UMB FINANCIAL CORP
Form 10-Q
May 09, 2007
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended March 31, 2007

OR

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

For the transition period from ______ to ______

Commission file number 0-4887

UMB FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Missouri	**43-0903811**
(State or other jurisdiction	**(I.R.S. Employer**
of incorporation or organization)	**Identification Number)**
1010 Grand Boulevard, Kansas City, Missouri	**64106**

(Address of principal executive offices) **(ZIP Code)**

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

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

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

Large accelerated filer x Accelerated filer ¨ Non- accelerated filer ¨

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

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

As of April 30, 2007, UMB Financial Corporation had 42,072,860 shares of common stock outstanding.

Table of Contents

UMB FINANCIAL CORPORATION

FORM 10-Q

INDEX

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UMB FINANCIAL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	March 31, 2007	December 31, 2006
ASSETS		
Loans	$ 3,893,603	$ 3,753,445
Allowance for loan losses	(44,763)	(44,926)
Net loans	3,848,840	3,708,519
Loans held for sale	16,204	14,120
Investment Securities:		
Available for sale	2,656,391	3,238,648
Held to maturity (market value of $41,767 and $44,819, respectively)	41,748	44,781
Federal Reserve Bank stock and other	15,392	15,490
Trading securities	87,971	64,534
Total investment securities	2,801,502	3,363,453
Federal funds sold and securities purchased under agreements to resell	430,369	848,922
Cash and due from banks	450,891	531,188
Bank premises and equipment, net	237,270	243,216
Accrued income	57,301	57,313
Goodwill on purchased affiliates	94,670	93,723
Other intangibles	18,669	19,309
Other assets	44,317	38,002
Total assets	$ 8,000,033	$ 8,917,765
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 1,812,675	$ 2,293,096
Interest-bearing demand and savings	2,610,851	2,644,125
Time deposits under $100,000	763,588	799,003
Time deposits of $100,000 or more	445,850	572,740
Total deposits	5,632,964	6,308,964
Federal funds purchased and repurchase agreements	1,396,491	1,620,945
Short-term debt	2,136	17,881
Long-term debt	37,204	38,020
Accrued expenses and taxes	52,158	52,381
Other liabilities	19,828	30,699
Total liabilities	7,140,781	8,068,890

SHAREHOLDERS EQUITY		
Common stock, $1.00 par value; authorized 80,000,000 shares, 55,056,730 issued, 42,078,002 and 42,266,041 shares outstanding, respectively	55,057	55,057
Capital surplus	700,161	699,794
Unearned compensation		
Retained earnings	391,880	380,464
Accumulated other comprehensive loss	(9,839)	(17,259)
Treasury stock, 12,978,728 and 12,790,689 shares, at cost, respectively	(278,007)	(269,181)
Total shareholders equity	859,252	848,875
Total liabilities and shareholders equity	$ 8,000,033	$ 8,917,765

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

UMB FINANCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended March 31, 2007	2006
INTEREST INCOME		
Loans	$ 66,102	$ 53,234
Securities:		
Taxable interest	24,742	21,753
Tax-exempt interest	6,027	5,683
Total securities income	30,769	27,436
Federal funds and resell agreements	7,206	5,088
Trading securities and other	596	715
Total interest income	104,673	86,473
INTEREST EXPENSE		
Deposits	28,818	20,762
Federal funds and repurchase agreements	18,355	12,835
Short-term debt	103	152
Long-term debt	433	478
Total interest expense	47,709	34,227
Net interest income	56,964	52,246
Provision for loan losses	1,500	3,159
Net interest income after provision for loan losses	55,464	49,087
NONINTEREST INCOME		
Trust and securities processing	27,288	22,670
Trading and investment banking	4,838	4,113
Service charges on deposits	18,889	17,607
Insurance fees and commissions	676	991
Brokerage fees	2,077	1,518
Bankcard fees	10,146	8,946
Gain on sale of other assets, net		22
Gain on sales of securities available for sale	10	9
Other	3,515	3,944
Total noninterest income	67,439	59,820
NONINTEREST EXPENSE		
Salaries and employee benefits	51,191	47,238
Occupancy, net	7,114	6,554
Equipment	13,357	11,115
Supplies and services	5,720	5,775
Marketing and business development	3,537	3,622

Processing fees	6,646	6,311
Legal and consulting	1,525	1,649
Bankcard	3,342	3,291
Amortization of other intangibles	734	218
Other	4,994	5,260
Total noninterest expense	98,160	91,033
Income before income taxes	24,743	17,874
Income tax provision	7,419	4,633
NET INCOME	$ 17,324	$ 13,241
PER SHARE DATA		
Net income - basic	$ 0.41	$ 0.31
Net income - diluted	0.41	0.31
Dividends	0.14	0.13
Weighted average shares outstanding	42,032,581	42,819,521

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

UMB FINANCIAL CORPORATION

STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS EQUITY

(unaudited, dollars in thousands)

	Common Stock	Capital Surplus	Unearned Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance - January 1, 2006	$ 27,528	$ 728,108	$ (1,904)	$ 342,675	$ (21,550)	$ (241,394)	$ 833,463
Adoption of SFAS 123(R)		(1,904)	1,904				
Comprehensive income							
Net income				13,241			13,241
Change in unrealized losses on securities					(6,935)		(6,935)
Total comprehensive income							6,306
Cash dividends ($0.13 per share)				(5,348)			(5,348)
Purchase of treasury stock						(6,812)	(6,812)
Issuance of stock awards		89				61	150
Recognition of equity based compensation		(126)					(126)
Sale of treasury stock		62				46	108
Exercise of stock options		15				67	82
Balance - March 31, 2006	$ 27,528	$ 726,244	$	$ 350,568	$ (28,485)	$ (248,032)	$ 827,823
Balance - January 1, 2007	$ 55,057	$ 699,794	$	$ 380,464	$ (17,259)	$ (269,181)	$ 848,875
Comprehensive income							
Net income				17,324			17,324
Change in unrealized gains on securities					7,420		7,420
Total comprehensive income							24,744
Cash dividends ($0.14 per share)				(5,908)			(5,908)
Purchase of treasury stock						(9,702)	(9,702)
Issuance of stock awards		(455)				592	137
Recognition of equity based compensation		645					645
Sale of treasury stock		71				44	115
Exercise of stock options		106				240	346
Balance - March 31, 2007	$ 55,057	$ 700,161	$	$ 391,880	$ (9,839)	$ (278,007)	$ 859,252

See Notes to Condensed Consolidated

Financial Statements

Table of Contents

UMB FINANCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, dollars in thousands)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Operating Activities		
Net Income	$ 17,324	$ 13,241
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	1,500	3,159
Depreciation and amortization	9,412	7,851
Deferred income tax expense	(123)	60
Net increase in trading securities and other earning assets	(23,437)	(4,248)
Gains on sales of securities available for sale	(10)	(9)
Gains on sales of assets		(22)
Amortization of securities premiums, net of discount accretion	(2,245)	(1,510)
Net (increase) decrease in loans held for sale	(2,084)	1,500
Issuance of stock awards	137	150
Recognition of stock based compensation	645	(126)
Changes in:		
Accrued income	12	1,952
Accrued expenses and taxes	(4,147)	(5,609)
Other assets and liabilities, net	(12,287)	5,503
Net cash provided by (used in) operating activities	(15,303)	21,892
Investing Activities		
Proceeds from maturities of securities held to maturity	3,247	8,864
Proceeds from sales of securities available for sale	19	18
Proceeds from maturities of securities available for sale	962,818	7,487,181
Purchases of securities held to maturity	(231)	(4,252)
Purchases of securities available for sale	(366,475)	(6,698,222)
Net increase in loans	(142,375)	(47,467)
Net increase (decrease) in fed funds and resell agreements	418,553	(333,301)
Net change in unsettled securities transactions	(5,339)	239
Purchases of bank premises and equipment	(2,866)	(5,802)
Cash received for branch deposits, net of cash paid	(689)	19,998
Proceeds from sales of bank premises and equipment	121	18
Net cash provided by investing activities	866,783	427,274
Financing Activities		
Net decrease in demand and savings deposits	(513,695)	(230,594)
Net decrease in time deposits	(162,305)	(86,030)
Net decrease in fed funds/ repurchase agreements	(224,454)	(271,989)
Net decrease in short-term debt	(15,745)	(29,420)
Repayment of long-term debt	(816)	(592)
Cash dividends	(5,521)	(5,374)
Proceeds from exercise of stock options and sales of treasury shares	461	190
Purchases of treasury stock	(9,702)	(6,812)

