QUANTA SERVICES INC
Form 10-Q
May 11, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2009

or

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

Commission file no. 001-13831

Quanta Services, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**74-2851603**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

1360 Post Oak Blvd.
Suite 2100
Houston, Texas 77056
(Address of principal executive offices, including zip code)

(Registrant s telephone number, including area code)
(713) 629-7600

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

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

197,630,988 shares of Common Stock were outstanding as of April 30, 2009. As of the same date, 662,293 shares of Limited Vote Common Stock were outstanding.

QUANTA SERVICES, INC. AND SUBSIDIARIES

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QUANTA SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share information)
(Unaudited)

	December 31, 2008	March 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 437,901	$ 508,809
Accounts receivable, net of allowances of $8,802 and $9,224	795,251	683,893
Costs and estimated earnings in excess of billings on uncompleted contracts	54,379	60,165
Inventories	25,813	25,787
Prepaid expenses and other current assets	68,147	62,732
Total current assets	1,381,491	1,341,386
Property and equipment, net of accumulated depreciation of $330,070 and $344,030	635,456	654,438
Other assets, net	33,479	36,644
Other intangible assets, net of accumulated amortization of $57,215 and $62,121	140,717	135,811
Goodwill	1,363,100	1,363,201
Total assets	$ 3,554,243	$ 3,531,480
LIABILITIES AND EQUITY		
Current Liabilities:		
Notes payable	$ 1,155	$ 1,956
Accounts payable and accrued expenses	400,253	343,283
Billings in excess of costs and estimated earnings on uncompleted contracts	50,390	59,563
Total current liabilities	451,798	404,802
Convertible subordinated notes, net of discount of $21,475 and $20,423	122,275	123,327
Deferred income taxes	91,104	91,817
Insurance and other non-current liabilities	217,851	219,532
Total liabilities	883,028	839,478
Commitments and Contingencies		
Equity:		
Common stock, $.00001 par value, 300,000,000 shares authorized, 199,317,237 and 200,198,140 shares issued and 196,928,203 and 197,630,942 shares outstanding, respectively	2	2

Limited Vote Common Stock, $.00001 par value, 3,345,333 shares authorized, 662,293 and 662,293 shares issued and outstanding, respectively		
Additional paid-in capital	2,803,836	2,806,935
Accumulated deficit	(97,485)	(76,131)
Accumulated other comprehensive income	(2,956)	(3,623)
Treasury stock, 2,389,034 and 2,567,198 common shares, at cost	(32,182)	(35,317)
Total stockholders equity	2,671,215	2,691,866
Noncontrolling interest		136
Total equity	2,671,215	2,692,002
Total liabilities and equity	$ 3,554,243	$ 3,531,480

The accompanying notes are an integral part of these condensed consolidated financial statements.

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QUANTA SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share information)
(Unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2009
Revenues	$ 844,442	$ 738,530
Cost of services (including depreciation)	720,565	621,399
Gross profit	123,877	117,131
Selling, general and administrative expenses	70,716	73,603
Amortization of intangible assets	10,590	4,906
Operating income	42,571	38,622
Interest expense	(9,594)	(2,818)
Interest income	3,995	1,081
Other income (expense), net	204	76
Income before income taxes	37,176	36,961
Provision for income taxes	15,705	15,471
Net income	21,471	21,490
Less: Net income attributable to noncontrolling interest		136
Net income attributable to common stock	$ 21,471	$ 21,354
Earnings per share attributable to common stock:		
Basic earnings per share	$ 0.13	$ 0.11
Diluted earnings per share	$ 0.13	$ 0.11
Shares used in computing earnings per share:		
Weighted average basic shares outstanding	171,137	197,704
Weighted average diluted shares outstanding	171,587	197,733

The accompanying notes are an integral part of these condensed consolidated financial statements.

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QUANTA SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2009
Cash Flows from Operating Activities:		
Net income	$ 21,471	$ 21,490
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	18,992	19,768
Amortization of intangibles	10,590	4,906
Non-cash interest expense	4,511	1,052
Amortization of debt issuance costs	537	230
Amortization of deferred revenues	(2,128)	(2,636)
Loss on sale of property and equipment	152	429
Provision for doubtful accounts	1,352	455
Deferred income tax provision (benefit)	(1,309)	4,758
Non-cash stock-based compensation	3,776	4,702
Tax impact of stock-based equity awards	(1,234)	1,632
Changes in operating assets and liabilities, net of non-cash transactions		
(Increase) decrease in		
Accounts and notes receivable	(32,827)	108,040
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,555)	(5,864)
Inventories	940	26
Prepaid expenses and other current assets	911	105
Increase (decrease) in		
Accounts payable and accrued expenses and other non-current liabilities	(1,041)	(55,262)
Billings in excess of costs and estimated earnings on uncompleted contracts	(7,130)	9,186
Other, net	178	(1,815)
Net cash provided by operating activities	15,186	111,202
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	2,145	1,826
Additions of property and equipment	(53,166)	(41,265)
Cash paid for acquisition, net of cash acquired	(187)	
Net cash used in investing activities	(51,208)	(39,439)
Cash Flows from Financing Activities:		
Proceeds from other long-term debt	635	1,938
Payments on other long-term debt	(944)	(1,137)
Tax impact of stock-based equity awards	1,234	(1,632)

Exercise of stock options	1,412	119
Net cash provided (used in) by financing activities	2,337	(712)
Net increase (decrease) in cash and cash equivalents	(33,685)	71,051
Effect of foreign exchange rate changes on cash and cash equivalents	(1,202)	(143)
Cash and cash equivalents, beginning of period	407,081	437,901
Cash and cash equivalents, end of period	$ 372,194	$ 508,809
Supplemental disclosure of cash flow information:		
Cash (paid) received during the period for		
Interest paid	$ (186)	$ (160)
Income taxes paid	$ (4,336)	$ (7,918)
Income tax refunds	$ 393	$ 948

The accompanying notes are an integral part of these condensed consolidated financial statements.

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QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BUSINESS AND ORGANIZATION:

Quanta Services, Inc. (Quanta) is a leading national provider of specialized contracting services. Quanta reports its results under two business segments. The infrastructure services (Infrastructure Services) segment provides specialized contracting services, offering end-to-end network solutions to the electric power, gas, telecommunications and cable television industries, including the design, installation, repair and maintenance of network infrastructure, as well as certain ancillary services. Additionally, the dark fiber (Dark Fiber) segment designs, procures, constructs and maintains fiber-optic telecommunications infrastructure in select markets and licenses the right to use point-to-point fiber-optic telecommunications facilities to its customers.

During 2008, Quanta made three acquisitions of businesses which have been reflected in Quanta s consolidated financial statements as of their respective acquisition dates. These acquisitions allow Quanta to further expand its capabilities and scope of services in various locations around the United States.

Changes in Accounting Principle

The condensed consolidated balance sheet as of December 31, 2008 and condensed consolidated statements of operations and cash flows for the three months ended March 31, 2008 have been retrospectively restated as discussed in this Note 1 under New Accounting Pronouncements to reflect the impact of the January 1, 2009 adoption of Financial Accounting Standards Board (FASB) Staff Position (FSP) APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) and FSP Emerging Issues Task Force (EITF) 03-06-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities.

Interim Condensed Consolidated Financial Information

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted pursuant to those rules and regulations. Quanta believes that the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly state the financial position, results of operations and cash flows with respect to the interim consolidated financial statements have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. The results of Quanta have historically been subject to significant seasonal fluctuations.

Quanta recommends that these unaudited condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto of Quanta and its subsidiaries included in Quanta s Annual Report on Form 10-K for the year ended December 31, 2008, which was filed with the SEC on March 2, 2009.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist as of the date the financial statements are published and the reported amount of revenues and expenses recognized during the periods presented. Quanta reviews all significant estimates affecting its consolidated financial statements on a recurring basis and records the effect of any necessary adjustments prior to their publication. Judgments and estimates are based on Quanta s beliefs and assumptions derived from information available at the time such judgments and estimates are made. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of

QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

financial statements. Estimates are primarily used in Quanta s assessment of the allowance for doubtful accounts, valuation of inventory, useful lives of assets, fair value assumptions in analyzing goodwill, other intangibles and long-lived asset impairments, purchase price allocations, self-insured claims liabilities, convertible debt, revenue recognition for construction contracts and dark fiber licensing, share-based compensation, provision for income taxes and calculation of uncertain tax positions.

Reclassifications

Certain reclassifications have been made in prior year s financial statements to conform to classifications used in the current year.

Cash and Cash Equivalents

Quanta had cash and cash equivalents of $437.9 million and $508.8 million as of December 31, 2008 and March 31, 2009. Cash consisting of interest-bearing demand deposits is carried at cost, which approximates fair value. Quanta considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, which are carried at fair value. At December 31, 2008 and March 31, 2009, cash equivalents were $399.1 million and $460.2 million, which consisted primarily of money market mutual funds and investment grade commercial paper and are discussed further in Fair Value Measurements below. As of December 31, 2008 and March 31, 2009, cash held in domestic bank accounts was approximately $433.7 million and $503.1 million and cash held in foreign bank accounts was approximately $4.2 million and $5.7 million.

Current and Long-term Accounts and Notes Receivable and Allowance for Doubtful Accounts

Quanta provides an allowance for doubtful accounts when collection of an account or note receivable is considered doubtful, and receivables are written off against the allowance when deemed uncollectible. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates including, among others, the customer s access to capital, the customer s willingness or ability to pay, general economic and market conditions and the ongoing relationship with the customer. Under certain circumstances such as foreclosures or negotiated settlements, Quanta may take title to the underlying assets in lieu of cash in settlement of receivables. Material changes in Quanta s customers business or cash flows, which may be further impacted by the current financial crisis and volatility of the markets, could affect its ability to collect amounts due from them. As of December 31, 2008 and March 31, 2009, Quanta had total allowances for doubtful accounts of approximately $8.8 million and $9.2 million. Should customers experience financial difficulties or file for bankruptcy, or should anticipated recoveries relating to receivables in existing bankruptcies or other workout situations fail to materialize, Quanta could experience reduced cash flows and losses in excess of current allowances provided.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts will be due upon completion of the contracts and acceptance by the customer. Based on Quanta s experience with similar contracts in recent years, the majority of the retention balances at each balance sheet date will be collected within the subsequent fiscal year. Current retainage balances as of December 31, 2008 and March 31, 2009 were approximately $101.1 million and $92.5 million and are included in accounts receivable. Retainage balances with settlement dates beyond the next twelve months are included in other assets, net, and as of December 31, 2008 and March 31, 2009 were $6.0 million and $8.9 million.

Within accounts receivable, Quanta recognizes unbilled receivables in circumstances such as when: revenues have been earned and recorded but the amount cannot be billed under the terms of the contract until a later date; costs have been incurred but are yet to be billed under cost-reimbursement type contracts; or amounts arise from routine lags in billing (for example, work completed one month but not billed until the next month). These balances do not include revenues accrued for work performed under fixed-price contracts as these amounts are recorded as costs and estimated earnings in excess of billings on uncompleted contracts. At December 31, 2008 and March 31,

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QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2009, the balances of unbilled receivables included in accounts receivable were approximately $122.9 million and $109.1 million.

