9 billion in 2013 and $10.5 billion in 2012. 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 $4.7 billion in 2013 and $4.3 billion in 2012. These deposits represented 39.5 percent of average deposits in 2013, compared to 40.5 percent in 2012. 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. As previously announced, a single Asset Servicing client is expected to migrate its deposits to another institution. As of December 31, 2013, this client s deposits totaling $1.5 billion remained on the balance sheet.

Table 15

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

	December 31	
	2013	2012
Maturing within 3 months	$ 574,689	$ 364,449
After 3 months but within 6 months	103,730	99,700
After 6 months but within 12 months	104,883	122,514
After 12 months	174,548	155,402
Total	$ 957,850	$ 742,065

Table 16

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

	2013	2012	2011	2010	2009
Amount					
Noninterest-bearing demand	$ 4,709,643	$ 4,256,618	$ 3,414,843	$ 2,795,458	$ 2,372,456
Interest-bearing demand and savings	6,073,516	5,021,526	4,731,300	4,059,615	3,631,486
Time deposits under $100,000	527,281	577,656	661,957	728,804	782,469
Total core deposits	11,310,440	9,855,800	8,808,100	7,583,877	6,786,411
Time deposits of $100,000 or more	619,878	665,858	785,537	868,089	797,614
Total deposits	$ 11,930,318	$ 10,521,658	$ 9,593,637	$ 8,451,966	$ 7,584,025
As a % of total deposits					
Noninterest-bearing demand	39.48%	40.46%	35.59%	33.07%	31.28%
Interest-bearing demand and savings	50.90	47.72	49.32	48.03	47.88
Time deposits under $100,000	4.42	5.49	6.90	8.63	10.32
Total core deposits	94.80	93.67	91.81	89.73	89.48
Time deposits of $100,000 or more	5.20	6.33	8.19	10.27	10.52
Total deposits	100.00%	100.00%	100.00%	100.00%	100.00%

Table of Contents

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. Securities sold under agreements to repurchase and federal funds purchased totaled $1.6 billion at December 31, 2013, and $1.8 billion at December 31, 2012. These agreements averaged $1.6 billion and $1.4 billion in 2013 and 2012, respectively. The Company enters into these transactions with its downstream correspondent banks, commercial customers, and various trust, mutual fund and local government relationships.

Table 17

SHORT-TERM DEBT ***(in thousands)***

	2013		2012	
	Amount	**Rate**	**Amount**	**Rate**
At December 31:				
Federal funds purchased	$ 12,834	0.04%	$	%
Repurchase agreements	1,570,384	0.19	1,787,270	0.33
Other	107	5.89		
Total	$ 1,583,325	0.19%	$ 1,787,270	0.33%
Average for year:				
Federal funds purchased	$ 56,934	0.08%	$ 35,589	0.06%
Repurchase agreements	1,556,650	0.11	1,374,888	0.14
Other	224	5.36	5,656	1.17
Total	$ 1,613,808	0.11%	$ 1,416,133	0.14%
Maximum month-end balance:				
Federal funds purchased	$ 109,466		$ 65,343	
Repurchase agreements	2,048,513		1,787,270	
Other				

The Company had two fixed-rate advances at December 31, 2013, from the Federal Home Loan Banks each at rate of 5.89 percent. 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. As previously announced, a single Asset Servicing client is expected to migrate its deposits to another institution. As of December 31, 2013, this client s deposits totaling $1.5 billion remained on the balance sheet. Capital is managed for each subsidiary based upon its respective risks and growth opportunities as well as regulatory requirements.

Total shareholders equity was $1.5 billion at December 31, 2013, compared to $1.3 billion one year earlier. On September 16, 2013, the Company completed the issuance of 3.9 million shares of common stock with net proceeds of $201.2 million to be used for strategic growth purposes. On October 17, 2013, an additional 585 thousand shares were issued with net proceeds of $30.2 million as a result of the underwriter s exercising the overallotment of shares. The total increase in shareholder s equity as a result of the common stock issuance was $231.4 million for the year-ended December 31, 2013. 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 2013 and 2012, the Company acquired 66,462 shares and 472,956 shares of its common stock, respectively.