Net cash used in financing activities	(931,777)	(630,621)
Decrease in cash and due from banks	(80,297)	(181,455)
Cash and due from banks at beginning of period	531,188	599,580
Cash and due from banks at end of period	$ 450,891	$ 418,125
Supplemental Disclosures:		
Income taxes paid	$ 925	$ 2,975
Total interest paid	48,120	35,318

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

UMB FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)

1. Financial Statement Presentation

The condensed consolidated financial statements include the accounts of UMB Financial Corporation and its subsidiaries (collectively, the Company) after elimination of all material intercompany transactions. In the opinion of management of the Company, all adjustments, which were of a normal recurring nature and necessary for a fair presentation of the financial position and results of operations, have been made. The results of operations and cash flows for the interim periods presented may not be indicative of the results of the full year. The financial statements should be read in conjunction with the Management s Discussion and Analysis of Financial Condition and Results of Operations and in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

2. Summary of Accounting Policies

The Company is a multi-bank financial holding company, which offers a wide range of banking and other financial services to its customers through its branches and offices in the states of Missouri, Kansas, Colorado, Illinois, Oklahoma, Arizona, Nebraska and Wisconsin. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also impact reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A summary of the significant accounting policies to assist the reader in understanding the financial presentation are listed in the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Per Share Data

Basic income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted income per share includes the diluted effect of 259,194 and 212,786 shares issueable upon the exercise of stock options granted by the Company at March 31, 2007 and 2006, respectively.

Options issued under employee benefit plans to purchase 510,050 and 151,438 shares of common stock were outstanding at March 31, 2007 and 2006, respectively, but were not included in the computation of diluted EPS because the options were anti-dilutive.

3. New Accounting Pronouncements

Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 . FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or to be taken on a tax return. This interpretation also provides additional guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted the provisions of FIN 48 effective January 1, 2007, as discussed further in Note 10 to the consolidated financial statements.

Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140 In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140 . The Statement permits fair value measurement for certain hybrid financial instruments containing embedded derivatives, and clarifies the derivative accounting requirements for interest and principal-only strip securities and interests in securitized financial assets. It also clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and eliminates a previous prohibition on qualifying special-purpose entities from holding certain derivative financial instruments. For calendar year companies, the Statement is effective for all financial instruments acquired or issued after January 1, 2007. The adoption of this Statement on January 1, 2007 did not have a material effect on the Company s consolidated financial statements.

7

Table of Contents

UMB FINANCIAL CORPORATION

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

FOR THE THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)

Fair Value Measurement In September 2006, the FASB issued SFAS No. 157, Fair Value Measurement . The Statement establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. This Statement is applicable under other accounting pronouncements that require fair value recognition. It does not create new fair value measurements, however, it provides increased consistency in the application of various fair value measurements. This Statement is effective for all financial instruments acquired or issued after January 1, 2008. The Company does not expect adoption of this Statement will have a material effect on its consolidated financial statements.

The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 In February 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 . This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. For calendar year companies, the Statement is effective for all financial instruments acquired or issued after January 1, 2008. The Company is currently evaluating the potential future impact of this Statement on its consolidated financial statements.

4. Loans and Allowance for Loan Losses

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

	March 31, 2007	December 31, 2006
Commercial, financial, and agricultural	$ 1,706,234	$ 1,564,793
Real estate construction	84,676	84,141
Consumer	933,307	982,325
Real Estate	1,162,995	1,116,405
Leases	6,391	5,781
Total loans	3,893,603	3,753,445
Loans held for sale	16,204	14,120
Total loans and loans held for sale	$ 3,909,807	$ 3,767,565

This table provides an analysis of the allowance for loan losses for the three months ended March 31, 2007 and 2006 *(in thousands)*:

	Three Months Ended March 31, 2007	2006
Beginning allowance - January 1	$ 44,926	$ 40,825
Additions (deductions):		
Charge-offs	(2,640)	(4,024)
Recoveries	977	719
Net charge-offs	(1,663)	(3,305)

Provision charged to expense	1,500	3,159
Ending allowance - March 31	$ 44,763	$ 40,679

Table of Contents

UMB FINANCIAL CORPORATION

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

FOR THE THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)

Impaired loans under SFAS No. 114. SFAS No. 114, Accounting by Creditors for Impairment of a Loan requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loan s effective interest rate, at the loan s observable market price, or at the fair value of the collateral securing the loan. The summary below provides an analysis of impaired loans under SFAS No. 114 for the three months ended March 31, 2007 and December 31, 2006 *(in thousands)*:

	March 31, 2007	December 31, 2006
Total impaired loans as of March 31 and December 31	$ 6,495	$ 5,485
Amount of impaired loans which have a related allowance	1,128	1,117
Amount of related allowance	342	318
Remaining impaired loans with no allowance	5,367	4,368
Average recorded investment in impaired loans during the period	5,990	6,522

5. Securities

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

	March 31, 2007	December 31, 2006
Available for sale		
U.S. Treasuries	$ 494,935	$ 493,362
U.S. Agencies	548,240	1,151,069
State and political subdivisions	666,795	671,093
Mortgage backed	946,421	923,124
Total available for sale	2,656,391	3,238,648

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

	March 31, 2007	December 31, 2006
State and political subdivisions	$ 41,748	$ 44,781

6. Goodwill and Other Intangibles

Changes in the carrying amount of goodwill for the periods ended March 31, 2007 and December 31, 2006 by operating segment are as follows *(in thousands):*

	Consumer Services	Asset Management	Commercial Banking and	Investment Services	Total

			Lending	Group	
Balances as of January 1, 2006	$ 34,743	$ 10,479	$	$ 14,505	$ 59,727
Acquisition of Mountain States Bank	16,426		16,566		32,992
Additional earn-out payment for 2001 acquisition of Sunstone Financial Group, Inc.				1,004	1,004
Balances as of December 31, 2006	$ 51,169	$ 10,479	$ 16,566	$ 15,509	$ 93,723
Balances as of January 1, 2007	$ 51,169	$ 10,479	$ 16,566	$ 15,509	$ 93,723
Acquisition of Mountain States Bank	471		476		947
Balances as of March 31, 2007	$ 51,640	$ 10,479	$ 17,042	$ 15,509	$ 94,670

9

UMB FINANCIAL CORPORATION

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

FOR THE THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)

Following are the intangible assets that continue to be subject to amortization as of March 31, 2007 and December 31, 2006 *(in thousands)*:

	As of March 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles assets	$ 33,586	$ 18,192	$ 15,394
Other intangible assets	7,222	4,039	3,183
Other intangible assets acquired during period	94	2	92
Total other intangible assets	7,316	4,041	3,275
Total intangible assets	$ 40,902	$ 22,233	$ 18,669

	As of December 31, 2006		
Core deposit intangibles assets	$ 33,586	$ 17,643	$ 15,943
Other intangible assets	7,222	3,856	3,366
Total	$ 40,808	$ 21,499	$ 19,309

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

	Three Months Ended March 31,	
	2007	2006
Aggregate amortization expense	$ 734	$ 218

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

For the year ended December 31, 2007	$ 2,907
For the year ended December 31, 2008	2,802
For the year ended December 31, 2009	2,692
For the year ended December 31, 2010	2,519
For the year ended December 31, 2011	1,940

UMB FINANCIAL CORPORATION

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

FOR THE THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)

7. Other Comprehensive Loss

The Company s only component of other comprehensive loss for the three months ended March 31, 2007 and 2006 was the net unrealized gains and losses on available for sale securities *(in thousands)*:

	Three Months Ended March 31, 2007	2006
Change in unrealized holding gains (losses), net	$ 11,744	$ (10,960)
Less: Reclassification adjustments for gains included in income	(10)	(9)
Net unrealized holding gains (losses)	11,734	(10,969)
Income tax benefit (expense)	(4,314)	4,034
Other comprehensive income (loss)	$ 7,420	$ (6,935)

8. Commitments, Contingencies and Guarantees

In the normal course of business, the Company is a party to financial instruments with off-balance-sheet risk in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, commercial letters of credit, standby letters of credit, and futures contracts. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet. The contract or notional amount of those instruments reflects the extent of involvement the Company has in particular classes of financial instruments.