Goodwill and Other Intangibles

Goodwill is subject to an annual assessment for impairment using a two-step fair value-based test with the first step performed annually at year-end, or more frequently if events or circumstances exist which indicate that goodwill may be impaired. For instance, a decrease in market capitalization below book value, significant change in business climate or loss of a significant customer, among other things, may trigger the need for interim impairment testing. The first step involves comparing the fair value of each of Quanta s reporting units with its carrying value, including goodwill. Quanta determines fair value using a weighted combination of the discounted cash flow, market multiple and market capitalization valuation approaches with heavier weighting on the discounted cash flow method, as in management s opinion, this method currently results in the most accurate calculation of a reporting unit s fair value. Significant estimates used in the above methodologies include estimates of future cash flows, future short-term and long-term growth rates, weighted average cost of capital and estimates of market multiples for each of the reporting units. If the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step compares the carrying amount of the reporting unit s goodwill to the calculated fair value of the goodwill. If the calculated fair value of goodwill is less than the carrying amount, an impairment loss would be recorded as a reduction to goodwill with a corresponding charge to operating expense. Increases in the carrying value of reporting units that may result from Quanta s impairment test are not allowed, therefore Quanta may record goodwill impairments in the future, even when the aggregate fair value of Quanta s reporting units and Quanta as a whole may increase.

Quanta s intangible assets include customer relationships, backlog, non-compete agreements and patented rights and developed technology. The value of customer relationships is estimated using the value-in-use concept utilizing the income approach, specifically the excess earnings method. The excess earnings analysis consists of discounting to present value the projected cash flows attributable to the customer relationships, with consideration given to customer contract renewals, the importance or lack thereof of existing customer relationships to Quanta s business plan, income taxes and required rates of return. Quanta values backlog based upon the contractual nature of the backlog within each service line, using the income approach to discount back to present value the cash flows attributable to the backlog.

Quanta amortizes intangible assets based upon the estimated consumption of the economic benefits of each intangible asset or on a straight-line basis if the pattern of economic benefits consumption cannot be reliably estimated. Intangible assets subject to amortization are reviewed for impairment and are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss must be recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value.

Investments in Joint Ventures

During the three months ended March 31, 2009, one of Quanta s subsidiaries entered into a joint venture arrangement that was formed for the purpose of providing infrastructure services under a contract awarded by a large utility customer. The scope of services to be provided include the design, installation and maintenance of electric transmission and distribution systems in the northeast United States. The joint venture members each own an equal (50%) equity interest in the joint venture entity and participate equally in the losses of the entity. Generally, Quanta s share of the profits in the joint venture will be 75%, 67% and 50% during the first year, second year and thereafter, respectively. Certain incentive profits will be shared 50%:50% between the joint venture members throughout the term of the joint venture.

Quanta has evaluated its investment in this joint venture in accordance with FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities an interpretation of ARB No. 51, (FIN 46R) and determined that the joint venture is a variable interest entity, with Quanta providing more than half of the subordinated financial support to the entity through its expected provision of the majority of the subcontractor services to be provided to

QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the joint venture. As a result, Quanta has been determined to be the primary beneficiary of the joint venture and has accounted for the results of the joint venture on a consolidated basis. In accordance with FIN 46R and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, the other 50% equity interest in the joint venture has been accounted for as a noncontrolling interest as of and for the three months ended March 31, 2009.

Also during the three months ended March 31, 2009, one of Quanta s subsidiaries began operating under the terms of an unincorporated joint venture which was entered into for the purpose of providing joint engineering and construction services for the design and installation of fuel storage facilities under a contract for a specific customer. The joint venture is a general partnership, and the joint venture partners each own an equal equity interest in the joint venture and participate equally in the profits and losses of the entity. Quanta has evaluated this investment in accordance with the FASB s Emerging Issues Task Force (EITF) Issue No. 00-1, Investor Balance Sheet and Income Statement Display under the Equity Method for Investments in Certain Partnerships and Other Ventures, which provides standards of accounting for investments in joint ventures that are unique to the construction industry and that do not qualify as variable interest entities. As a result of this evaluation, Quanta has determined that its investment in this joint venture partnership represents an undivided 50% interest in the assets, liabilities, revenues and profits of the joint venture and such amounts have been presented in the accompanying financial statements.

Revenue Recognition

Infrastructure Services Quanta designs, installs and maintains networks for the electric power, gas, telecommunications and cable television industries, as well as provides various ancillary services to commercial, industrial and governmental entities. These services may be provided pursuant to master service agreements, repair and maintenance contracts and fixed price and non-fixed price installation contracts. Pricing under these contracts may be competitive unit price, cost-plus/hourly (or time and materials basis) or fixed price (or lump sum basis), and the final terms and prices of these contracts are frequently negotiated with the customer. Under unit-based contracts, the utilization of an output-based measurement is appropriate for revenue recognition. Under these contracts, Quanta recognizes revenue when units are completed based on pricing established between Quanta and the customer for each unit of delivery, which best reflects the pattern in which the obligation to the customer is fulfilled. Under cost-plus/hourly and time and materials type contracts, Quanta recognizes revenue on an input-basis, as labor hours are incurred and services are performed.

Revenues from fixed price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date to total estimated costs for each contract. These contracts provide for a fixed amount of revenues for the entire project. Such contracts provide that the customer accept completion of progress to date and compensate us for services rendered, measured in terms of units installed, hours expended or some other measure of progress. Contract costs include all direct material, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Much of the materials associated with Quanta s work are owner-furnished and are therefore not included in contract revenues and costs. The cost estimation process is based on the professional knowledge and experience of Quanta s engineers, project managers and financial professionals. Changes in job performance, job conditions and final contract settlements are factors that influence management s assessment of the total estimated costs to complete those contracts and therefore, Quanta s profit recognition. Changes in these factors may result in revisions to costs and income, and their effects are recognized in the period in which the revisions are determined. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined to be probable and the

amount can be reasonably estimated.
11,570 38,197 33,812

Legal and consulting

3,272 4,108 9,965 8,500

Bankcard

4,001 4,292 12,072 11,842

Amortization of intangible assets

4,022 3,150 12,187 7,684

Regulatory fees

2,130 3,219 8,241 9,974

Class action litigation settlement

7,800

Other

8,147 5,720 19,758 20,470

Total noninterest expense

139,428	130,635	420,525	374,113

Income before income taxes

36,103	30,132	116,278	99,193

Income tax provision

10,088	7,359	33,072	27,223

NET INCOME

$26,015 $22,773 $83,206 $71,970

PER SHARE DATA

Net income basic

$0.65 $0.57 $2.08 $1.80

Net income diluted

0.64 0.57 2.06 1.78

Dividends

0.195 0.185 0.585 0.555

Weighted average shares outstanding

40,020,772 40,081,108 40,057,009 40,083,419

See Notes to Condensed Consolidated Financial Statements.

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UMB FINANCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

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

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance January 1, 2010	$ 55,057	$ 712,774	$ 562,748	$ 40,454	$ (355,482)	$ 1,015,551
Comprehensive income						
Net income			71,970			71,970
Change in unrealized gains on securities				26,945		26,945
Total comprehensive income						98,915
Cash dividends ($0.555 per share)			(22,453)			(22,453)
Purchase of treasury stock					(7,554)	(7,554)
Issuance of equity awards		(1,617)			1,742	125
Recognition of equity based compensation		4,398				4,398
Net tax benefit related to equity compensation plans		155				155
Sale of treasury stock		333			188	521
Exercise of stock options		235			287	522
Balance September 30, 2010	$ 55,057	$ 716,278	$ 612,265	$ 67,399	$ (360,819)	1,090,180
Balance January 1, 2011	$ 55,057	$ 718,306	$ 623,415	$ 25,465	$ (361,383)	$ 1,060,860
Comprehensive income						
Net income			83,206			83,206
Change in unrealized gains on securities				51,821		51,821
Total comprehensive income						135,027
Cash dividends ($0.585 per share)			(23,679)			(23,679)
Purchase of treasury stock					(8,435)	(8,435)
Issuance of equity awards		(2,244)			2,484	240
Recognition of equity based compensation		4,964				4,964
Net tax benefit related to equity compensation plans		96				96
Sale of treasury stock		213			205	418
Exercise of stock options		176			632	808
Balance September 30, 2011	$ 55,057	$ 721,511	$ 682,942	$ 77,286	$ (366,497)	$ 1,170,299

See Notes to Condensed Consolidated Financial Statements.

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UMB FINANCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, dollars in thousands)

	Nine Months Ended September 30,	
	2011	**2010**
Operating Activities		
Net Income	$ 83,206	$ 71,970
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	17,200	24,110
Depreciation and amortization	32,720	28,846
Deferred income tax benefit	(3,740)	(9,349)
Net increase in trading securities	(28,597)	(2,306)
Gains on sales of securities available for sale, net	(15,891)	(7,270)
Gains on sales of assets	61	(105)
Amortization of securities premiums, net of discount accretion	32,092	22,739
Originations of loans held for sale	(146,125)	(131,607)
Net gains on sales of loans held for sale	(1,139)	(648)
Proceeds from sales of loans held for sale	150,116	138,522
Issuance of equity awards	240	125
Equity based compensation	4,964	4,398
Changes in:		
Accrued income	1,464	959
Accrued expenses and taxes	17,481	(3,113)
Other assets and liabilities, net	(11,170)	1,630
Net cash provided by operating activities	132,882	138,901
Investing Activities		
Proceeds from maturities of securities held to maturity	7,153	8,264
Proceeds from sales of securities available for sale	991,014	515,256
Proceeds from maturities of securities available for sale	1,222,172	1,650,870
Purchases of securities held to maturity	(32,299)	(10,949)
Purchases of securities available for sale	(2,294,900)	(2,318,615)
Net increase in loans	(215,792)	(206,467)
Net decrease in fed funds sold and resell agreements	148,481	307,366
Net decrease in interest-bearing balances due from other financial institutions	35,523	95,022
Purchases of bank premises and equipment	(26,780)	(19,755)
Net cash paid for acquisitions	(8,133)	(114,405)
Proceeds from sales of bank premises and equipment	160	430
Net cash used in investing activities	(173,401)	(92,983)
Financing Activities		
Net increase in demand and savings deposits	716,953	377,476
Net decrease in time deposits	(350,671)	(310,299)
Net decrease in fed funds purchased and repurchase agreements	(743,649)	(495,428)
Net decrease in short-term debt	(3,331)	(2,868)
Proceeds from long-term debt	500	
Repayment of long-term debt	(2,743)	(15,217)
Payment of contingent consideration on acquisitions	(8,316)	
Cash dividends paid	(23,528)	(22,446)

Net tax benefit related to equity compensation plans	96	155
Proceeds from exercise of stock options and sales of treasury shares	1,226	1,043
Purchases of treasury stock	(8,435)	(7,554)
Net cash used in financing activities	(421,898)	(475,138)
Increase (decrease) in cash and due from banks	(462,417)	(429,220)
Cash and due from banks at beginning of period	1,033,617	1,229,645
Cash and due from banks at end of period	$ 571,200	$ 800,425
Supplemental Disclosures:		
Income taxes paid	$ 28,110	$ 37,547
Total interest paid	$ 21,781	$ 31,595

See Notes to Condensed Consolidated Financial Statements.