Table of Contents

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 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 13.61 percent and total capital ratio of 14.43 percent substantially exceed the regulatory minimums.

In July 2013 the Federal Reserve approved a final rule to implement in the United States the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the Dodd-Frank Act. The final rule increases minimum requirements for both the quantity and quality of capital held by banking organizations. The rule includes a new minimum ratio of common equity tier 1 capital to risk-weighted assets of 4.5% and a common equity tier 1 capital conservation buffer of 2.5% of risk-weighted assets. The final rule also adjusted the methodology for calculating risk-weighted assets to enhance risk sensitivity. Beginning January 1, 2015, the Company must be compliant with revised minimum regulatory capital ratios and will begin the transitional period for definitions of regulatory capital and regulatory capital adjustments and deductions established under the final rule. Compliance with the risk-weighted asset calculations will be required on January 1, 2015. The Company believes its current capital ratios are higher than those required in the final rule.

For further discussion of capital and liquidity, see the Liquidity Risk section of Item 7A, Quantitative and Qualitative Disclosures about Market Risk on page 54 of this report.

Table of Contents

Table 18

RISK-BASED CAPITAL ***(in thousands)***

This table computes risk-based capital in accordance with current regulatory guidelines. These guidelines as of December 31, 2013, 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				
	0%	20%	50%	100%	Total
Risk-Weighted Assets					
Loans held for sale	$	$	$ 1,357	$	$ 1,357
Loans and leases		43,742	332,465	6,144,305	6,520,512
Securities available for sale	1,542,118	4,778,148	37,171	457,275	6,814,712
Securities held to maturity		209,770			209,770
Federal funds and resell agreements		87,018			87,018
Trading securities	400	516	3,072	24,476	28,464
Cash and due from banks	2,156,047	458,421			2,614,468
All other assets	16,279			480,981	497,260
Category totals	3,714,844	5,577,615	374,065	7,107,037	16,773,561
Risk-weighted totals		1,115,523	187,033	7,107,037	8,409,593
Off-balance-sheet items (risk-weighted)		3,148	1,107	1,028,166	1,032,421
Total risk-weighted assets	$	$ 1,118,671	$ 188,140	$ 8,135,203	$ 9,442,014

	Tier1	Tier2	Total
Regulatory Capital			
Shareholders equity	$ 1,506,065	$	$ 1,506,065
Accumulated other comprehensive gains	32,641		32,641
Premium on purchased banks	(251,650)		(251,650)
Disallowed servicing assets and purchased credit card relationships	(1,956)		(1,956)
Allowance for loan losses (1)		76,915	76,915
Total capital	$ 1,285,100	$ 76,915	$ 1,362,015

	Company
Capital ratios	
Tier 1 capital to risk-weighted assets	13.61%
Total capital to risk-weighted assets	14.43%
Leverage ratio (Tier 1 to total average assets less goodwill and intangibles)	8.41%

(1) Amount is inclusive of a reserve for off-balance sheet arrangements.

For further discussion of regulatory capital requirements, see Note 10, Regulatory Requirements within the Notes to Consolidated Financial Statements under Item 8 on pages 82 and 83.

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

44

Table of Contents

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 19 below, as well as Note 14, Commitments, Contingencies and Guarantees in the Notes to Consolidated Financial Statements under Item 8 on pages 89 through 91 for detailed information and further discussion of these arrangements. Management does not anticipate any material losses from its off-balance sheet arrangements.

Table 19

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

The table below details the contractual obligations for the Company as of December 31, 2013. 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	$ 1,583,218	$ 1,583,218	$	$	$
Short-term debt obligations	107	107			
Long-term debt obligations	5,055	1,396	2,030	814	815
Operating lease obligations	62,250	7,986	13,696	12,153	28,415
Time open and C.D. s	1,449,642	1,154,844	214,553	76,268	3,977
Total	$ 3,100,272	$ 2,747,551	$ 230,279	$ 89,235	$ 33,207

As of December 31, 2013, the Company s total liabilities for unrecognized tax benefits were $5.0 million. The Company cannot reasonably estimate the timing of the future payments of these liabilities. Therefore, these liabilities have been excluded from the table above. See Note 16 to the consolidated financial statements for information regarding the liabilities associated with unrecognized tax benefits.