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

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

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

Standby letters of credit are conditional commitments issued by the Company payable upon the non-performance of a customer s obligations to a third party. The Company issues standby letters of credit for terms ranging from three months to three years. The maximum liability to the Company under standby letters of credit at March 31, 2007 and December 31, 2006 was $293.0 million and $291.9 million, respectively. As of March 31, 2007 and December 31, 2006, standby letters of credit totaling $59.7 million and $43.1 million, respectively, were with related parties to the Company.

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

Table of Contents

UMB FINANCIAL CORPORATION

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

FOR THE THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)

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

The Company s use of futures contracts is very limited. The Company uses contracts to offset interest rate risk on specific securities held in the trading portfolio. Open futures contract positions averaged $30.0 million and $54.1 million during the periods ended March 31, 2007 and 2006, respectively. Net futures activity resulted in losses of $0.2 million for the three months ended March 31, 2007 and gains of $0.5 million for the same period in 2006. The Company controls the credit risk of its futures contracts through credit approvals, limits and monitoring procedures.

The Company also enters into foreign exchange contracts on a limited basis. For operating purposes, the Company maintains certain balances with foreign banks. Foreign exchange contracts are purchased on a monthly basis to avoid foreign exchange risk on these foreign balances. The Company will also enter into foreign exchange contracts to facilitate foreign exchange needs of customers. The Company will enter into a contract to buy or sell a foreign currency at a future date only as part of a contract to sell or buy the foreign currency at the same future date to a customer. During the three months ended March 31, 2007, contracts to purchase and to sell foreign currency averaged approximately $15.4 million compared to $18.7 million for the three months ended March 31, 2006. The net gains on these foreign exchange contracts for the three months ended March 31, 2007 and 2006 were $0.4 million and $0.4 million, respectively.

With respect to group concentrations of credit risk, most of the Company s business activity is with customers in the states of Missouri, Kansas, Colorado, Oklahoma, Nebraska and Illinois. At March 31, 2007, the Company did not have any significant credit concentrations in any particular industry.

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

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

Contract or Notional Amount *(in thousands):*

	March 31, 2007	December 31, 2006
Commitments to extend credit for loans (excluding credit card loans)	$ 1,432,888	$ 1,438,855
Commitments to extend credit under credit card loans	939,573	906,179
Commercial letters of credit	7,595	7,082
Standby letters of credit	292,972	291,904
Futures contracts	27,000	33,000
Forward foreign exchange contracts	12,893	6,803
Spot foreign exchange contracts	1,781	2,828

9. Business Segment Reporting

The Company has strategically aligned its operations into six major segments, as shown below (collectively, Business Segments). The Business Segments are differentiated based on the products and services provided. Business segment financial results produced by the Company s internal management accounting system are evaluated regularly by the Executive Committee in deciding how to allocate resources and assess performance per individual Business Segment. The management accounting system assigns balance sheet and income statement items to each business segment using methodologies that are refined on an ongoing basis. For comparability purposes, amounts in all periods are based on methodologies in effect at March 31, 2007 consistent with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*.

Table of Contents

UMB FINANCIAL CORPORATION

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

FOR THE THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)

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

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

Payment and Technology Solutions meets the treasury management, healthcare services and security transfer needs of our commercial clients. Treasury management products and services include account reconciliation services, automated clearing house, controlled disbursements, lockbox services, foreign exchange, and various card products and services. Healthcare services include health saving account and flexible savings account products for healthcare providers, third-party administrators and large employers. Securities transfer services include dividend disbursing/reinvestment, employee stock purchase plans, proxy services, as well as acting as transfer agent.

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

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

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

Investment Services Group provides a full range of services for mutual funds, partnerships, funds of funds and commingled funds to a wide range of investment advisors, independent money managers, broker/dealers, banks, third-party administrators, insurance companies and other financial service providers. Services provided include fund administration and accounting, investor services and transfer agency, cash management, marketing and distribution, custody and alternative investment services.

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

Table of Contents

UMB FINANCIAL CORPORATION

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

FOR THE THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)

Business Segment Information

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

	Three Months Ended March 31,			
	Commercial Banking and Lending		Payment and Technology Solutions	
	2007	2006	2007	2006
Net interest income	$ 13,452	$ 12,808	$ 14,042	$ 12,958
Provision for loan losses	975	2,365		
Noninterest income	398	523	13,910	12,126
Noninterest expense	7,311	6,479	18,886	17,560
Income before income taxes	$ 5,564	$ 4,487	$ 9,066	$ 7,524
Average assets	$ 2,756,000	$ 2,354,000	$ 56,000	$ 52,000
Depreciation and amortization	529	395	2,190	1,944
Expenditures for additions to premises and equipment	18	240	20	1,084

	Banking Services		Consumer Services	
	2007	2006	2007	2006
Net interest income	$ 851	$ 1,111	$ 24,682	$ 22,665
Provision for loan losses			525	794
Noninterest income	5,625	5,475	15,485	14,804
Noninterest expense	7,166	6,658	38,593	36,665
Income (loss) before income taxes	$ (690)	$ (72)	$ 1,049	$ 10
Average assets	$ 129,000	$ 86,000	$ 1,361,000	$ 1,306,000
Depreciation and amortization	380	293	4,300	3,245
Expenditures for additions to premises and equipment	28	214	1,698	2,962

	Asset Management		Investment Services Group	
	2007	2006	2007	2006
Net interest income	$ 1,708	$ 45	$ 2,229	$ 2,652
Provision for loan losses				
Noninterest income	22,235	18,104	10,875	10,242
Noninterest expense	17,490	14,926	9,791	10,118
Income (loss) before income taxes	$ 6,453	$ 3,223	$ 3,313	$ 2,776
Average assets	$ 21,000	$ 10,000	$ 26,000	$ 24,000
Depreciation and amortization	886	758	765	806
Expenditures for additions to premises and equipment	213	540	14	629

	Treasury and Other Adjustments		Total Consolidated Company	
	2007	2006	2007	2006
Net interest income	$	$ 7	$ 56,964	$ 52,246
Provision for loan losses			1,500	3,159
Noninterest income	(1,089)	(1,454)	67,439	59,820
Noninterest expense	(1,077)	(1,373)	98,160	91,033
Income (loss) before income taxes	$ (12)	$ (74)	$ 24,743	$ 17,874
Average assets	$ 3,802,000	$ 3,891,000	$ 8,151,000	$ 7,723,000
Depreciation and amortization	362	410	9,412	7,851
Expenditures for additions to premises and equipment	876	133	5,460	5,802

UMB FINANCIAL CORPORATION

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

FOR THE THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)

10. Liabilities associated with unrecognized tax benefits

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

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

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

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

11. FDIC One-Time Assessment Credit

Effective November 17, 2006, the FDIC implemented a one time credit of $4.7 billion to eligible institutions. The purpose of the credit was to recognize contributions made by certain institutions to capitalize the Bank Insurance Fund and Savings Association Insurance Fund, which have now been merged into the Deposit Insurance Fund. The affiliate banks of the Company are eligible institutions and has received notice from the FDIC that their share of the credit is approximately $7.4 million. This amount is not reflected in the accompanying financial statements as it represents contingent future credits against future insurance assessment payments. As such, the timing and ultimate recoverability of the one-time credit may change.

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

This review highlights the material changes in the results of operations and changes in financial condition for the three-month period ended March 31, 2007. It should be read in conjunction with the accompanying condensed consolidated financial statements, notes to condensed consolidated financial statements and other financial statistics appearing elsewhere in this report. Results of operations for the periods included in this review are not necessarily indicative of results to be attained during any future period.

Table of Contents

SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

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

Statements that are not historical in nature;

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

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

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

Changes in the interest rate environment;

changes in the securities markets impacting mutual fund performance and follows;

changes in operations;

competitive pressures among financial services companies may increase significantly;

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

legislative or regulatory changes may adversely affect the Company s business;

changes in the ability of customers to repay loans;

changes in loan demand may adversely affect liquidity needs;

changes in employee costs;

changes in accounting rules.

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

Overview

The Company continues to focus on the following five strategies which management believes will improve net income and strengthen the balance sheet.