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UMB FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (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 intercompany transactions. In the opinion of management of the Company, all adjustments, which were of a normal recurring nature and necessary for a fair presentation of the financial position and results of operations, have been made. The results of operations and cash flows for the interim periods presented may not be indicative of the results of the full year. The financial statements should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

2. Summary of Accounting Policies

The Company is a multi-bank financial holding company, which offers a wide range of banking and other financial services to its customers through its branches and offices in the states of Missouri, Kansas, Colorado, Illinois, Oklahoma, Arizona, Nebraska, Pennsylvania, South Dakota, Indiana, Wisconsin, New Jersey, and Massachusetts. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also impact reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A summary of the significant accounting policies to assist the reader in understanding the financial presentation is listed in the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Interest-bearing Due From Banks

Amounts due from the Federal Reserve Bank which are interest-bearing for all periods presented, and amounts due from certificates of deposits held at other financial institutions are included in interest-bearing due from banks. The amount due from the Federal Reserve Bank totaled $187.4 million and $467.7 million at September 30, 2011 and September 30, 2010, respectively, and is considered cash and cash equivalents. The amounts due from certificates of deposit totaled $135.6 million and $191.6 million at September 30, 2011 and September 30, 2010, respectively.

This table provides a summary of cash and due from banks as presented on the Consolidated Statement of Cash Flows as of September 30, 2011 and September 30, 2010 (in thousands):

	September 30, 2011	September 30, 2010
Due from the Federal Reserve	$ 187,443	$ 467,726
Cash and due from banks	383,757	332,699
Cash and due from banks at end of period	$ 571,200	$ 800,425

Per Share Data

Basic income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted quarterly per share data includes the dilutive effect of 299,465 and 218,495 shares issuable upon the exercise of options granted by the Company and outstanding at September 30, 2011 and 2010, respectively. Diluted year-to-date income per share includes the dilutive effect of 307,866 and 250,966 shares issuable upon the exercise of stock options granted by the Company and outstanding at September 30, 2011 and 2010, respectively.

Options issued under employee benefit plans to purchase 883,294 shares of common stock were outstanding at September 30, 2011, but were not included in the computation of quarterly and year-to-date diluted EPS because the options were anti-dilutive. Options issued under employee benefit plans to purchase 1,107,949 shares of common stock were outstanding at September 30, 2010, but were not included in the computation of

UMB FINANCIAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

quarterly diluted EPS because the options were anti-dilutive. Options issued under employee benefit plans to purchase 784,904 shares of common stock were outstanding at September 30, 2010, but were not included in the computation of year-to-date diluted EPS because the options were anti-dilutive.

3. New Accounting Pronouncements

Credit Quality of Financing Receivables and the Allowance for Credit Losses In July 2010, the FASB issued ASU No. 2010-20, Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), which amends ASC 310 by requiring more robust and disaggregated disclosures about the credit quality of an entity s financial receivables and its allowance for credit losses. ASU 2010-20 was effective for the Company for the annual reporting period ended December 31, 2010. The Company adopted this statement on December 31, 2010 with no impact on its financial position or results of operations except for additional financial statement disclosures. In January 2011, the FASB issued ASU No. 2011-01, Deferral of the Effective Date of Disclosures About Troubled Debt Restructurings (TDRs) in Update No. 2010-20 , which temporarily defers the effective date in ASU 2010-20 for disclosures about TDRs by creditors until the FASB finalizes its project on determining what constitutes a TDR for a creditor. In April 2011, the FASB issued ASU No. 2011-02, A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring, which adds clarification to ASC 310 about which loan modifications constitute TDRs. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a TDR, both for purposes of recording an impairment loss and for disclosure of TDRs. ASU 2011-02 was effective for the Company for the interim reporting period ended September 30, 2011. The Company adopted this statement on September 30, 2011 with no material impact on its financial position or results of operations except for additional financial statement disclosures.

Presentation of Comprehensive Income In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income: Presentation of Comprehensive Income (ASU 2011-05), which amends the FASB Standards Codification to allow the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. These amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 will be effective for the Company for the interim reporting period ending March 31, 2012. The Company does not expect this standard to have a material impact on its financial position or results of operations except for a change in presentation.

Testing for Goodwill Impairment In September 2011, the FASB issued ASU No. 2011-08, Testing for Goodwill Impairment (ASU2011-08), which amends ASC 350 to allow companies the option of performing a qualitative assessment before calculating the fair value of the reporting unit (i.e. step one of the goodwill impairment test). If the Company determines, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not greater than the carrying amount, the two-step impairment test would not be required. The amendments are effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011. However, early adoption is permitted. The Company has not made a decision on adoption of the amended standard for the year ending December 31, 2011. The Company does not expect this standard to have a material impact on its financial position or results of operations.

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

4. Loans and Allowance for Loan Losses

Loan Origination/Risk Management

The Company has certain lending policies and procedures in place that are designed to minimize the level of risk within the loan portfolio. Diversification of the loan portfolio manages the risk associated with fluctuations in economic conditions. The Company maintains an independent loan review department that reviews and validates the credit risk program on a continual basis. Management regularly evaluates the results of the loan reviews. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Company s policies and procedures.

Commercial loans are underwritten after evaluating and understanding the borrower s ability to operate profitably and prudently expand its business. Commercial loans are made based on the identified cash flows of the borrower and on the underlying collateral provided by the borrower. The cash flows of the borrower, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts from its customers. Commercial credit cards are generally unsecured and are underwritten with criteria similar to commercial loans including an analysis of the borrower s cash flow, available business capital, and overall credit-worthiness of the borrower.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans, in addition to those of real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. The Company requires an appraisal of the collateral be made at origination, on an as-needed basis, in conformity with current market conditions and regulatory requirements. The underwriting standards address both owner and non-owner occupied real estate.

Construction loans are underwritten using feasibility studies, independent appraisal reviews, sensitivity analysis or absorption and lease rates and financial analysis of the developers and property owners. Construction loans are based upon estimates of costs and value associated with the complete project. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term borrowers, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their repayment being sensitive to interest rate changes, governmental regulation of real property, economic conditions and the availability of long-term financing.

Underwriting standards for residential real estate and home equity loans are based on the borrower s loan-to-value percentage, collection remedies, and overall credit history.

Consumer loans are underwritten based on the borrower s repayment ability. The Company monitors delinquencies on all of its consumer loans and leases and periodically reviews the distribution of FICO scores relative to historical periods to monitor credit risk on its credit card loans. The underwriting and review practices, combined with the relatively small loan amounts that are spread across many individual borrowers, minimizes risk. Consumer loans and leases that are 90 days past due or more are considered non-performing.

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

This table provides a summary of loan classes and an aging of past due loans at September 30, 2011 and December 31, 2010 *(in thousands):*

	September 30, 2011					
	30-89 Days Past Due and Accruing	Greater than 90 Days Past Due and Accruing	Non-Accrual Loans	Total Past Due	Current	Total Loans
Commercial:						
Commercial	$ 3,882	$ 641	$ 3,470	$ 7,993	$ 2,090,775	$ 2,098,768
Commercial credit card	514	513		1,027	102,705	103,732
Real estate:						
Real estate construction	674	109	876	1,659	120,551	122,210
Real estate commercial	4,548	656	4,248	9,452	1,335,144	1,344,596
Real estate residential	3,102	1,406	1,057	5,565	185,209	190,774
Real estate HELOC	981		367	1,348	510,822	512,170
Consumer:						
Consumer credit card	3,186	2,905	4,904	10,995	310,340	321,335
Consumer other	3,238	157	1,148	4,543	73,648	78,191
Leases					4,295	4,295
Total loans	$ 20,125	$ 6,387	$ 16,070	$ 42,582	$ 4,733,489	$ 4,776,071

	December 31, 2010					
	30-89 Days Past Due and Accruing	Greater than 90 Days Past Due and Accruing	Non-Accrual Loans	Total Past Due	Current	Total Loans
Commercial:						
Commercial	$ 9,585	$ 204	$ 11,345	$ 21,134	$ 1,915,918	$ 1,937,052
Commercial credit card	1,391	296		1,687	82,857	84,544
Real estate:						
Real estate construction	674	262	600	1,536	126,984	128,520
Real estate commercial	10,682	340	6,753	17,775	1,277,122	1,294,897
Real estate residential	4,802	153	1,094	6,049	187,108	193,157
Real estate HELOC	1,318	62	75	1,455	474,602	476,057
Consumer:						
Consumer credit card	3,892	3,731	4,424	12,047	310,161	322,208
Consumer other	1,745	432	634	2,811	137,382	140,193
Leases					7,055	7,055
Total loans	$ 34,089	$ 5,480	$ 24,925	$ 64,494	$ 4,519,189	$ 4,583,683

The Company sold $150.1 million and $138.5 million of loans during the nine month periods ended September 30, 2011 and September 30, 2010, respectively. The Company has ceased the recognition of interest on loans with a carrying value of $16.1 million and $24.9 million at September 30, 2011 and December 31, 2010, respectively. Restructured loans totaled $4.1 million and $0.2 million at September 30, 2011 and December 31, 2010, respectively. Loans 90 days past due and still accruing interest amounted to $6.4 million and $5.5 million at September 30, 2011 and December 31, 2010, respectively. There was an insignificant amount of interest recognized on impaired loans during 2011 and 2010.

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Credit Quality Indicators

As part of the on-going monitoring of the credit quality of the Company s loan portfolio, management tracks certain credit quality indicators including trends related to the risk grading of specified classes of loans, net charge-offs, non-performing loans, and general economic conditions.

The Company utilizes a risk grading matrix to assign a rating to each of its commercial, commercial real estate, and construction real estate loans. The loan rankings are summarized into the following categories: Non-watch list, Watch, Special Mention, and Substandard. Any loan not classified in one of the categories described below is considered to be a Non-watch list loan. A description of the general characteristics of the loan ranking categories is as follows:

Watch This rating represents credit exposure that presents higher than average risk and warrants greater than routine attention by Company personnel due to conditions affecting the borrower, the borrower s industry or the economic environment. These conditions have resulted in some degree of uncertainty that results in higher than average credit risk.

Special Mention This rating reflects a potential weakness that deserves management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or the institution s credit position at some future date. The rating is not adversely classified and does not expose an institution to sufficient risk to warrant adverse classification.

Substandard This rating represents an asset inadequately protected by the current sound worth and paying capacity of the borrower or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Loans in this category are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified substandard. This category may include loans where the collection of full principal is doubtful or remote.

All other classes of loans are generally evaluated and monitored based on payment activity. Non-performing loans include restructured loans, impaired loans, and loans greater than 90 days past due.