The table below (a continuation of Table 19 above) details the commitments, contingencies and guarantees for the Company as of December 31, 2013.

	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)	$ 2,690,268	$ 387,123	$ 873,684	$ 695,836	$ 733,625
Commitments to extend credit under credit card loans	2,215,278	2,215,278			
Commercial letters of credit	5,949	5,949			
Standby letters of credit	356,054	240,251	91,102	24,476	225
Futures contracts					
Forward contracts	21,525	21,525			
Spot foreign exchange contracts	8,001	8,001			
Total	$ 5,297,075	$ 2,878,127	$ 964,786	$ 720,312	$ 733,850

Table of Contents

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, accounting for uncertainty in income taxes, and fair value measurements.

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 reviewed quarterly, considering both quantitative and qualitative factors such 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 current accounting standards. 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 do not have a specific allowance 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 other 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.

An estimate of the total inherent loss is based on the above three computations. From this an adjustment 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. For more information on loan portfolio segments and ALL methodology refer to Note 3 to the Consolidated Financial Statements.

Goodwill and Other Intangibles

Goodwill is tested for impairment annually and more frequently whenever events or changes in circumstance indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value. During the quarter ended December 31, 2012, the Company changed its goodwill testing date from November 30 to October 1. The selection of October 1 as the annual testing date is preferable as the Company will have more time and greater availability of accounting resources because the new testing date is two months earlier relative to the fiscal year-end close and reporting process. As a result of the change in the annual goodwill impairment testing date, the Company completed a test as of October 1, 2012 and no more than 12 months elapsed between annual tests. The change in accounting principle related to changing the annual goodwill impairment testing date did not accelerate, delay, or cause an impairment charge. Due to the significant judgments and estimates that are utilized in the goodwill impairment test, the Company determined it was impracticable to objectively determine, without the use of hindsight, the assumptions that would have been used as of each October 1 for periods before October 1, 2012. As such, the Company prospectively applied the change in the annual goodwill impairment testing date from October 1, 2012.

To test goodwill for impairment, the Company performs a qualitative assessment of each reporting unit. If the Company determines, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not greater than the carrying amount, the two-step impairment test is not required. Otherwise, the Company compares the fair value of its reporting units to their carrying amounts to determine if an impairment is indicated. If an impairment is indicated, the implied fair value of the reporting unit s goodwill is compared to its carrying amount. An impairment loss is measured as the excess of the carrying value of a reporting unit s goodwill over its implied fair value. 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. When facts and circumstances indicate potential impairment of amortizing intangible assets, the Company evaluates the fair value of the asset and compares it to the carrying value for possible impairment. For more information see Goodwill and Other Intangibles in Note 7 in the Notes to the Consolidated Financial Statements.

Revenue Recognition

Revenue recognition includes the recording of interest on loans and securities and is recognized based on a rate multiplied by the principal amount outstanding and also includes the impact of the amortization of related premiums and discounts. 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

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 and Note 11 in the Notes to the Consolidated Financial Statements under Item 8 on pages 66 and 84.

Table of Contents

Accounting for Uncertainty in Income Taxes

The Company is subject to income taxes in the U.S. federal and various states jurisdictions. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in these jurisdictions. The Company records the financial statement effects of an income tax position when it is more likely than not that the position will be sustained on the basis of technical merits. We recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The measurement of any unrecognized tax benefit is based on management s best judgment. These liabilities may change as a result of changes in tax laws and regulations, interpretations of law by taxing authorities, and income tax examinations among other factors. Due to the complexity of these uncertainties, the ultimate resolution may differ from the current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined. See the discussion of Liabilities Associated with Unrecognized Tax Benefits under Note 16 in the Notes to the Consolidated Financial Statements.

Fair Value Measurements

Fair value is measured in accordance with U.S. GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value include the market approach, income approach and cost approach. The market approach uses prices or relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach involves discounting future amounts to a single present amount and is based on current market expectations about those future amounts. The cost approach is based on the amount that currently would be required to replace the service capacity of the asset.