The first strategy is a focus on net interest income. This is a multi-pronged strategy emphasizing the investment portfolio, loan portfolio and deposit base. During the first quarter of 2007, progress on this strategy was illustrated by an increase in net interest income of 9.0 percent from the previous year. This was accomplished through both earning asset growth, as well as an overall increase in net interest margin. Average earning assets increased by $407.7 million, or 5.9 percent, from the first quarter of 2006. Most of this earning asset growth was through average loan growth of $464.1 million, or 13.6 percent. The mix of earning assets improved as a larger percentage of earning assets consisted of higher yielding loans. Average loans comprised 52.9 percent of average earning assets during the first three months of 2007 compared to 49.3 percent in the same quarter of 2006. Net interest margin, on a tax-equivalent basis, increased 9 basis points compared to the first quarter of 2006. Although net interest spread decreased 4 basis points from the first three months of 2006, the contribution from interest free funds from noninterest bearing deposits increased 13 basis points.

The second strategy is to grow the Company s fee-based businesses. The Company believes this strategy will help compensate for the average loan-to-deposit ratio of the Company s subsidiary banks, which has been, and is expected to continue to be, lower than industry average. The Company continues to emphasize its fee-based operations to help reduce the Company s exposure to changes in interest rates. During the first quarter of 2007, noninterest income represented 54.2 percent of total income as compared to 53.4 percent in the same period of 2006. In particular, the Company is emphasizing its asset management, credit card, health care services, and payments businesses. The focus in asset management is discussed in the fourth strategy below. During 2007, bankcard fees increased by 13.4 percent due to increases in card volume, primarily from the commercial card segment. Within its treasury management business, the Company continues to focus on helping customers transition from paper payment to electronic payment options by providing new products and services, such as paycard and remote deposit capture. Management believes these new products and services in the treasury management business will enhance information reporting and transaction initiation via the Internet, which improves control of service through online self-administration. The Company also continues to focus on its health savings and flexible spending account strategy, which has resulted in rapid account and deposit growth.

The third strategy is a focus on the retail distribution network. At March 31, 2007, the Company had 138 branches. Another focused deposit-gathering campaign was initiated in the first quarter of 2007 bringing in approximately $200.0 million of new deposits from approximately 3,000 new accounts.

The fourth strategy is to strenghen the asset management business of the Company. In particular, the focus is on growing the UMB Scout Funds (which are managed by a subsidiary of the Company) and migrate to an investment advisory model. The investment advisory model is developed by an internal committee intended to enhance and streamline the investment decision making for traditional trust and investment management customers. Total assets under management for the UMB Scout Funds were $5.1 billion at March 31, 2007 as compared to $4.3 billion at March 31, 2006, an increase of 19.0 percent. Total assets under management were over $10.1 billion at March 31, 2007. As some of the revenue from the Company s asset management business is the direct result of the market value of its customers investments, the overall health of the equity and financial markets plays an important role in the recognition of fee income.

The fifth strategy is a focus on capital management. This strategy is being implemented by two approaches. These include investing in organic growth and acquisitions that make sense strategically, financially, operationally, and culturally, as well as returning capital to shareholders. The Company repurchased 259,997 shares of common stock at an average price of $37.32 per share during the first quarter of 2007. The Company places a significant emphasis on the maintenance of a strong capital position, which management believes promotes investor confidence, provides access to funding sources under favorable terms, and enhances the Company s ability to capitalize on business growth and acquisition opportunities. At March 31, 2007, the Company had a total risk-based capital ratio of 14.93 percent, which is substantially higher than the 10 percent regulatory minimum to be considered well-capitalized.

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

Earnings Summary

The Company recorded consolidated net income of $17.3 million for the three-month period ended March 31, 2007 compared to $13.2 million for the same period a year earlier. This represents a 30.8 percent increase over the three-month period ended March 31, 2006, which was primarily driven by increases in net interest income and noninterest income. Basic earnings per share for the first quarter 2007 were $0.41 per share ($0.41 per share fully-diluted) compared to $0.31 per share ($0.31 per share fully-diluted) for the first quarter 2006. Return on average assets and return on average common shareholders equity for the three-month period ended March 31, 2007 was 0.86 percent and 8.19 percent respectively, as compared to 0.70 percent and 6.42 percent for the three-month period ended March 31, 2006.

Net interest income for the first quarter of 2007 increased by 9.0 percent from the first quarter 2006. The increase is a result of higher earning assets, as well as a more favorable asset mix. Average loans comprise 52.9 percent of the Company s earning asset base, as compared to 49.3 percent for the same quarter a year ago. Further, net interest margin on a tax-equivalent basis increased to 3.32 percent for the first three months of 2007 as compared to 3.23 percent for the same period in 2006. Although net interest spread decreased by 4 basis points, net interest margin increased as a result of the contribution from noninterest-bearing demand deposits.

Provision for loan losses decreased by $1.7 million in the first quarter of 2007 compared to the same period in 2006. The decrease was a result of a lower provision required in 2007 compared to 2006 to maintain the allowance for loan losses at a level consistent with management s estimate of inherent losses within the loan portfolio. For a description of the Company s methodology for computing the allowance for loan losses, please see the summary discussion of the Allowance for Loan Losses within the Critical Accounting Policies and Estimates subsection of the Management s Discussion and Analysis of Financial Condition and Results of Operations section of the Company s 2006 Annual Report of Form 10-K.

Noninterest income increased by $7.6 million, or 12.7 percent in the first quarter of 2007 compared to the same period last year. This increase is primarily due to increases in trust and securities processing income, an increase in service charge on deposits and higher bankcard fees. These increases are discussed in greater detail below under Noninterest Income.

Noninterest expense increased by $7.1 million, or 7.8 percent, for the first three months of 2007 as compared to the same period in 2006. Salaries and employee benefits increased by $4.0 million, or 8.4 percent in the first quarter of 2007, compared to 2006. This increase was primarily due to higher incentives and bonuses, higher employee benefits and greater equity based compensation expense. Equipment expense increased by $2.2 million, or 20.2 percent, in the first quarter of 2007 as compared to the same quarter in 2006 due mostly to higher amortization and maintenance costs related to software and related equipment. Occupancy expense is reported net of rental income. The cause for the increase in overall occupancy expense is mostly due to a decrease in rental income, as well as small increases in depreciation and maintenance of existing facilities. The amortization of other intangibles increased over 2006 due to the amortization of identifiable intangible assets associated with the acquisition of Mountain States Bank in September 2006.

Net Interest Income

Net interest income is a significant source of the Company s earnings and represents the amount by which interest income on earning assets exceeds the interest expense paid on liabilities. The volume of interest-earning assets and the related funding sources, the overall mix of these assets and liabilities and the rates paid on each, affect net interest income. For the three-month period ended March 31, 2007 net interest income increased by $4.7 million, or 9.0 percent, as compared to the same period in 2006. Table 1 shows the impact of earnings asset rate increases as compared to increases in the cost of interest-bearing liabilities. As illustrated on this table, net interest spread decreased by 4 basis points, yet overall net interest margin increased by 9 basis points primarily due to the contribution from noninterest bearing demand deposits (free funds). For the impact of the contribution from free funds see the Analysis of Net Interest Margin within Table 2 below. Table 2 also illustrates that the increase in net interest income is a result of both volume and rate increases.

Management believes that the overall outlook in its net interest income is positive if rates remain stable or even decline slightly. The Company has experienced a repricing of most of its liabilities during the recent interest rate cycle and continues to have its assets favorably reprice. Further, the highest yielding assets, loans, have increased from an average of $3.4 billion in the first quarter of 2006 to an average of $3.9 billion in the first quarter of 2007. Loan-related earning assets tend to have a higher spread than those earned in the Company s investment portfolio as, by design, its investment portfolio is short in duration and liquid in its composition of assets.