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

This table provides an analysis of the credit risk profile of each loan class at September 30, 2011 and December 31, 2010 *(in thousands):*

Credit Exposure

Credit Risk Profile by Risk Rating

	Commercial		Real estate- construction	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Non-watch list	$ 1,926,670	$ 1,718,691	$ 118,495	$ 127,709
Watch	87,694	77,201	3,033	
Special Mention	34,863	48,915	44	44
Substandard	49,541	92,245	638	767
Total	$ 2,098,768	$ 1,937,052	$ 122,210	$ 128,520

	Real estate - commercial	
	September 30, 2011	December 31, 2010
Non-watch list	$ 1,235,437	$ 1,196,679
Watch	17,428	18,917
Special Mention	36,525	34,006
Substandard	55,206	45,295
Total	$ 1,344,596	$ 1,294,897

Credit Exposure

Credit Risk Profile Based on Payment Activity

	Commercial credit card		Real estate- residential	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Performing	$ 103,219	$ 82,857	$ 188,311	$ 201,522
Non-performing	513	1,687	2,463	6,049
Total	$ 103,732	$ 84,544	$ 190,774	$ 207,571

	Real estate - HELOC		Consumer credit card	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010

Performing	$ 511,803	$ 474,602	$ 313,526	$ 314,053
Non-performing	367	1,455	7,809	8,155
Total	$ 512,170	$ 476,057	$ 321,335	$ 322,208

	Consumer - other		**Leases**	
	September 30, 2011	**December 31, 2010**	**September 30, 2011**	**December 31, 2010**
Performing	$ 76,886	$ 139,127	$ 4,295	$ 7,055
Non-performing	1,305	1,066		
Total	$ 78,191	$ 140,193	$ 4,295	$ 7,055

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

Allowance for Loan Losses

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management s judgment of losses within the Company s loan portfolio as of the balance sheet date. The allowance is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. Accordingly, the methodology is based on historical loss trends adjusted for the current environment. The Company s process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. The provision for possible loan losses reflects loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors.

The level of the allowance reflects management s continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Portions of the allowance may be allocated for specific loans; however, the entire allowance is available for any loan that, in management s judgment, should be charged off. While management utilizes its best judgment and information available, the adequacy of the allowance is dependent upon a variety of factors beyond the Company s control, including, among other things, the performance of the Company s loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The Company s allowance for loan losses consists of specific valuation allowances and general valuation allowances based on historical loan loss experience for similar loans with similar characteristics and trends, general economic conditions and other qualitative risk factors both internal and external to the Company.

The allowances established for probable losses on specific loans are based on a regular analysis and evaluation of problem loans. Loans are classified based on an internal risk grading process that evaluates the obligor s ability to repay, the underlying collateral, if any, and the economic environment and industry in which the borrower operates. When a loan is considered impaired, the loan is analyzed to determine the need, if any, to specifically allocate a portion of the allowance for loan losses to the loan. Specific valuation allowances are determined by analyzing the borrower s ability to repay amounts owed, collateral deficiencies, the relative risk ranking of the loan and economic conditions affecting the borrower s industry.

General valuation allowances are calculated based on the historical loss experience of specific types of loans including an evaluation of the time span and volume of the actual charge-off. The Company calculates historical loss ratios for pools of similar loans with similar characteristics based on the proportion of actual charge-offs experienced to the total population of loans in the pool. The historical loss ratios are updated based on actual charge-off experience. A valuation allowance is established for each pool of similar loans based upon the product of the historical loss ratio, time span to charge-off, and the total dollar amount of the loans in the pool. The Company s pools of similar loans include similarly risk-graded groups of commercial loans, commercial real estate loans, commercial credit card, home equity loans, consumer real estate loans and consumer and other loans. The Company also considers a loan migration analysis for criticized loans. This analysis includes an assessment of the probability that a loan will move to a loss position based on its criticized category. In addition, a portion of the allowance is determined by a review of qualitative factors by Management. These factors focus on economic environmental influences that can impact the Company s loan portfolio.

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

ALLOWANCE FOR LOAN LOSSES AND RECORDED INVESTMENT IN LOANS (in thousands)

This table provides a rollforward of the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2011 *(in thousands):*

	Three Months Ended September 30, 2011				
	Commercial	Real estate	Consumer	Leases	Total
Allowance for loan losses:					
Beginning balance	$ 35,604	$ 22,886	$ 13,941	$ 11	$ 72,442
Charge-offs	(1,372)	(48)	(3,575)		(4,995)
Recoveries	108	9	812		929
Provision	3,226	(1,033)	2,307		4,500
Ending Balance	$ 37,566	$ 21,814	$ 13,485	$ 11	$ 72,876

	Nine Months Ended September 30, 2011				
	Commercial	Real estate	Consumer	Leases	Total
Allowance for loan losses:					
Beginning balance	$ 39,138	$ 18,557	$ 16,243	$ 14	$ 73,952
Charge-offs	(9,456)	(505)	(11,888)		(21,849)
Recoveries	484	24	3,065		3,573
Provision	7,400	3,738	6,065	(3)	17,200
Ending Balance	$ 37,566	$ 21,814	$ 13,485	$ 11	$ 72,876
Ending Balance: individually evaluated for impairment	$ 1,597	$ 616	$	$	$ 2,213
Ending Balance: collectively evaluated for impairment	35,969	21,198	13,485	11	70,663
Ending Balance: loans acquired with deteriorated credit quality					
Loans:					
Ending Balance: loans	$ 2,202,500	$ 2,169,750	$ 399,526	$ 4,295	$ 4,776,071
Ending Balance: individually evaluated for impairment	5,115	10,729	23		15,867
Ending Balance: collectively evaluated for impairment	2,197,385	2,159,021	399,503	4,295	4,760,204
Ending Balance: loans acquired with deteriorated credit quality					

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

This table provides a rollforward of the allowance for loan losses for the three and nine months ended September 30, 2010 *(in thousands):*

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Beginning allowance	$ 70,110	64,139
Additions (deductions):		
Charge-offs	(6,060)	(18,424)
Recoveries	969	2,894
Net charge-offs	(5,091)	(15,530)
Provision charged to expense	7,700	24,110
Ending allowance	$ 72,719	72,719

Impaired Loans

This table provides an analysis of impaired loans by class at September 30, 2011 and December 31, 2010 *(in thousands):*

	September 30, 2011					
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial:						
Commercial	$ 6,787	$ 1,931	$ 3,184	$ 5,115	$ 1,597	$ 7,282
Commercial credit card						
Real estate:						
Real estate construction	7	7		7		6
Real estate commercial	8,661	6,429	1,261	7,690	389	6,443
Real estate residential	3,236	1,625	1,406	3,032	227	2,093
Real estate HELOC						
Consumer:						
Consumer credit card						
Consumer other	23	24		23		29
Leases						
Total	$ 18,714	$ 10,016	$ 5,851	$ 15,867	$ 2,213	$ 15,853

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	December 31, 2010					
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial:						
Commercial	$ 13,497	$ 10,180	$ 1,733	$ 11,913	$ 798	$ 15,426
Commercial credit card						
Real estate:						
Real estate construction						121
Real estate commercial	7,415	439	6,612	7,051	1,475	4,092
Real estate residential	2,071	612	1,223	1,835	287	2,535
Real estate HELOC						
Consumer:						
Consumer credit card						
Consumer other	15	15		15		6
Leases						
Total	$ 22,998	$ 11,246	$ 9,568	$ 20,814	$ 2,560	$ 22,180

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UMB FINANCIAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

Troubled Debt Restructurings

The Company adopted ASU No. 2011-02, A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring, as of July 1, 2011. This update provides additional guidance on evaluating whether a modification or restructuring of a receivable is a TDR. A loan modification is considered a TDR when a concession had been granted to a debtor experiencing financial difficulties. The Company assessed loan modifications made to borrowers experiencing financial distress occurring after January 1, 2011. The Company s modifications generally include interest rate adjustments, and amortization and maturity date extensions. These modifications allow the debtor short-term cash relief to allow them to improve their financial condition. The Company s restructured loans are individually evaluated for impairment and evaluated as part of the allowance for loan loss as described above in the Allowance for Loan Losses section of this note. There was no significant impact to the allowance for loan losses as a result of adopting the new guidance. The Company had $2,000 in commitments to lend to borrowers with loan modifications classified as TDR s.

This table provides a summary of loans restructured by class for the three and nine months ended September 30, 2011 *(in thousands):*

	For the Three Months Ended September 30, 2011		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings			
Commercial:			
Commercial		$	$
Commercial credit card			
Real estate:			
Real estate construction			
Real estate commercial			
Real estate residential	1	162	162
Real estate HELOC			
Consumer:			
Consumer credit card			
Consumer other			
Leases			
Total	1	$ 162	$ 162

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	For the Nine Months Ended September 30, 2011		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings			
Commercial:			
Commercial	1	$ 250	$ 250
Commercial credit card			
Real estate:			
Real estate construction			
Real estate commercial	2	2,806	2,862
Real estate residential	2	862	862
Real estate HELOC			
Consumer:			
Consumer credit card			
Consumer other			
Leases			
Total	5	$ 3,918	$ 3,974

The Company made no TDR s in the last 12 months that had payment defaults for the three and nine months ended September 30, 2011.

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

5. Securities

Securities Available for Sale

This table provides detailed information about securities available for sale at September 30, 2011 and December 31, 2010 *(in thousands):*

September 30, 2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 179,810	$ 4,665	$	$ 184,475
U.S. Agencies	1,662,534	18,354		1,680,888
Mortgage-backed	2,099,178	59,386	(421)	2,158,143
State and political subdivisions	1,605,281	41,008	(840)	1,645,449
Corporates	89,075	166	(273)	88,968
Total	$ 5,635,878	$ 123,579	$ (1,534)	$ 5,757,923

December 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 482,912	$ 3,801	$	$ 486,713
U.S. Agencies	1,994,696	12,567	(6,965)	2,000,298
Mortgage-backed	1,813,023	33,718	(13,266)	1,833,475
State and political subdivisions	1,252,067	18,347	(8,139)	1,262,275
Corporates	30,453	7	(174)	30,286
Total	$ 5,573,151	$ 68,440	$ (28,544)	$ 5,613,047

The following table presents contractual maturity information for securities available for sale at September 30, 2011 *(in thousands):*

	Amortized Cost	Fair Value
Due in 1 year or less	$ 814,532	$ 819,395
Due after 1 year through 5 years	2,144,609	2,185,684
Due after 5 years through 10 years	496,074	512,310
Due after 10 years	81,485	82,391
Total	3,536,700	3,599,780
Mortgage-backed securities	2,099,178	2,158,143
Total securities available for sale	$ 5,635,878	$ 5,757,923

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

For the nine months ended September 30, 2011, proceeds from the sales of securities available for sale were $991.0 million compared to $515.3 million for the same period in 2010. Securities transactions resulted in gross realized gains of $16.0 million and $7.5 million for the nine months ended September 30, 2011 and 2010. The gross realized losses for the nine months ended September 30, 2011 and 2010 were $0.07 million and $0.2 million, respectively.

Trading Securities

The net unrealized gains on trading securities at September 30, 2011 and September 30, 2010 were $193.5 thousand and $110.0 thousand respectively, and were included in trading and investment banking income.