U.S. GAAP establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument s fair value measurement. The three levels within the fair value hierarchy are described as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that are available at the measurement date.

Level 2 Inputs other than quoted prices included within 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; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the Company s own financial data such as internally developed pricing models and discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

The Company s fair value measurements involve various valuation techniques and models, which involve inputs that are observable, when available, and the most significant of which include available-for-sale, trading securities, and contingent consideration measured at fair value on a recurring basis.

Fair value pricing information obtained from third party data providers and pricing services for investment securities are reviewed for appropriateness on a periodic basis. The third party service providers are also

Table of Contents

analyzed to understand and evaluate the valuation methodologies utilized. This review includes an analysis of current market prices compared to pricing provided by the third party pricing service to assess the relative accuracy of the data provided.

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.

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 is responsible 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 and one fair value hedge as disclosed in Note 17 *Derivatives* to Company s Consolidated Financial Statements.

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 300 basis point upward or a 100 basis point 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 of Contents

Table 20 shows the expected net interest income increase or decrease over the next twelve months as of December 31, 2013 and 2012.

Table 20

MARKET RISK ***(in thousands)***

	Net Interest Income	
Rate Change in Basis Points	December 31, 2013 Amount of Change	December 31, 2012 Amount of Change
300	$ 11,794	$ 20,471
200	8,030	13,576
100	4,025	6,501
Static		
(100)	N/A	N/A

The Company is positioned close to neutral with respect to interest rate changes and slightly positive in rising rate environments at December 31, 2013. Large increases in interest rates are projected to cause increases in net interest income with smaller changes having little impact. Due to the already low interest rate environment interest rates on liabilities are so low that there is little room for further rate reductions. The Company did not include a 100 basis point falling scenario. For projected increases in rates, net interest income is projected to increase due to the Company being positioned to adjust yields on assets with changes in market rates more than the cost of paying liabilities is projected to increase.

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.

Table 21 is a static gap analysis, which presents the Company s assets and liabilities, based on their repricing or maturity characteristics and reflecting principal amortization. Table 22 presents the break-out of fixed and variable rate loans by repricing or maturity characteristics for each loan class.

Table of Contents

Table 21

INTEREST RATE SENSITIVITY ANALYSIS ***(in millions)***

December 31, 2013	1-90 Days	91-180 Days	181-365 Days	Total	1-5 Years	Over 5 Years	Total
Earning assets							
Loans	$ 3,554.5	$ 283.5	$ 475.3	$ 4,313.3	$ 1,978.7	$ 229.9	$ 6,521.9
Securities	655.7	249.9	460.5	1,366.1	3,803.0	1,853.6	7,022.7
Federal funds sold and resell agreements	87.0			87.0			87.0
Other	2,100.9	1.2	2.2	2,104.3	17.5	0.1	2,121.9
Total earning assets	$ 6,398.1	$ 534.6	$ 938.0	$ 7,870.7	$ 5,799.2	$ 2,083.6	$ 15,753.5
% of total earning assets	40.6%	3.4%	6.0%	50.0%	36.8%	13.2%	100.0%
Funding sources							
Interest-bearing demand and savings	$ 1,365.4	$ 1,024.0	$ 2,048.0	$ 4,437.4	$ 209.3	$ 2,354.4	$ 7,001.1
Time deposits	706.6	214.3	233.9	1,154.8	290.8	4.0	1,449.6
Federal funds purchased and repurchase agreements	1,583.2			1,583.2			1,583.2
Borrowed funds	5.2			5.2			5.2
Noninterest-bearing sources	3,322.8	75.0	137.3	3,535.1	782.8	1,396.5	5,714.4
Total funding sources	$ 6,983.2	$ 1,313.3	$ 2,419.2	$ 10,715.7	$ 1,282.9	$ 3,754.9	$ 15,753.5
% of total earning assets	44.3%	8.3%	15.5%	68.1%	8.1%	23.8%	100.0%
Interest sensitivity gap	$ (585.1)	$ (778.7)	$ (1,481.2)	$ (2,845.0)	$ 4,516.3	$ (1,671.3)	
Cumulative gap	(585.1)	(1,363.8)	(2,845.0)	(2,845.0)	1,671.3		
As a % of total earning assets	(3.7)%	(8.6)	(18.1)	(18.1)	10.6		
Ratio of earning assets to funding sources	0.92	0.41	0.39	0.73	4.52	0.55	
Cumulative ratio of Earning Assets 2013	0.92	0.84	0.73	0.73	1.14	1.00	
to Funding Sources 2012	0.77	0.76	0.73	0.73	1.15	1.00	