Table of Contents

Table 1

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

The following table presents, for the periods indicated, the total dollar amount of interest income from average interest-earning assets and resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed in both dollars and rates. All average balances are daily average balances. The average yield on earning assets without the tax-equivalent basis adjustment would have been 5.81 percent for the three-months ended March 31, 2007 and 5.08 percent for the same period in 2006:

	Three Months Ended March 31,			
	2007		2006	
	Average Balance	Average Yield/Rate	Average Balance	Average Yield/Rate
Assets				
Loans, net of unearned interest	$ 3,867,083	6.94%	$ 3,403,016	6.35%
Securities:				
Taxable	2,135,927	4.70	2,312,665	3.81
Tax-exempt	702,724	5.06	666,494	5.06
Total securities	2,838,651	4.79	2,979,159	4.09
Federal funds and resell agreements	541,339	5.40	455,737	4.53
Other earning assets	61,163	4.05	62,587	4.78
Total earning assets	7,308,236	5.96	6,900,499	5.24
Allowance for loan losses	(44,978)		(40,281)	
Other assets	887,458		862,681	
Total assets	$ 8,150,716		$ 7,722,899	
Liabilities and Shareholders Equity				
Interest-bearing deposits	$ 3,893,144	3.00%	$ 3,631,366	2.32%
Federal funds and repurchase agreements	1,497,096	4.97	1,271,599	4.09
Borrowed funds	46,252	4.70	53,340	4.79
Total interest-bearing liabilities	5,436,492	3.56	4,956,305	2.80
Noninterest-bearing demand deposits	1,779,403		1,875,395	
Other liabilities	77,263		55,308	
Shareholders equity	857,558		835,891	
Total liabilities and shareholders equity	$ 8,150,716		$ 7,722,899	
Net interest spread		2.40%		2.44%
Net interest margin		3.32		3.23

Table 2 presents the dollar amount of change in the net interest income and margin due to volume and rate. Table 2 also reflects the effect that interest free funds have on net interest margin. Although interest free funds (total earning assets less interest-bearing liabilities) decreased by $72.5 million for the three-month period ended March 31, 2007 compared to the same period in 2006, the benefit from interest free funds improved by 13 basis points due to the increase in interest rates.

Table of Contents

Table 2

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

ANALYSIS OF CHANGES IN NET INTEREST INCOME

	Three Months Ended March 31, 2007 and 2006		
	Volume	**Rate**	**Total**
Change in interest earned on:			
Loans	$ 7,942	$ 4,926	$ 12,868
Securities:			
Taxable	(2,047)	5,036	2,989
Tax-exempt	353	(9)	344
Federal funds sold and resell agreements	1,139	979	2,118
Other	(13)	(106)	(119)
Interest income	7,374	10,826	18,200
Change in interest incurred on:			
Interest-bearing deposits	1,938	6,118	8,056
Federal funds purchased and repurchase agreements	2,765	2,755	5,520
Other borrowed funds	(82)	(12)	(94)
Interest expense	4,621	8,861	13,482
Net interest income	$ 2,753	$ 1,965	$ 4,718

ANALYSIS OF NET INTEREST MARGIN

	Three Months Ended March 31,		
	2007	**2006**	**Change**
Average earning assets	$ 7,308,236	$ 6,900,499	$ 407,737
Interest-bearing liabilities	5,436,492	4,956,305	480,187
Interest free funds	$ 1,871,744	$ 1,944,194	$ (72,450)
Free funds ratio (free funds to earning assets)	25.61%	28.17%	(2.56)%
Tax-equivalent yield on earning assets	5.96%	5.24%	0.72%
Cost of interest-bearing liabilities	3.56	2.80	0.76
Net interest spread	2.40%	2.44%	(0.04)%
Benefit of interest free funds	0.92	0.79	0.13
Net interest margin	3.32%	3.23%	0.09%

Provision and Allowance for Loan Losses

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

Based on the factors above, management of the Company expensed $1.5 million related to the provision for loan losses for the first three months of 2007 as compared to $3.2 million for the same period in 2006. As illustrated on Table 3 below, the ALL decreased to 1.15 percent of total loans as of March 31, 2007 compared to 1.19 percent of total loans as of March 31, 2006.

Table of Contents

Table 3 presents a summary of the Company s ALL for the first quarter ended March 31, 2007 and first quarter ended March 31, 2006 and for the year ended December 31, 2006. Net charge-offs were $1.6 million lower in the first quarter of 2007 as compared to the same period in 2006 due primarily to one large commercial charge-off in 2006. See Credit Risk Management under Risk Management section of Item 3 in this report for information relating to non-accrual, past due, restructured loans and other credit risk matters.

Table 3

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

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Year Ended December 31, 2006
Allowance-January 1	$ 44,926	$ 40,825	$ 40,825
Provision for loan losses	1,500	3,159	11,093
Allowance of banks and loans acquired			2,358
Charge-offs:			
Commercial	(90)	(2,602)	(5,861)
Consumer:			
Bankcard	(1,494)	(1,002)	(4,522)
Other	(1,056)	(420)	(2,554)
Real estate			
Total charge-offs	(2,640)	(4,024)	(12,937)
Recoveries:			
Commercial	207	155	3,494
Consumer:			
Bankcard	247	278	1,073
Other	522	286	1,376
Real estate	1		2
Total recoveries	977	719	5,945
Net charge-offs	(1,663)	(3,305)	(6,992)
Allowance-end of period	44,763	40,679	44,926
Average loans, net of unearned interest	$ 3,851,428	$ 3,382,993	$ 3,562,038
Loans at end of period, net of unearned interest	3,893,603	3,418,106	3,753,445
Allowance to loans at end of period	1.15%	1.19%	1.20%
Allowance as a multiple of net charge-offs	6.64 x	3.03 x	6.43 x
Net charge-offs to:			
Provision for loan losses	110.87%	104.62%	63.03%
Average loans	0.18	0.40	0.20

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.

The Company s fee-based services provide the opportunity to offer multiple products and services to customers which management believes will more closely align the customer 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 of these have common platforms and support structures.

Table of Contents

Table 4

SUMMARY OF NONINTEREST INCOME *(in thousands)*

	Three Months Ended March 31			
	2007	**2006**	**Dollar Change 07-06**	**Percent Change 07-06**
Trust and securities processing	$ 27,288	$ 22,670	$ 4,618	20.37%
Trading and investment banking	4,838	4,113	725	17.63
Service charges on deposits	18,889	17,607	1,282	7.28
Insurance fees and commissions	676	991	(315)	(31.79)
Brokerage fees	2,077	1,518	559	36.82
Bankcard fees	10,146	8,946	1,200	13.41
Gain on sale of other assets, net		22	(22)	(100.00)
Gain on sales of securities available for sale	10	9	1	11.11
Other	3,515	3,944	(429)	(10.88)
Total noninterest income	$ 67,439	$ 59,820	$ 7,619	12.74%

Fee-based, or noninterest income (summarized in Table 4), increased by $7.6 million, or 12.7 percent, in the first quarter of 2007 as compared to the same period in 2006. The dollar and percent changes from the prior year are reflected in the table.

Trust and securities processing consists of fees earned on personal and corporate trust accounts, custody of securities services, trust investments and money management services and servicing of mutual fund assets. The increase in these fees is primarily attributable to $1.8 million in higher fee income related to the UMB Scout Funds as compared to the same period last year; $1.2 million in higher corporate trust income; and $0.6 million in personal trust income. Other increases were in fund administration and distribution services. Assets inside the UMB Scout Funds grew from approximately $4.3 billion at March 31, 2006 to $5.1 billion at March 31, 2007. As many of the trust and securities processing fees are asset-based, management believes that if the securities market and public and market confidence in mutual funds continue, the Company s fees for custody of securities and the servicing of mutual fund assets will increase. As the income from these two divisions are highly correlated to the market value of assets, the related income will be affected by changes in the securities markets. Management continues to emphasize sales of services to both new and existing clients as well as increasing and improving the distribution channels which lead to increased inflows into the UMB Scout Funds.

Service charges on deposit accounts increased primarily due to a $0.9 million increase in individual overdraft and return item charges for the first quarter of 2007 as compared to the same period in 2006. This was due mostly to pricing increases implemented in 2007.

Bankcard fees consist primarily of interchange fees on credit cards, debit cards, ATM and other point-of-sale fees. This fee growth is primarily attributable to an increase in interchange fees associated with greater activity by corporate and individual credit card customers.