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UMB FINANCIAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

Securities Held to Maturity

The table below provides detailed information for securities held to maturity at September 30, 2011 and December 31, 2010 *(in thousands):*

September 30, 2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and political subdivisions	$ 88,376	$ 11,249	$	$ 99,625
December 31, 2010				
State and political subdivisions	$ 63,566	$ 5,186	$	$ 68,752

The following table presents contractual maturity information for securities held to maturity at September 30, 2011 *(in thousands):*

	Amortized Cost	Fair Value
Due in 1 year or less	$ 2,273	$ 2,562
Due after 1 year through 5 years	19,111	21,544
Due after 5 years through 10 years	16,430	18,521
Due after 10 years	50,562	56,998
Total securities held to maturity	$ 88,376	$ 99,625

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

There were no sales of securities held to maturity during the first nine months of 2011 and 2010.

Securities available for sale and held to maturity with a market value of $3.8 billion at September 30, 2011, and $4.6 billion at December 31, 2010, were pledged to secure U.S. Government deposits, other public deposits and certain trust deposits as required by law.

The following table shows the Company s available for sale investments gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2011 and December 31, 2010 *(in thousands).*

September 30, 2011	Less than 12 months		12 months or more		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury Obligations	$	$	$	$	$	$
Direct obligations of U.S. government agencies						

Federal agency mortgage backed securities	122,772	(421)			122,772	(421)
Municipal securities	112,442	(817)	3,114	(23)	115,556	(840)
Corporates	37,839	(273)			37,839	(273)
Total temporarily-impaired debt securities available for sale	$ 273,053	$ (1,511)	$ 3,114	$ (23)	$ 276,167	$ (1,534)

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UMB FINANCIAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

December 31, 2010	Less than 12 months		12 months or more		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury obligations	$	$	$	$	$	$
Direct obligations of U.S. government agencies	515,230	(6,965)			515,230	(6,965)
Federal agency mortgage backed securities	541,061	(13,266)			541,061	(13,266)
Municipal securities	374,350	(8,139)			374,350	(8,139)
Corporates	26,774	(174)			26,774	(174)
Total temporarily-impaired debt securities available for sale	$ 1,457,415	$ (28,544)	$	$	$ 1,457,415	$ (28,544)

The unrealized losses in the Company s investments in direct obligations of U.S. treasury obligations, U.S. government agencies, federal agency mortgage-backed securities, and municipal securities were caused by changes in interest rates. Because the Company does not have the intent to sell these securities, it is more likely than not that the Company will not be required to sell these securities before a recovery of fair value. The Company expects to recover its cost basis in the securities and does not consider these investments to be other-than-temporarily impaired at September 30, 2011.

6. Goodwill and Other Intangibles

Changes in the carrying amount of goodwill for the periods ended September 30, 2011 and December 31, 2010 by operating segment are as follows *(in thousands):*

	Commercial Financial Services	Institutional Financial Services	Personal Financial Services	Total
Balances as of January 1, 2010	$ 42,845	$ 51,339	$ 37,172	$ 131,356
Prairie Capital Management, LLC acquired during period			32,228	32,228
Reams Asset Management, LLC acquired during period		47,530		47,530
Balances as of December 31, 2010	$ 42,845	$ 98,869	$ 69,400	$ 211,114
Balances as of January 1, 2011	$ 42,845	$ 98,869	$ 69,400	$ 211,114
Balances as of September 30, 2011	$ 42,845	$ 98,869	$ 69,400	$ 211,114

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UMB FINANCIAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

Following are the intangible assets that continue to be subject to amortization as of September 30, 2011 and December 31, 2010 *(in thousands)*:

	As of September 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangible assets	$ 36,497	$ 28,172	$ 8,325
Customer relationships	105,544	27,354	78,190
Other intangible assets	3,247	1,519	1,728
Total intangible assets	$ 145,288	$ 57,045	$ 88,243

	As of December 31, 2010		
Core deposit intangible assets	$ 36,497	$ 26,700	$ 9,797
Customer relationships	97,410	17,169	80,241
Other intangible assets	3,247	988	2,259
Total intangible assets	$ 137,154	$ 44,857	$ 92,297

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Aggregate amortization expense	$ 4,022	$ 3,150	$ 12,187	$ 7,684

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

For the three months ended December 31, 2011	$ 3,913
For the year ended December 31, 2012	14,855
For the year ended December 31, 2013	13,408
For the year ended December 31, 2014	12,335
For the year ended December 31, 2015	9,739

7. Other Comprehensive Income

The Company s only component of other comprehensive income for the three and nine months ended September 30, 2011 and 2010 was the net unrealized gains and losses on available for sale securities *(in thousands)*:

	Three Months Ended September 30, 2011	2010	Nine Months Ended September 30, 2011	2010
Change in unrealized holding gains, net	$ 37,526	$ 11,856	$ 98,039	$ 49,770
Less: Reclassification adjustments for gains included in income	(2,411)	(752)	(15,891)	(7,270)
Net unrealized holding gains	35,115	11,104	82,148	42,500
Income tax expense	(12,940)	(4,082)	(30,327)	(15,555)
Other comprehensive income	$ 22,175	$ 7,022	$ 51,821	$ 26,945

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UMB FINANCIAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

8. Commitments, Contingencies and Guarantees

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk in order to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, commercial letters of credit, standby letters of credit, futures contracts, forward foreign exchange contracts and spot foreign exchange contracts. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheet. The contract or notional amount of those instruments reflects the extent of involvement the Company has in particular classes of financial instruments. Many of the commitments expire without being drawn upon, therefore, the total amount of these commitments does not necessarily represent the future cash requirements of the Company.

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

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

Contract or Notional Amount *(in thousands):*

	September 30, 2011	December 31, 2010
Commitments to extend credit for loans (excluding credit card loans)	$ 2,128,228	$ 1,729,011
Commitments to extend credit under credit card loans	2,027,670	1,970,508
Commercial letters of credit	21,912	3,537
Standby letters of credit	308,263	308,154
Futures contracts	64,800	22,400
Forward foreign exchange contracts	55,361	3,685
Spot foreign exchange contracts	2,633	2,608

During 2010, two suits were filed against UMB Bank, N.A. (the Bank) in Missouri state court alleging that the Bank s deposit account posting practices resulted in excessive overdraft fees in violation of Missouri s consumer protection statute and the account agreement. Both suits sought class-action status for the Bank s Missouri customers who may have been similarly affected. The Bank removed the first of the two suits (Johnson, et. al. vs. UMB Bank N.A.) to the U.S. District Court for the Western District of Missouri. The action was then transferred to the multidistrict litigation in the U.S. District Court for the Southern District of Florida, where similar claims against other financial institutions are pending. The second suit (Allen, et. al. vs. UMB Bank N.A., et. al.) was also filed in Missouri state court by another Bank customer alleging substantially identical facts. The Allen suit was subsequently amended to add the Company and all of its other bank subsidiaries as defendants, and to seek to include customers of all of the defendant banks in a class action. During the first quarter of 2011, a third suit (Downing vs. UMB Bank N.A., et. al.) was filed in the U.S. District Court for the Western District of Oklahoma by another bank customer alleging similar facts and also seeking class action status. On May 13, 2011, the Company and all of its bank subsidiaries entered into an agreement to settle the Allen suit. To resolve the litigation, and without admitting any wrongdoing, the Company agreed to establish a $7.8 million escrow settlement fund, and recognized the related expense in its consolidated statements of income for the period ended June 30, 2011. The settlement was subject to approval by the Circuit Court of Jackson County, Missouri. The court gave preliminary approval to the settlement agreement on June 27, 2011, and gave final approval to the settlement agreement at a fairness hearing on October 31, 2011. The Johnson suit was dismissed without prejudice on August 31, 2011.

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UMB FINANCIAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

9. Business Segment Reporting

The Company has strategically aligned its operations into the following reportable segments (collectively, Business Segments): Commercial Financial Services, Institutional Financial Services, and Personal Financial Services. The management accounting system assigns balance sheet and income statement items to each business segment using methodologies that are refined on an ongoing basis. For comparability purposes, amounts in all periods are based on methodologies in effect at September 30, 2011.

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

Commercial Financial Services serves the commercial lending and leasing, capital markets, and treasury management needs of the Company s mid-market businesses and governmental entities by offering various products and services. Such services include commercial loans, letters of credit, loan syndication services, consultative services, and a variety of financial options for companies that need non-traditional banking services. Capital markets services 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. Treasury management services include depository services, account reconciliation services, electronic fund transfer services, controlled disbursements, lockbox services, and remote deposit capture services.

Institutional Financial Services is a combination of banking services, fund services, and asset management services provided to institutional clients. This segment also includes consumer and commercial credit card services in addition to healthcare services, mutual fund cash management, and international payments. Institutional Financial Services includes businesses such as the Company s institutional investment services functions, Scout Investment Advisors, UMB Fund Services, corporate trust and escrow services as well as correspondent banking, investment banking, and healthcare services. Products and services include bond trading transactions, cash letter collections, FiServ account processing, investment portfolio accounting and safekeeping, reporting for asset/liability management, and Fed funds transactions. UMB Fund Services provides fund administration and accounting, investor services and transfer agency, marketing and distribution, custody and alternative investment services.

Personal Financial Services combines consumer services and asset management services provided to personal clients. This segment combines the Company s consumer bank with the individual investment and wealth management solutions. The range of services offered to UMB clients extends from a basic checking account to estate planning and trust services. Products and services include the Company s bank branches, call center, internet banking and ATM network, deposit accounts, private banking, installment loans, home equity lines of credit, residential mortgages, small business loans, brokerage services, and insurance services in addition to a full spectrum of investment advisory, trust, and custody 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. Corporate eliminations are also allocated to this segment.

Business Segment Information

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

	Three Months Ended September 30,			
	Commercial Financial Services		Institutional Financial Services	
	2011	2010	2011	2010
Net interest income	$ 40,903	$ 38,864	$ 13,370	$ 13,338

Provision for loan losses	1,706	2,727	2,485	4,505
Noninterest income	9,736	9,395	64,470	54,977
Noninterest expense	31,098	29,486	58,454	52,375
Income before income taxes	$ 17,835	$ 16,046	$ 16,901	$ 11,435
Average assets	$ 3,894,000	$ 3,668,000	$ 797,000	$ 713,000
Depreciation and amortization	1,952	2,218	4,766	3,792
Expenditures for additions to premises and equipment	3,083	1,867	5,024	3,485

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UMB FINANCIAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	Personal Financial Services		Treasury and Other Adjustments	
	2011	2010	2011	2010
Net interest income	$ 24,941	$ 26,181	$ (140)	$
Provision for loan losses	310	468	(1)	
Noninterest income	26,480	24,843	271	869
Noninterest expense	48,144	48,430	1,732	344
Income before income taxes	$ 2,967	$ 2,126	$ (1,600)	$ 525
Average assets	$ 796,000	$ 765,000	$ 6,670,000	$ 5,856,000
Depreciation and amortization	3,191	3,461	410	697
Expenditures for additions to premises and equipment	3,053	3,211	410	697

	Total Consolidated Company	
	2011	2010
Net interest income	$ 79,074	$ 78,383
Provision for loan losses	4,500	7,700
Noninterest income	100,957	90,084
Noninterest expense	139,428	130,635
Income before income taxes	$ 36,103	$ 30,132
Average assets	$ 12,157,000	$ 11,002,000
Depreciation and amortization	10,319	10,168
Expenditures for additions to premises and equipment	11,570	9,260