Table of Contents

Table 22

Maturities and Sensitivities to Changes in Interest Rates

This table details loan maturities by variable and fixed rates as of December 31, 2013 (in thousands):

	Due in one year or less	Due after one year through five years	Due after five years	Total
Variable Rate				
Commercial	$ 2,165,580	$ 17,434	$	$ 2,183,014
Commercial Credit Card	103,270			103,270
Real Estate Construction	86,075	8,454		94,529
Real Estate Commercial	299,015	122,867	1,464	423,346
Real Estate Residential	26,046	48,631	12,479	87,156
Real Estate HELOC	10,069			10,069
Consumer Credit Card	318,117	219		318,336
Consumer Other	28,526	1,062		29,588
Leases	23,981			23,981
Total variable rate loans	3,060,679	198,667	13,943	3,273,289
Fixed Rate				
Commercial	392,537	684,963	40,989	1,118,489
Commercial Credit Card				
Real Estate Construction	25,299	26,384	6,663	58,346
Real Estate Commercial	389,349	787,175	102,281	1,278,805
Real Estate Residential	45,886	92,243	65,428	203,557
Real Estate HELOC	383,915	172,090	54	556,059
Consumer Credit Card				
Consumer Other	15,621	17,201	502	33,324
Leases				
Total fixed rate loans	1,252,607	1,780,056	215,917	3,248,580
Total loans and loans held for sale	$ 4,313,286	$ 1,978,723	$ 229,860	$ 6,521,869

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 $28.5 million as of December 31, 2013, compared to $55.8 million as of December 31, 2012.

Credit Risk

Credit risk represents the risk that a customer or counterparty may not perform in accordance with contractual terms. The Company utilizes a centralized credit administration function, which provides information on the Bank s 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 Bank. This review team performs periodic examinations of the bank s loans for credit quality, documentation and loan administration. The respective regulatory authority of the Bank also reviews loan portfolios.

Table of Contents

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 and construction real estate loans comprise only 28.4 percent of total loans at December 31, 2013, 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 is discussed on pages 29 and 30. Also, please see Table 5 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 non-performing loans. Non-performing loans include both nonaccrual loans and restructured loans. The Company s non-performing loans increased $2.6 million from December 31, 2012, and increased $2.5 million compared to December 31, 2011. 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 $1.3 million in other real estate owned as of December 31, 2013. There was $3.5 million of other real estate owned at December 31, 2012. Loans past due more than 90 days totaled $3.2 million at December 31, 2013, compared to $3.6 million at December 31, 2012.

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 $12.1 million of restructured loans at December 31, 2013, and $12.5 million at December 31, 2012.

Table 23 summarizes the various aspects of credit quality discussed above.

Table 23

LOAN QUALITY (in thousands)

			December 31		
	2013	**2012**	**2011**	**2010**	**2009**
Nonaccrual loans	$ 19,305	$ 16,376	$ 22,650	$ 24,925	$ 21,263
Restructured loans on nonaccrual	11,401	11,727	2,931	217	2,000
Total non-performing loans	30,706	28,103	25,581	25,142	23,263
Other real estate owned	1,288	3,524	5,959	4,387	5,203
Total non-performing assets	$ 31,994	$ 31,627	$ 31,540	$ 29,529	$ 28,466
Loans past due 90 days or more	$ 3,218	$ 3,554	$ 5,998	$ 5,480	$ 8,319
Restructured loans accruing	665	752	3,089		
Allowance for loans losses	74,751	71,426	72,017	73,952	64,139
Ratios					
Non-performing loans as a % of loans	0.47%	0.49%	0.52%	0.55%	0.54%
Non-performing assets as a % of loans plus other real estate owned	0.49	0.56	0.64	0.64	0.66
Non-performing assets as a % of total assets	0.19	0.21	0.23	0.24	0.24
Loans past due 90 days or more as a % of loans	0.05	0.06	0.12	0.12	0.18
Allowance for Loan Losses as a % of loans	1.15	1.26	1.45	1.61	1.48
Allowance for Loan Losses as a multiple of non-performing loans	2.43x	2.54x	2.82x	2.94x	2.76x