Table of Contents

Noninterest Expense

Table 5

SUMMARY OF NONINTEREST EXPENSE *(in thousands)*

	Three Months Ended March 31			
	2007	2006	Dollar Change 07-06	Percent Change 07-06
Salaries and employee benefits	$ 51,191	$ 47,238	$ 3,953	8.37%
Occupancy, net	7,114	6,554	560	8.54
Equipment	13,357	11,115	2,242	20.17
Supplies and services	5,720	5,775	(55)	(0.95)
Marketing and business development	3,537	3,622	(85)	(2.35)
Processing fees	6,646	6,311	335	5.31
Legal and consulting	1,525	1,649	(124)	(7.52)
Bankcard	3,342	3,291	51	1.55
Amortization of intangibles	734	218	516	236.70
Other	4,994	5,260	(266)	(5.06)
Total noninterest expense	$ 98,160	$ 91,033	$ 7,127	7.83%

Noninterest expense increased by $7.1 million, or 7.8 percent, for the three months ended March 31, 2007 compared to the same period in 2006. Table 5 above summarizes the components of noninterest expense and the respective year-over-year changes for each category.

Salaries and employee benefits increased primarily due to a $1.3 million increase in commissions and bonus expense; a $0.7 million increase in equity based compensation expense and a $0.5 million increase in employee benefits. Further, regular salaries and wages increased by 3.9 percent over the prior year due to regular salary increases and the hiring of strategic sales personnel throughout the organization. The increase in commissions and bonuses relates primarily due to higher sales volume. The increase in equity based compensation is due to 2007 being the third year of restricted stock and stock option grants under the long-term incentive plan. A grant was made in the second quarter of 2006 and the first quarter of 2007. This expense will continue to increase over the next two years as the long-term incentive plan matures. Management anticipates salary expense to increase slightly in the future quarters of 2007 due to annual salary increases in the second quarter.

Equipment expense increased for the first quarter of 2007 as compared to 2006 due mostly to increases in amortization and maintenance for software and related hardware. Management anticipates commitments related to acquire or upgrade core software systems will continue to increase software maintenance related expense.

The amortization of other intangibles increased over 2006 due to the amortization of identifiable intangible assets associated with the acquisition of Mountain States Bank in September 2006.

Income Tax Expense

The effective tax rate is 30.0 percent in the first quarter of 2007 as compared to 25.9 percent for the same period in 2006. The increase in effective tax rate is primarily attributable to tax-exempt income representing a smaller percentage of total income in 2007 as compared to 2006. Management anticipates this tax rate to remain at this level for the near future.

Table of Contents

Strategic Lines of Business

The Company s operations are strategically aligned into six major segments: Commercial Banking and Lending, Payment and Technology Solutions (formerly Corporate Services), Banking Services, Consumer Services, Asset Management, and Investment Services Group. Business segment financial results produced by the Company s internal management accounting system are evaluated regularly by the Executive Committee in deciding how to allocate resources and assess performance per individual business segment. The management accounting system assigns balance sheet and income statement items to each business segment using methodologies that are refined on an ongoing basis. For comparability purposes, amounts in all periods are based on methodologies in effect at March 31, 2007 consistent with SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information . The segments are differentiated by both the customers and the products and services offered. The Treasury and Other Adjustments category includes items not directly associated with the other segments.

Table 6

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

	Three Months Ended March 31, 2007	2006
Segment		
Commercial Banking & Lending	$ 5,564	$ 4,487
Payment and Technology Solutions	9,066	7,524
Banking Services	(690)	(72)
Consumer Services	1,049	10
Asset Management	6,453	3,223
Investment Services Group	3,313	2,776
Treasury and Other Adjustments	(12)	(74)
Total Consolidated Company	$ 24,743	$ 17,874

Commercial Banking and Lending s net income before tax increased by $1.1 million, or 24 percent for the first quarter of 2007 compared to the same period in 2006. Net interest income increased by $0.6 million, or 5.0 percent compared to 2006 due primarily to loan growth and rate increases. Noninterest expense increased by $0.8 million, or 12.9 percent, from the first three months of 2006. The increase is mostly attributable to increases in salary expense and to allocated technology costs associated with a CRM system that aids in sales management, the identification of cross sale opportunities, and overall knowledge of a client s banking relationship. Provision for loan losses decreased $1.4 million, or 58.8 percent for the first quarter because management believes that the ALL reserve is adequately funded for the current loan portfolio mix. Management anticipates continued competition for commercial loans in 2007 and, therefore, expects income growth to be at a more measured pace.

Payment and Technology Solutions net income before tax increased $1.5 million, or 20.5 percent, in the first quarter of 2007 compared to the same period in 2006. Net interest income increased by $1.1 million, or 8.4 percent as compared to 2006. This increase is attributable to growth of deposit and securities purchased under agreement to resell, and higher fund transfer pricing rates on deposits from this segment. Noninterest income increased by $1.8 million, or 14.7 percent, as compared to the first quarter of 2006. This increase is primarily due to increases in bankcard interchange fees and increases in service charge income on deposit accounts. Noninterest expense increased by $1.3 million, or 7.6 percent for the first quarter of 2007. The increase is a result of allocated technology costs related to WebExchange[SM] , an upgraded online banking software for businesses. Salary expense is also up from the first quarter of 2006 due to increases in sales force and increased incentive compensation. Challenges for this segment arise from competitive pressures, as well as the technological challenges due to the movement from paper to electronic processing. If interest rates remain stable or increase in 2007, pressure will continue to be placed on deposit service charge income which is directly impacted by earnings credits on compensating balances.

Banking Services net loss before tax increased by $0.6 million as compared to the first quarter of 2006. This decrease was primarily due to a $0.5 million increase in noninterest expense related to item processing costs associated with deposit accounts in this segment. Net interest income and noninterest income remained flat when compared to 2006. A change in deposit mix from noninterest bearing deposits to interest bearing repurchase agreements occurred in 2006. If this trend continues, future increases in interest rates would have an adverse effect on net interest margin for this segment.

Consumer Services net income before tax increased by $1.0 million as compared to 2006. Net interest income increased by $2.0 million, or 8.9 percent, as compared to the first three months of 2006 due primarily to increases in both consumer loans and deposits from marketing campaigns. Noninterest income increased by $0.7 million, primarily due to increases in individual return item and overdraft fees. Noninterest expense increased by $1.9 million, or 5.3 percent, as compared to 2006. This is attributable to increased salaries and bonuses to associates, telephone data line expenses, and increased allocations of corporate technology costs. These allocated costs will remain stable or increase as new investments are made in technology. Management anticipates continued growth in service fee income in 2007, but at a more measured pace than in 2006. Consumer Services ability to increase net interest margin in 2007 will be dependent upon its ability to grow deposits and higher yielding consumer loans.

Asset Management s net income before tax increased by $3.2 million, or 100.2 percent, for the first three months of 2007 as compared to the same period in 2006. This increase is primarily attributable to an increase in noninterest income of $4.1 million, or 22.8 percent, as compared to 2006. This increase was primarily due to increased fees from the UMB Scout Funds Corporate trust income is also up $0.9 million over 2006. Smaller increases in personal trust and brokerage services fees contributed as well. Increases in noninterest expense of $2.6 million offset the lift in noninterest income. This increase is attributable to a $1.3 million increase in salaries and benefits due primarily to base salary and commission increases, as well as the addition of strategic sales associates to the segment. Servicing and other administration fees paid to investment advisors of the UMB Scout Funds have increased as well, as these fees are based on asset values. Management has had success in its efforts to increase net flows to the UMB Scout Funds and will continue to focus sales efforts to continue this trend. The ability for the Company to maintain or grow the fee income from this segment is also related to the overall health of the equity and financial markets as a significant portion of the fee income from this segment is related to total assets under management.

Investment Services Group s net income before tax increased $0.5 million, or 19.3 percent, in the first quarter of 2007 compared to the same period in 2006. Net interest income decreased by $0.4 million in 2007 as compared to 2006. Overall deposits and repurchase agreements from mutual fund customers in this segment increased year over year, but there was a shift of some deposits to higher paying repurchase agreements reducing net interest income. Noninterest income increased by $0.6 million, or 6.2 percent for the first quarter of 2007 as compared to the same period in 2006. This increase is mostly due to growth in the mutual fund and alternative services client base, as well as an increase in overall net assets of the clients of this segment. Noninterest expense decreased by $0.3 million, or 3.2 percent, as compared to 2006 mostly due to lower corporate service allocations to the segment offset by increased processing fees due to increased customer volume and system enhancements.

The net loss before tax for the Treasury and Other category was $12,000 for the first quarter of 2007, compared to a net loss before tax of $74,000 for the same period in 2006.