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UMB FINANCIAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

	Nine Months Ended September 30,			
	Commercial Financial Services		Institutional Financial Services	
	2011	2010	2011	2010
Net interest income	$ 120,795	$ 115,161	$ 40,275	$ 38,294
Provision for loan losses	8,954	8,351	7,337	14,220
Noninterest income	28,917	27,758	195,409	159,894
Noninterest expense	91,851	88,748	174,955	146,330
Income before income taxes	$ 48,907	$ 45,820	$ 53,392	$ 37,638
Average assets	$ 4,319,000	$ 3,560,000	$ 901,000	$ 695,000
Depreciation and amortization	6,396	6,964	15,058	10,853
Expenditures for additions to premises and equipment	4,936	3,820	12,008	8,287

	Personal Financial Services		Treasury and Other Adjustments	
	2011	2010	2011	2010
Net interest income	$ 76,140	$ 78,316	$ 230	$ 55
Provision for loan losses	911	1,539	(2)	
Noninterest income	78,716	71,541	13,521	6,397
Noninterest expense	143,441	135,056	10,278	3,979
Income before income taxes	$ 10,504	$ 13,262	$ 3,475	$ 2,473
Average assets	$ 911,000	$ 767,000	$ 6,243,000	$ 5,933,000
Depreciation and amortization	10,003	9,438	1,263	1,592
Expenditures for additions to premises and equipment	8,572	6,057	1,264	1,591

	Total Consolidated Company	
	2011	2010
Net interest income	$ 237,440	$ 231,826
Provision for loan losses	17,200	24,110
Noninterest income	316,563	265,590
Noninterest expense	420,525	374,113
Income before income taxes	$ 116,278	$ 99,193
Average assets	$ 12,374,000	$ 10,955,000
Depreciation and amortization	32,720	28,847
Expenditures for additions to premises and equipment	26,780	19,755

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UMB FINANCIAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

10. Fair Value Measurements

The following table presents information about the Company s assets measured at fair value on a recurring basis as of September 30, 2011, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value.

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

Assets measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010 *(in thousands):*

		Fair Value Measurement September 30, 2011 Using		
Description	**September 30, 2011**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
U.S. Treasury	400	400		
U.S. Agencies	2,850	2,850		
Mortgage-backed	36,949		36,949	
State and political subdivisions	7,161		7,161	
Trading other	23,717	23,612	105	
Trading securities	71,077	26,862	44,215	
U.S. Treasury	184,475	184,475		
U.S. Agencies	1,680,888	1,680,888		
Mortgage-backed	2,158,143		2,158,143	
State and political subdivisions	1,645,449		1,645,449	
Corporates	88,968	88,968		
Available for sale securities	5,757,923	1,954,331	3,803,592	
Total	5,829,000	1,981,193	3,847,807	

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UMB FINANCIAL CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

		Fair Value Measurement at December 31, 2010 Using		
Description	December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury	$ 400	$ 400	$	$
U.S. Agencies	16,632	16,632		
Mortgage-backed	7,521		7,521	
State and political subdivisions	5,336		5,336	
Trading other	12,591	12,591		
Trading securities	42,480	29,623	12,857	
U.S. Treasury	486,713	486,713		
U.S. Agencies	2,000,298	2,000,298		
Mortgage-backed	1,833,475		1,833,475	
State and political subdivisions	1,262,275		1,262,275	
Corporates	30,286	30,286		
Available for sale securities	5,613,047	2,517,297	3,095,750	
Total	$ 5,655,527	$ 2,546,920	$ 3,108,607	$

Valuation methods for instruments measured at fair value on a nonrecurring basis

The following methods and assumptions were used to estimate the fair value of each class of financial instruments measured on a non-recurring basis:

Impaired loans While the overall loan portfolio is not carried at fair value, adjustments are recorded on certain loans to reflect partial write-downs that are based on the value of the underlying collateral. In determining the value of real estate collateral, the Company relies on external appraisals and assessment of property values by its internal staff. In the case of non-real estate collateral, reliance is placed on a variety of sources, including external estimates of value and judgments based on the experience and expertise of internal specialists. Because many of these inputs are not observable, the measurements are classified as Level 3.

Other real estate owned Other real estate owned consists of loan collateral which has been repossessed through foreclosure. This collateral is comprised of commercial and residential real estate and other non-real estate property, including auto, recreational and marine vehicles. Other real estate owned is recorded as held for sale initially at the lower of the loan balance or fair value of the collateral. Subsequent to foreclosure, valuations are updated periodically, and the assets may be marked down further, reflecting a new cost basis. Fair value measurements may be based upon appraisals or third-party price opinions and, accordingly, those measurements may be classified as Level 2. Other fair value measurements may be based on internally developed pricing methods, and those measurements may be classified as Level 3.

UMB FINANCIAL CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

Assets measured at fair value on a non-recurring basis as of September 30, 2011 and December 31, 2010 *(in thousands):*

		Fair Value Measurement at September 30, 2011 Using			
Description	**September 30, 2011**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains (Losses) Recognized During the Nine Months Ended September 30**
Impaired loans	$ 4,302	$	$	$ 4,302	$
Other real estate owned	3,745			3,745	$ (1,020)
Total	$ 8,047	$	$	$ 8,047	$ (1,020)

		Fair Value Measurement at December 31, 2010 Using			
Description	**December 31, 2010**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Gains (Losses) Recognized During the Twelve Months Ended December 31**
Impaired loans	$ 7,008	$	$	$ 7,008	$
Other real estate owned	4,387			4,387	$
Total	$ 11,395	$	$	$ 11,395	$

The fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis is required to be disclosed. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

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

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

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

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

Deposit Liabilities The fair value of demand deposits and savings accounts is the amount payable on demand at September 30, 2011 and December 31, 2010. The fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows using the rates that are currently offered for deposits of similar remaining maturities.

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 (UNAUDITED)

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

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

Other Off-Balance Sheet Instruments The fair value of loan commitments and letters of credit are determined based on the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the present creditworthiness of the counterparties. Neither the fees earned during the year on these instruments nor their fair values at September 30, 2011 are significant to the Company s consolidated financial position.

The estimated fair value of the Company s financial instruments at September, 30, 2011 and December 31, 2010 are as follows *(in millions):*

	September 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Cash and short-term investments	$ 793.4	$ 793.4	$ 1,439.9	$ 1,439.9
Securities available for sale	5,757.9	5,757.9	5,613.0	5,613.0
Securities held to maturity	88.4	88.4	63.6	68.8
Federal Reserve Bank and other stock	22.8	22.8	23.0	23.0
Trading securities	71.1	71.1	42.5	42.5
Loans (exclusive of allowance for loan loss)	4,787.6	4,874.5	4,524.1	4,666.8
FINANCIAL LIABILITIES				
Demand and savings deposits	8,051.6	8,051.6	7,334.7	7,334.7
Time Deposits	1,343.4	1,355.1	1,694.1	1,705.9
Federal funds and repurchase agreements	1,340.7	1,340.7	2,084.3	2,084.2
Short-term debt	30.7	30.7	35.2	35.2
Long-term debt	7.8	6.8	8.9	9.5
OFF-BALANCE SHEET ARRANGEMENTS				
Commitments to extend credit for loans		4.2		5.6
Commercial letters of credit		0.2		0.3
Standby letters of credit		1.6		2.0

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2011 and December 31, 2010. The estimated market values have not been updated since September 30, 2011; therefore, current estimates of fair value may differ significantly from the amounts presented above.

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

This review highlights the material changes in the results of operations and changes in financial condition for the three-month and nine-month periods ended September 30, 2011. It should be read in conjunction with the accompanying condensed consolidated financial statements, notes to condensed consolidated financial statements and other financial statistics appearing elsewhere in this report. Results of operations for the periods included in this review are not necessarily indicative of results to be attained during any future period.

SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

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

Statements that are not historical in nature; and

Statements preceded by, followed by or that include the words believes, expects, may, should, could, anticipates, esti intends, or similar words or expressions.

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

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

Legislative or regulatory changes;

Changes in the interest rate environment;

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

Changes in operations;

Changes in accounting rules;

The ability to successfully and timely integrate acquisitions;

Competitive pressures among financial services companies may increase significantly;

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

Changes in the ability of customers to repay loans;

Changes in loan demand may adversely affect liquidity needs; and

Changes in employee costs.

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

Overview

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

The first strategy is to grow the Company s fee-based businesses. The emphasis on fee-based operations helps reduce the Company s exposure to changes in interest rates. During the third quarter of 2011, noninterest income increased $10.9 million, or 12.1 percent, for the three months ended September 30, 2011 compared to the same period in 2010. This increase is primarily attributed to increased trust and securities processing income of $12.1 million, or 30.3 percent, for the three months ended September 30, 2011 compared to the same period in 2010.

The second strategy is a focus on net interest income through loan and deposit growth. This is not just a growth strategy and includes a focus on rate, volume and mix. Net interest income increased $0.7 million, or 0.9 percent, compared to the same period in 2010. Average earning assets increased by $1.0 billion, or 10.1 percent, compared to the third quarter of 2010. This increase was due to a $561.0 million, or 10.8 percent, increase in average total securities, including trading securities and a $220.1 million, or 4.8 percent, increase in average loans. Average total deposits increased $1.2 billion, or 14.2 percent, compared to third quarter of 2010, which positions the Company well to fund customer credit needs as the demand for loans increases.

The third strategy is a focus on improving operating efficiencies. Repositioning and increasing utilization of our distribution network remains a priority. The Company continues to emphasize increasing its customer base by providing a broad offering of services through our existing network. These efforts have resulted in the total deposits growth previously discussed. The Company s efficiency ratio for the quarter was 75.4 percent in 2011 and 75.7 percent in the third quarter of 2010. Throughout 2010, the Company invested in technological advances that will help management drive operating efficiencies through improved data analysis and automation. On January 1, 2011, the Company converted to a new financial and human resource software that is integrated and enterprise wide. In addition to the use of automation technology, the Company will continue to evaluate its cost structure for opportunities to moderate expense growth without sacrificing growth initiatives.

The fourth strategy is a focus on capital management. The Company places a significant emphasis on the maintenance of a strong capital position, which management believes promotes investor confidence, provides access to funding sources under favorable terms, and enhances the Company s ability to capitalize on business growth and acquisition opportunities. The Company strives to enhance capital through a mix of reinvesting in organic growth, investing in acquisitions, evaluating increased dividends over time and utilizing a share buy-back strategy when appropriate. As of September 30, 2011, UMB had total shareholders equity of $1.2 billion, an increase of 7.3 percent over September 30, 2010. The Company repurchased 136,998 shares at an average price of $36.89 per share during the third quarter of 2011.

Earnings Summary

The Company recorded consolidated net income of $26.0 million for the three-month period ended September 30, 2011, compared to $22.8 million for the same period a year earlier. This represents a 14.2 percent increase over the three-month period ended September 30, 2010. Basic earnings per share for the third quarter of 2011 were $0.65 per share ($0.64 per share fully-diluted) compared to $0.57 per share ($0.57 per share fully-diluted) for the third quarter of 2010. Return on average assets and return on average common shareholders equity for the three-month period ended September 30, 2011 were 0.85 and 8.81 percent, respectively, compared to 0.82 and 8.31 percent for the three-month period ended September 30, 2010.