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 $6.8 billion of high-quality securities available for sale. The liquidity of the Company and the Bank is also enhanced by its activity in the federal funds market and by its core deposits. On September 16, 2013, the Company completed the issuance of 3.9 million shares of common stock with net proceeds of $201.2 million to be used for strategic growth purposes. On October 17, 2013, an additional 585 thousand shares were issued with net proceeds of $30.2 million as a result of the underwriter s exercising the overallotment of shares. The total increase in shareholder s equity as a result of the common stock issuance was $231.4 million for the year-ended December 31, 2013. Management believes it can raise debt or equity capital on favorable terms in the future, should the need arise.

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, 2013, $5.9 billion, or 87.7 percent, of the securities available-for-sale were pledged or used as collateral, compared to $5.9 billion, or 85.6 percent, at December 31, 2012. However of these amounts, securities with a market value of $1.7 billion at December 31, 2013 and $1.8 billion at December 31, 2012 were pledged at the Federal Reserve Discount Window but were unencumbered as of those dates.

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, 2013, was $5.3 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 bank and non-bank subsidiaries traditionally have been sufficient to satisfy these requirements and are expected to be sufficient in the future. The Bank is subject to various rules regarding payment of dividends to the Company. For the most part, the bank can pay dividends at least equal to its current year s earnings without seeking prior regulatory approval.

To enhance general working capital needs, the Company has a revolving line of credit with Wells Fargo, N.A. which allows the Company to borrow up to $25.0 million for general working capital purposes. The interest rate applied to borrowed balances will be at the Company s option either 1.00 percent above LIBOR or 1.75 percent below Prime on the date of an advance. The Company will also pay a 0.2 percent unused commitment fee for unused portions of the line of credit. The Company had no advances outstanding at December 31, 2013.

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.

Table of Contents

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

UMB Financial Corporation and Subsidiaries

Kansas City, Missouri

We have audited the accompanying consolidated balance sheets of UMB Financial Corporation and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated 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 financial statements present fairly, in all material respects, the financial position of UMB Financial Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, 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, 2013, based on the criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2014 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Kansas City, Missouri

February 25, 2014

Table of Contents

CONSOLIDATED BALANCE SHEETS

UMB FINANCIAL CORPORATION AND SUBSIDIARIES

(in thousands, except share data)

	December 31	
	2013	**2012**
ASSETS		
Loans	$ 6,520,512	$ 5,686,749
Allowance for loan losses	(74,751)	(71,426)
Net loans	6,445,761	5,615,323
Loans held for sale	1,357	3,877
Investment securities:		
Available for sale	6,762,411	6,937,463
Held to maturity (market value of $231,510 and $129,495, respectively)	209,770	114,756
Trading	28,464	55,764
Federal Reserve Bank stock and other	50,482	26,333
Total investment securities	7,051,127	7,134,316
Federal funds sold and securities purchased under agreements to resell	87,018	89,868
Interest-bearing due from banks	2,093,467	720,500
Cash and due from banks	521,001	667,774
Bank premises and equipment, net	249,689	244,600
Accrued income	78,216	69,749
Goodwill	209,758	209,758
Other intangibles	55,585	68,803
Other assets	118,873	102,628
Total assets	$ 16,911,852	$ 14,927,196
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 5,189,998	$ 4,920,581
Interest-bearing demand and savings	7,001,126	5,450,450
Time deposits under $100,000	491,792	540,269
Time deposits of $100,000 or more	957,850	742,065