Balance Sheet Analysis

Total assets of the Company declined $917.7 million, or 10.3 percent, as of March 31, 2007 compared to December 31, 2006 and increased $362.7 million, or 4.8 percent, compared to March 31, 2006. The decrease in total assets from December to March is primarily a result of the cyclical trend due to the pledging and collateral required related to seasonal public fund deposits. This caused a $602.8 million decrease in short-term agency securities and a $424.7 million decrease in federal funds sold. These decreases were offset by a $140.2 million, or 3.7 percent increase in total loans from December 31, 2006 to March 31, 2007.

Total deposits and federal funds purchased and securities sold under agreement to repurchase also declined from December 31, 2006 to March 31, 2007. Deposits declined by $676.0 million, or 10.7 percent, from December to March and federal funds purchased and securities sold under agreement to repurchase decreased by $224.5 million, or 13.9 percent from December to March. This decline in deposits and securities sold under agreement to repurchase is primarily driven by the cyclical trend due to seasonal public fund tax deposits, because such tax deposits are generally higher around the end of the calendar year.

Table 7

SELECTED BALANCE SHEET INFORMATION *(in thousands)*

	March 31, 2007	March 31, 2006	December 31, 2006
Total assets	$ 8,000,033	$ 7,637,312	$ 8,917,765
Loans, net of unearned interest	3,893,603	3,418,106	3,753,445
Total investment securities	2,801,502	2,664,947	3,363,453
Total deposits	5,632,964	5,627,193	6,308,964
Total borrowed funds	1,435,831	1,132,503	1,676,846

Loans

Total loan balances have increased $140.2 million, or 3.7 percent, compared to December 31, 2006. This is primarily a result of a 9.0 percent increase in commercial loans offset by a 5.0 percent decrease in consumer loans, primarily indirect consumer loans. The increase in commercial loans is a result of a continued sales focus, as well as the acquisition of Mountain States Bank in September, 2006.

Loans represent the Company s largest source of interest income. In addition to growing the Commercial Loan Portfolio, management plans to focus on its middle market business and consumer areas as these market niches represent its best opportunity to cross-sell fee-related services, such as cash management.

Nonaccrual, past due and restructured loans are discussed under Credit Risk Management within the quantitative and qualitative disclosure about market risk in Item 3 of this report.

Securities

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

Investment securities comprised 39.5 percent and 42.4 percent respectively, of the earning assets as of March 31, 2007 and December 31, 2006. The decline is primarily a result of the seasonality within the Company s balance sheet. At year end, there is an increase in public fund deposits and repurchase agreements as governmental units receive tax dollars. These seasonal deposits run off over the first quarter. The Company generally offsets these short-term public fund deposits with short-term investments such as discount agency notes. This increases the percent of earning assets related to securities at year-end as compared to the end of the first quarter. Loan demand and collateral pledging requirements for public fund deposits are expected to be the primary factors impacting changes in the level of security holdings.

Investment securities had an average tax-equivalent yield of 4.79 percent for the first three months of 2007 as compared to 4.09 percent for the same period in 2006, an increase of 70 basis points. The average life of the securities portfolio was 35.0 months at March 31, 2007 as compared to 28.9 months at December 31, 2006. The most significant reason for the increase in average life was the large number of extremely short-term discount notes held at December 31, 2006. These short-term securities are held due to the seasonal fluctuation related to public fund deposits which are expected to flow out of the bank in a relatively short period. At December 31, 2006, the amount of such discount notes was approximately $608 million, and without these discount notes, the average life of the core investment portfolio would have been 35.3 months. At March 31, 2007, the amount of such discount notes was approximately $2.9 million, and without these discount notes, the average life of the core investment portfolio would have been 35.1 months.

Deposits and Borrowed Funds

Deposits decreased $676.0 million, or 10.7 percent, from December 31, 2006 to March 31, 2007. Noninterest bearing deposits decreased $480.4 million, or 21.0 percent, and interest bearing deposits decreased $195.6 million, or 4.9 percent, from December 31, 2006. The interest bearing deposits decreased primarily as a result of seasonal public fund deposit decreases during the first quarter of 2007. At March 31, 2007, total deposits were $5.6 billion, or 0.1 percent higher than the balance as of March 31, 2006.

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

Borrowed funds decreased $241.0 million from December 31, 2006. Borrowed funds are typically higher at year end due to repurchase agreements related to public funds. Borrowings other than repurchase agreements are a function of the source and use of funds and will fluctuate to cover short term gaps in funding.

Federal funds purchased and securities sold under agreement to repurchase totaled $1.4 billion at March 31, 2007, compared to $1.6 billion at December 31, 2006. Repurchase agreements are transactions involving the exchange of investment funds by the customer for securities by the Company under an agreement to repurchase the same or similar issues at an agreed-upon price and date.

Capital and Liquidity

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

Total shareholders equity was $859.3 million at March 31, 2007, compared to $848.9 million at December 31, 2006. The Company s Board of Directors authorized at its April 25, 2006 the repurchase of the Company s common stock up to two million shares during the 12 months following the meeting. During the three months ended March 31, 2007 and 2006, the Company acquired 259,997 shares and 201,362 shares, respectively, of its common stock. The Company has not made any purchases other than through these plans. On April 24, 2007, the Company announced a plan to repurchase up to two million shares of common stock. This plan will terminate on April 24, 2008.

On April 24, 2007, the Board of Directors also declared a dividend of $0.14 per share. The dividend will be paid on July 2, 2007 to shareholders of record on June 11, 2007.

Risk-based capital guidelines established by regulatory agencies set minimum capital standards based on the level of risk associated with a financial institution s assets. A financial institution s total capital is required to equal at least 8 percent of risk-weighted assets. At least half of that 8 percent must consist of Tier 1 core capital, and the remainder may be Tier 2 supplementary capital. The risk-based capital guidelines indicate the specific risk weightings by type of asset. Certain off-balance-sheet items (such as standby letters of credit and binding loan commitments) are multiplied by credit conversion factors to translate them into balance sheet equivalents before assigning them specific risk weightings. Due to the Company s high level of core capital and substantial portion of earning assets invested in government securities, the Tier 1 capital ratio of 14.08 percent and total capital ratio of 14.93 percent substantially exceed the regulatory minimums.

Table of Contents

For further discussion of capital and liquidity, please see Liquidity Risk under Risk Management of Item 3 in this report.

Table 8

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

RATIOS	Three Months Ended March 31, 2007	2006
Return on average assets	0.86%	0.70%
Return on average equity	8.19	6.42
Average equity to assets	10.52	10.82
Tier 1 risk-based capital ratio	14.08	16.19
Total risk-based capital ratio	14.93	17.04
Leverage ratio	9.40	10.31

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

Per Share Data	Three Months Ended March 31, 2007	2006
Earnings basic	$ 0.41	$ 0.31
Earnings diluted	0.41	0.31
Cash dividends	0.14	0.13
Dividend payout ratio	34.15%	41.94%
Book value	$ 20.42	$ 19.35

Off-balance Sheet Arrangements

The Company s main off-balance sheet arrangements are loan commitments, commercial and standby letters of credit, futures contracts and forward exchange contracts, which have maturity dates rather than payment due dates. Please see note 8, Commitments, Contingencies and Guarantees in the Notes to Condensed Consolidated Financial Statements for detailed information on these arrangements. There was no material change from December 31, 2006.

Critical Accounting Policies and Estimates

Management s Discussion and Analysis of Financial Condition and Results of Operations discusses the Company s condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to customers and suppliers, allowance for loan losses, bad debts, investments, financing operations, long-lived assets, contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which have formed the basis for making such judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the recorded estimates under different assumptions or conditions. A summary of critical accounting policies are listed in the Management s Discussion and Analysis of Financial Condition and Results of Operations section of the Company s 2006 Annual Report Form 10-K for the fiscal year ended December 31, 2006.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

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

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

Interest Rate Risk

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

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

Net Interest Income Modeling

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

Table 10 shows the net interest income increase or decrease over the next twelve months as of March 31, 2007 and 2006 based on hypothetical changes in interest rates.