The Company recorded consolidated net income of $83.2 million for the nine-month period ended September 30, 2011, compared to $72.0 million for the same period a year earlier. This represents a 15.6 percent increase over the nine-month period ended September 30, 2010. Basic earnings per share for the nine-month period ended September 30, 2011 were $2.08 per share ($2.06 per share fully-diluted) compared to $1.80 per share ($1.78

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per share fully-diluted) for the period in 2010. Return on average assets and return on average common shareholders equity for the nine-month period ended September 30, 2011 were 0.90 and 9.89 percent, respectively, compared to 0.88 and 9.09 percent for the same period in 2010.

Net interest income for the three and nine-month periods ended September 30, 2011 increased $0.7 million, or 0.9 percent, and $5.6 million, or 2.4 percent, respectively, compared to the same period in 2010. These increases are primarily due to the reduced level of interest expense on deposits, which outpaced the reduced level of interest income. For the three-month period ended September 30, 2011, average earning assets increased by $1.0 billion, or 10.1 percent, and for the nine-month period ended September 30, 2011, they increased by $1.3 billion, or 12.8 percent, compared to the same periods in 2010. Net interest margin, on a tax-equivalent basis, decreased to 2.98 percent and 2.95 percent for the three and nine-months periods ended September 30, 2011, compared to 3.23 percent and 3.24 percent for the same periods in 2010. These changes are discussed in greater detail below under Net Interest Income.

The provision for loan losses decreased by $3.2 million and $6.9 million for the three and nine-month periods ended September 30, 2011, compared to the same periods in 2010. These changes are a direct result of applying the Company s methodology for computing the allowance for loan losses. With the decreased provision, the allowance for loan losses as a percentage of total loans decreased by 6 basis points to 1.53 percent as of September 30, 2011, compared to September 30, 2010 and decreased 8 basis points compared to December 31, 2010. 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 in the Company s 2010 Annual Report on Form 10-K.

Noninterest income increased by $10.9 million, or 12.1 percent, for the three-month period ended September 30, 2011 and increased by $51.0 million, or 19.2 percent, for the nine-month period ended September 30, 2011, compared to the same periods one year ago. These increases are discussed in greater detail below under Noninterest Income.

Noninterest expense increased by $8.8 million, or 6.7 percent, for the three-month period ended September 30, 2011, and increased by $46.4 million, or 12.4 percent, for the nine-month period ended September 30, 2011, compared to the same periods in 2010. These increases are discussed in greater detail below under Noninterest Expense.

Net Interest Income

Net interest income is a significant source of the Company s earnings and represents the amount by which interest income on earning assets exceeds the interest expense paid on liabilities. The volume of interest-earning assets and the related funding sources, the overall mix of these assets and liabilities, and the rates paid on each affect net interest income. For the three-month period ended September 30, 2011, net interest income increased $0.7 million, or 0.9 percent, compared to the same period in 2010. For the nine-month period ended September 30, 2011, net interest income increased $5.6 million, or 2.4 percent, compared to the same period in 2010.

Table 1 shows the impact of earning asset rate changes compared to changes in the cost of interest-bearing liabilities. The Company continues to experience a repricing of these earning assets and interest-bearing liabilities during the recent interest rate cycle. While the Company continues to see declining rates, it has been able to improve net interest income. As illustrated in this table, net interest spread for the three months ended September 30, 2011 decreased by 23 basis points and net interest margin decreased by 25 basis points compared to the same period in 2010. Net interest spread for the nine months ended September 30, 2011 decreased by 24 basis points and net interest margin decreased by 29 basis points compared to the same period in 2010. These results are primarily due to an unfavorable rate variance on loans and securities, offset by a favorable volume variance on earning assets. The combined impact of these variances coupled with a favorable rate variance on interest-bearing liabilities has led to decreases in interest expense and flat interest income, or an increase in the Company s net interest income as compare to results one year ago.

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The favorable rate variance on deposits is bolstered by the contribution from free funds. For the impact of the contribution from free funds, see the Analysis of Net Interest Margin within Table 2 of this section. Table 2 also illustrates how the changes in volume and rates have resulted in an increase in net interest income.

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Table 1

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

The following table presents, for the periods indicated, the average earning assets and resulting yields, as well as the average interest-bearing liabilities and resulting yields, expressed in both dollars and rates. All average balances are daily average balances. The average yield on earning assets without the tax equivalent basis adjustment would have been 3.04 percent for the three-month period ended September 30, 2011 and 3.40 percent for the same period in 2010. The average yield on earning assets without the tax equivalent basis adjustment would have been 3.04 percent for the nine-month period ended September 30, 2011 and 3.45 percent for the same period in 2010.

	Three Months Ended September 30,			
	2011		2010	
	Average Balance	Average Yield/Rate	Average Balance	Average Yield/Rate
Assets				
Loans, net of unearned interest	$ 4,790,043	4.60%	$ 4,569,900	4.92%
Securities:				
Taxable	4,119,391	1.98	4,044,955	2.16
Tax-exempt	1,569,903	3.42	1,089,222	4.14
Total securities	5,689,294	2.37	5,134,177	2.58
Federal funds and resell agreements	49,159	0.36	23,462	0.49
Interest-bearing due from banks	584,130	0.43	365,481	0.81
Trading	47,098	1.74	41,197	1.79
Total earning assets	11,159,724	3.21	10,134,217	3.56
Allowance for loan losses	(71,513)		(70,385)	
Other assets	1,069,219		938,083	
Total assets	$ 12,157,430		$ 11,001,915	
Liabilities and Shareholders Equity				
Interest-bearing deposits	$ 5,956,609	0.41%	$ 5,574,615	0.56%
Federal funds and repurchase agreements	1,306,627	0.10	1,459,219	0.14
Borrowed funds	31,155	0.93	36,635	0.90
Total interest-bearing liabilities	7,294,391	0.36	7,070,469	0.48
Noninterest-bearing demand deposits	3,508,183		2,711,061	
Other liabilities	183,084		133,474	
Shareholders equity	1,171,772		1,086,911	
Total liabilities and shareholders equity	$ 12,157,430		$ 11,001,915	
Net interest spread		2.85%		3.08%
Net interest margin		2.98		3.23

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	Nine Months Ended September 30, 2011		2010	
	Average Balance	Average Yield/Rate	Average Balance	Average Yield/Rate
Assets				
Loans, net of unearned interest	$ 4,716,008	4.67%	$ 4,451,687	4.99%
Securities:				
Taxable	4,229,389	2.05	3,897,936	2.34
Tax-exempt	1,428,301	3.62	1,016,550	4.42
Total securities	5,657,690	2.45	4,914,486	2.77
Federal funds and resell agreements	29,913	0.33	51,568	0.36
Interest-bearing due from banks	908,528	0.39	619,288	0.67
Trading	50,384	1.96	39,281	1.83
Total earning assets	11,362,523	3.19	10,076,310	3.61
Allowance for loan losses	(73,109)		(67,809)	
Other assets	1,084,414		946,802	
Total assets	$ 12,373,828		$ 10,955,303	
Liabilities and Shareholders Equity				
Interest-bearing deposits	$ 6,231,546	0.41%	$ 5,583,440	0.62%
Federal funds and repurchase agreements	1,546,097	0.12	1,398,633	0.14
Borrowed funds	34,917	1.29	43,463	1.36
Total interest-bearing liabilities	7,812,560	0.35	7,025,536	0.53
Noninterest-bearing demand deposits	3,263,666		2,743,050	
Other liabilities	172,487		128,129	
Shareholders equity	1,125,115		1,058,588	
Total liabilities and shareholders equity	$ 12,373,828		$ 10,955,303	
Net interest spread		2.84%		3.08%
Net interest margin		2.95		3.24

Table 2 presents the dollar amount of change in net interest income and margin due to volume and rate. Table 2 also reflects the effect that interest-free funds have on net interest margin. Although interest-free funds (total earning assets less interest-bearing liabilities) increased $801.6 million for the three-month period ended September 30, 2011 compared to the same period in 2010 and increased $499.2 million for the nine-month period ended September 30, 2011 compared to the same period in 2010, the benefit from interest free funds declined by 2 basis points from the three months ended September 30, 2010, and declined by 6 basis points from the nine months ended September 30, 2010, due to decreases in interest rates.

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Table 2

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

ANALYSIS OF CHANGES IN NET INTEREST INCOME

	Three Months Ended September 30, 2011 vs 2010			Nine Months Ended September 30, 2011 vs 2010		
	Volume	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Change in interest earned on:						
Loans	$ 2,540	$ (3,697)	$ (1,157)	$ 9,209	$ (10,703)	$ (1,494)
Securities:						
Taxable	371	(1,886)	(1,515)	5,086	(8,491)	(3,405)
Tax-exempt	3,699	(2,204)	1,495	10,227	(6,557)	3,670
Federal funds sold and resell agreements	24	(8)	16	(53)	(11)	(64)
Interest-bearing due from banks	235	(356)	(121)	838	(1,304)	(466)
Trading	22	(7)	15	108	74	182
Interest income	6,891	(8,158)	(1,267)	25,415	(26,992)	(1,577)
Change in interest incurred on:						
Interest-bearing deposits	394	(2,155)	(1,761)	1,973	(8,990)	(7,017)
Federal funds purchased and repurchase agreements	(40)	(146)	(186)	134	(202)	(68)
Borrowed funds	(13)	2	(11)	(82)	(23)	(105)
Interest expense	341	(2,299)	(1,958)	2,025	(9,215)	(7,190)
Net interest income	$ 6,550	(5,859)	691	23,390	(17,777)	5,613

ANALYSIS OF NET INTEREST MARGIN

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	**2010**	**Change**	**2011**	**2010**	**Change**
Average earning assets	$ 11,159,724	$ 10,134,217	$ 1,025,507	$ 11,362,523	$ 10,076,310	$ 1,286,213
Average interest-bearing liabilities	7,294,391	7,070,469	223,922	7,812,560	7,025,536	787,024
Average interest free funds	$ 3,865,333	$ 3,063,748	$ 801,585	$ 3,549,963	$ 3,050,774	$ 499,189
Free funds ratio (free funds to earning assets)	34.64%	30.23%	4.41%	31.24%	30.28%	0.96%
Tax-equivalent yield on earning assets	3.21	3.56	(0.35)%	3.19%	3.61%	(0.42)%
Cost of interest-bearing liabilities	0.36	0.48	(0.12)	0.35	0.53	(0.18)
Net interest spread	2.85%	3.08%	(0.23)%	2.84%	3.08%	(0.24)%
Benefit of interest-free funds	0.13	0.15	(0.02)	0.11	0.16	(0.05)
Net interest margin	2.98%	3.23%	(0.25)%	2.95%	3.24%	(0.29)%

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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 $4.5 million and $17.2 million related to the provision for loan losses for the three and nine-month periods ended September 30, 2011, compared to $7.7 million and $24.1 million for the same periods in 2010. As illustrated in Table 3 below, the ALL decreased to 1.53 percent of total loans as of September 30, 2011, compared to 1.59 percent of total loans as of the same period in 2010.