Table of Contents

Table 10

MARKET RISK *(in thousands)*

Hypothetical change in interest rate (Rates in Basis Points)	March 31, 2007 Amount of change	March 31, 2006 Amount of change
200	$ (141)	$ 3,722
100	(71)	1,861
Static		
(100)	1,027	(1,085)
(200)	2,054	(2,169)

The Company is now more liability sensitive to increases or decreases in rates than a year ago. In 2006, the Company was more asset sensitive to rate changes. A decrease in interest rates will have a positive impact on net interest income in 2007. The Company s average life of the investment portfolio has gradually lengthened and the Company s loan portfolio has grown with a slightly higher percentage of total loans being fixed rate. These scenarios cause interest income from these assets to be less sensitive to rate changes because they reprice less frequently. The Company has less overnight interest income as a percentage of total interest income since March 2006. These scenarios cause interest income from assets to be less sensitive to rate changes because a greater percentage of assets are repricing less frequently. The sensitivity of deposits is shorter than a year ago and the Company has a greater percentage of interest expense from overnight liabilities. These changes cause the interest expense from liabilities to reprice more frequently and be more sensitive to rate changes. The Company is positioned to have a favorable interest income impact in a falling rate environment and have an adverse interest income impact to income in a rising rate environment.

Repricing Mismatch Analysis

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

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

Trading Account

The Company s subsidiary UMB Bank, n.a. carries taxable governmental securities in a trading account that is maintained according to a Board-approved policy and relevant procedures. The policy limits the amount and type of securities that can be carried in the trading account as well as requiring that any limits under applicable law and regulations also be complied with, and mandates the use of a value at risk methodology to manage price volatility risks within financial parameters. The risk associated with the carrying of trading securities is offset by the sale of exchange traded financial futures contracts, with both the trading account and futures contracts marked to market daily. This account had a balance of $88.0 million as of March 31, 2007 compared to $64.5 million as of December 31, 2006.

The Manager of the Investment Banking Division of UMB Bank, n.a. presents documentation of the methodology used in determining value at risk at least annually to the Board for approval in compliance with OCC Banking Circular 277, Risk Management of Financial Derivatives, and other banking laws and regulations. The aggregate value at risk is reviewed quarterly. The aggregate value at risk in the trading account was insignificant as of March 31, 2007 and December 31, 2006.

Other Market Risk

The Company does not have material commodity price risks or derivative risks. The Company also has foreign currency risks as a result of foreign exchange contracts. Please see Note 8 Commitments, Contingencies and Guarantees in the notes to the Condensed Consolidated Financial Statements.

Credit Risk Management

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

Another means of ensuring loan quality is diversification. By keeping its loan portfolio diversified, the Company has avoided problems associated with undue concentrations of loans within particular industries. The Company has no significant exposure to highly leveraged transactions and has no foreign credits in its loan portfolio.

A primary indicator of credit quality and risk management is the level of nonperforming loans. Nonperforming loans include both nonaccrual loans and restructured loans. The Company s nonperforming loans increased $1.1 million at March 31, 2007, compared to December 31, 2006.

The Company had $310,000 of other real estate owned as of March 31, 2007 compared to $317,000 as of December 31, 2006. Loans past due more than 90 days totaled $4.1 million as of March 31, 2007, compared to $4.0 million as of December 31, 2006.

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

Certain loans are restructured to provide a reduction or deferral of interest or principal due to deterioration in the financial condition of the respective borrowers. The Company had no restructured loans at March 31, 2007 and $24,000 at December 31, 2006.

TABLE 10

LOAN QUALITY *(in thousands)*

	March 31, 2007	**December 31, 2006**
Nonaccrual loans	$ 7,613	$ 6,539
Restructured loans		24
Total nonperforming loans	7,613	6,563
Other real estate owned	310	317
Total nonperforming assets	$ 7,923	$ 6,880
Loans past due 90 days or more	$ 4,143	$ 4,034
Allowance for Loans Losses	44,763	44,926
Ratios		
Nonperforming loans as a percent of loans	0.20%	0.17%
Nonperforming assets as a percent of loans plus other real estate owned	0.20	0.18
Nonperforming assets as a percent of total assets	0.10	0.08

Loans past due 90 days or more as a percent of loans	0.11	0.11
Allowance for loan losses as a percent of loans	1.15	1.20
Allowance for loan losses as a multiple of nonperforming loans	5.88x	6.85x

Table of Contents

Liquidity Risk

Liquidity represents the Company s ability to meet financial commitments through the maturity and sale of existing assets or availability of additional funds. The most important factor in the preservation of liquidity is maintaining public confidence that facilitates the retention and growth of a large, stable supply of core deposits and wholesale funds. Ultimately, public confidence is generated through profitable operations, sound credit quality and a strong capital position. The primary source of liquidity for the Company is regularly scheduled payments on and maturity of assets, which include $2.7 billion of high-quality securities available for sale. The liquidity of the Company and its affiliate banks is also enhanced by its activity in the federal funds market and by its core deposits. Neither the Company nor its subsidiaries are active in the debt market. The traditional funding source for the Company s subsidiary banks has been core deposits. The Company has not issued any debt since 1993 when $25 million of medium-term notes were issued to fund bank acquisitions. Prior to being paid off in February 2003 these notes were rated A3 by Moody s Investor Service and A- by Standard and Poor s. Based upon regular contact with investment banking firms, management is confident in its ability to raise debt or equity capital on favorable terms, should the need arise.

The Company also has other commercial commitments that may impact liquidity. These commitments include unused commitments to extend credit, standby letters of credit and financial guarantees, and commercial letters of credit. The total amount of these commercial commitments at March 31, 2007 was $2.7 billion. Since many of these commitments expire without being drawn upon, the total amount of these commercial commitments does not necessarily represent the future cash requirements of the Company.

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

Operational Risk

The Company is exposed to numerous types of operational risk. Operational risk generally refers to the risk of loss resulting from the Company s operations, including, but not limited to: the risk of fraud by employees or persons outside the Company; the execution of unauthorized transactions by employees or others; errors 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 and securities laws, including the Sarbanes-Oxley Act of 2002.

The Company operates in many markets and places reliance on the ability of its employees and systems to properly process 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

Table of Contents

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. Furthermore, management believes the plans to streamline the organization through further systems integration and policies enacted to push down reporting accountabilities further in the organization have improved the Company s ability to identify and limit operational risk.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

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

Disclosure Controls and Procedures

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

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

Internal Control Over Financial Reporting

There have not been any significant changes in the Company s internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There were no material changes to the risk factors as previously disclosed in response to Item 1A to Part 1 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

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

The table below sets forth the information with respect to purchases made by or on behalf of The Company or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934) of our common stock during the three months ended March 31, 2007.

ISSUER PURCHASE OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1-January 31, 2007	41,606	$ 36.06	41,606	1,302,998
February 1-February 28, 2007	17,349	37.36	17,349	1,285,649
March 1-March 31, 2007	201,042	37.57	201,042	1,084,607

On April 25, 2006, the Company announced a plan to repurchase up to two million shares of common stock. This plan terminated on April 25, 2007. The Company has not made any repurchases other than through this plan. All shares purchased under the share repurchase plan are intended to be within the scope of Rule 10b-18 promulgated under the Securities Exchange Act of 1934. Rule 10b-18 provides a safe harbor for purchases in a given day if the Company satisfies the manner, timing and volume conditions of the rule when purchasing its own common shares. On April 24, 2007 the Company announced a plan to repurchase up to two million shares of common stock. This plan will terminate on April 24, 2008.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

Table of Contents

ITEM 6. EXHIBITS

a) The following exhibits are filed herewith:

i. 3.1 Articles of Incorporation restated as of April 25, 2006 incorporated by reference to Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and filed with the Commission on May 9, 2006.

ii. 3.2 Bylaws, restated as of January 25, 2005 incorporated by reference to Exhibit 3.2 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004 and filed with the Commission on March 14, 2005.

iii. 4 Description of the Registrant s common stock in Amendment No. 1 on Form 8, incorporated by reference to its General Form for Registration of Securities on Form 10 dated March 5, 1993.

iv. 10.1 Employment termination agreement between the Company and Vincent J. Ciavardini dated February 1, 2007.

v. 31.1 CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act.

vi. 31.2 CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act.

vii. 32.1 CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act.

viii. 32.2 CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act.

Table of Contents

SIGNATURES

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

UMB FINANCIAL CORPORATION

/s/ Michael D. Hagedorn
Michael D. Hagedorn
Chief Financial Officer
Date: May 9, 2007

37