Table 3 presents a summary of the Company s ALL for the nine months ended September 30, 2011 and 2010 and for the year ended December 31, 2010. Net charge-offs were $18.3 million for the first nine months of 2011, compared to $15.5 million for the same period in 2010. See Credit Risk Management under Item 3. Quantitative and Qualitative Disclosures About Market Risk in this report for information relating to nonaccrual loans, past due loans, restructured loans and other credit risk matters.

Table 3

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

	Nine Months Ended September 30,		Year Ended December 31,
	2011	**2010**	**2010**
Allowance-January 1	$ 73,952	$ 64,139	$ 64,139
Provision for loan losses	17,200	24,110	31,510
Charge-offs:			
Commercial	(9,456)	(4,519)	(6,644)
Consumer:			
Bankcard	(10,347)	(11,353)	(15,606)
Other	(1,541)	(2,525)	(2,979)
Real estate	(505)	(27)	(258)
Total charge-offs	(21,849)	(18,424)	(25,487)
Recoveries:			
Commercial	484	484	637
Consumer:			
Bankcard	2,007	906	1,327
Other	1,058	1,503	1,797
Real estate	24	1	29
Total recoveries	3,573	2,894	3,790
Net charge-offs	(18,276)	(15,530)	(21,697)
Allowance-end of period	72,876	72,719	73,952
Average loans, net of unearned interest	$ 4,709,011	$ 4,439,245	$ 4,478,377
Loans at end of period, net of unearned interest	4,776,071	4,583,562	4,583,683

Allowance to loans at end of period	1.53%	1.59%	1.61%
Allowance as a multiple of net charge-offs	2.98x	3.50x	3.41x
Net charge-offs to:			
Provision for loan losses	106.25%	64.41%	68.86%
Average loans	.52	0.47	0.48

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Noninterest Income

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

The Company s fee-based services provide the opportunity to offer multiple products and services, which management believes will more closely align the customer with the Company. The Company is currently emphasizing fee-based services including trust and securities processing, bankcard, brokerage, health care services, and treasury management. Management believes it can offer these products and services both efficiently and profitably, as most share common platforms and support structures. Table 4 below summarizes the components of noninterest income and the respective year-over-year comparison for each category.

Table 4

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

	Three Months Ended September 30,			
	2011	2010	Dollar Change 11-10	Percent Change 11-10
Trust and securities processing	$ 51,928	$ 39,843	$ 12,085	30.33%
Trading and investment banking	4,952	7,897	(2,945)	(37.29)
Service charges on deposit accounts	18,880	19,431	(551)	(2.84)
Insurance fees and commissions	1,038	1,554	(516)	(33.20)
Brokerage fees	2,627	1,746	881	50.46
Bankcard fees	15,882	14,555	1,327	9.12
Gains on sales of securities available for sale, net	2,411	752	1,659	220.61
Other	3,239	4,306	(1,067)	(24.78)
Total noninterest income	$ 100,957	$ 90,084	$ 10,873	12.07%

	Nine Months Ended September 30,			
	2011	2010	Dollar Change 11-10	Percent Change 11-10
Trust and securities processing	$ 157,291	$ 114,029	$ 43,262	37.94%
Trading and investment banking	20,449	20,454	(5)	(0.02)
Service charges on deposits	55,669	60,114	(4,445)	(7.39)
Insurance fees and commissions	3,407	4,540	(1,133)	(24.96)
Brokerage fees	7,540	4,679	2,861	61.15
Bankcard fees	46,869	40,554	6,315	15.57
Gains on sales of securities available for sale, net	15,891	7,270	8,621	118.58
Other	9,447	13,950	(4,503)	(32.28)
Total noninterest income	$ 316,563	$ 265,590	$ 50,973	19.19%

Fee-based, or noninterest income (summarized in Table 4), increased by $10.9 million, or 12.1 percent, during the three months ended September 30, 2011, and increased by $51.0 million, or 19.2 percent, during the nine months ended September 30, 2011, compared to the same periods in 2010.

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 for the three and nine-month periods compared to the same periods last year was primarily due to changes in the following three categories of income; advisory fee income from the Scout

Funds, fund administration and custody services, and fees related to institutional and personal investment management services. Advisory fee income from the Scout Funds increased by $3.7 million, or 30.8 percent, during the three months

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ended September 30, 2011, and increased by $13.2 million, or 38.0 percent, during the nine months ended September 30, 2011, compared to the same periods in 2010. Fund administration and custody services increased by $1.2 million, or 7.8 percent, during the three months ended September 30, 2011, and increased by $6.2 million, or 13.3 percent, during the nine months ended September 30, 2011, compared to the same periods in 2010. Fees related to institutional and personal investment management services increased by $6.1 million, or 231.2 percent, during the three months ended September 30, 2011, and increased by $20.6 million, or 438.7 percent, during the nine months ended September 30, 2011, compared to the same periods in 2010 driven largely by acquisitions. Trust and securities processing fees are asset-based. As such, they are highly correlated to the change in market value of the assets. Thus, the related income for the remainder of the year will be affected by changes in the securities markets. Management continues to emphasize sales of services to both new and existing clients as well as increasing and improving the distribution channels, which lead to increased inflows into the Scout Funds.

During the three and nine-month periods ended September 30, 2011, $2.4 million and $15.9 million in pre-tax gains were recognized on the sales of securities available for sale. These sales are part of an objective to monitor and control the Company s interest rate sensitivity in an anticipated rising interest rate environment.

Noninterest Expense

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

Table 5

SUMMARY OF NONINTEREST EXPENSE *(unaudited in thousands)*

	Three Months Ended September 30,			
	2011	2010	Dollar Change 11-10	Percent Change 11-10
Salaries and employee benefits	$ 74,905	$ 69,044	$ 5,861	8.49%
Occupancy, net	9,398	9,162	236	2.58
Equipment	10,424	11,122	(698)	(6.28)
Supplies and services	5,513	4,822	691	14.33
Marketing and business development	4,912	4,426	486	10.98
Processing fees	12,704	11,570	1,134	9.80
Legal and consulting	3,272	4,108	(836)	(20.35)
Bankcard	4,001	4,292	(291)	(6.78)
Amortization of other intangible assets	4,022	3,150	872	27.68
Regulatory fees	2,130	3,219	(1,089)	(33.83)
Class action litigation settlement				
Other	8,147	5,720	2,427	42.43
Total noninterest expense	$ 139,428	$ 130,635	$ 8,793	6.73%

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	Nine Months Ended September 30,			
	2011	2010	Dollar Change 11-10	Percent Change 11-10
Salaries and employee benefits	$ 220,726	$ 194,849	$ 25,877	13.28%
Occupancy, net	28,582	27,007	1,575	5.83
Equipment	32,135	33,205	(1,070)	(3.22)
Supplies and services	16,670	14,209	2,461	17.32
Marketing and business development	14,192	12,561	1,631	12.98
Processing fees	38,197	33,812	4,385	12.97
Legal and consulting	9,965	8,500	1,465	17.24
Bankcard	12,072	11,842	230	1.94
Amortization of other intangible assets	12,187	7,684	4,503	58.60
Regulatory fees	8,241	9,974	(1,733)	(17.38)
Class action litigation settlement	7,800		7,800	100.00
Other	19,758	20,470	(712)	(3.48)
Total noninterest expense	$ 420,525	$ 374,113	$ 46,412	12.41%

Noninterest expense increased by $8.8 million, or 6.7 percent, for the three months ended September 30, 2011, and by $46.4 million, or 12.4 percent, for the nine months ended September 30, 2011, compared to the same period in 2010. Table 5 above summarizes the components of noninterest expense and the respective year-over-year comparison for each category.

Salaries and employee benefits increased by $5.9 million, or 8.5 percent, for the three months ended September 30, 2011, and by $25.9 million, or 13.3 percent, for the nine months ended September 30, 2011, compared to the same period in 2010. These increases are primarily due to higher base salary, commission, and employee benefits. Salaries increased by $3.5 million, or 7.9 percent, and $12.3 million, or 9.8 percent, for the three and nine months ended September 30, 2011, compared to the same periods in 2010. Commissions and bonuses increased by $1.5 million, or 9.8 percent, and $9.0 million, or 23.7 percent, for the three and nine months ended September 30, 2011, compared to the same periods in 2010. Employee benefits increased by $0.9 million, or 9.3 percent, and $4.6 million, or 14.4 percent, for the three and nine months ended September 30, 2011, compared to the same periods in 2010. Of the total increase in salary and employee benefits expense, approximately $1.7 million, or 28.3 percent, for the third quarter of 2011 and $9.2 million, or 35.5 percent, for the nine months ended September 30, 2011 is related to salary and benefits from acquisitions.

During the second quarter of 2011, the Company and its subsidiaries, UMB Bank, n.a., UMB Bank Colorado, n.a., UMB Bank Arizona, n.a., and UMB National Bank of America entered into an agreement to settle a class action lawsuit, filed in Missouri, in November 2010 and amended in May 2011, arising from the Company s consumer personal deposit account posting practices, which allegedly resulted in excessive overdraft fees in violation of Missouri s consumer protection statute and the account agreement. While admitting no wrongdoing, in order to fully and finally resolve the litigation and avoid any further expense and distraction caused by the litigation, the Company established a $7.8 million escrow fund in accordance with this agreement.

Income Tax Expense

The effective tax rate is 28.4 percent for the nine months ended September 30, 2011, compared to 27.4 percent for the same period in 2010. The increase in the effective tax rate for 2011 is attributable to a smaller portion of the income being earned from tax-exempt municipal securities and an increase in the state marginal rate.

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Strategic Lines of Business

Table 6

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

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Segment				
Commercial Financial Services	$ 17,835	$ 16,046	$ 48,907	$ 45,820
Institutional Financial Services	16,901	11,435	53,392	37,638
Personal Financial Services	2,967	2,126	10,504	13,262
Treasury and Other Adjustments	(1,600)	525	3,475	2,473
Total Consolidated Company	$ 36,103	$ 30,132	$ 116,278	$ 99,193

Commercial Financial Services net income before taxes increased $3.1 million, or 6.7 percent, to $48.9 million from the prior year. The increase in net income was driven primarily by increase to margin and noninterest income, but was partially offset by an increase in noninterest expense and provision for loan loss. Total average earning asset balances are up over the prior year by $234.2 million, or 6.8 percent; additionally, average deposits and repurchase agreements increased by $566.9 million, or 15.7 percent. Net interest margin increased by $5.6 million, or 4.9 percent, due to the balance sheet increases. Noninterest income increased $1.2 million, or 4.2 percent, due to increased fees from the sales of commercial credit cards, deposit service charges, and letters of credit. Noninterest expense increased by $3.1 million, or 3.5 percent, primarily due to an increase in allocated technology expenses. Provision for loan loss increased by $0.6 million, or 7.2 percent, primarily due to loan growth in this segment and additional allocation of provision to ensure the allowance for loan loss is maintained at an appropriate level given the inherent risk in the loan portfolio in this segment.

Institutional Financial Services net income before taxes increased $15.8 million, or 41.9 percent, to $53.4 million from the prior year. Noninterest income increased $35.5 million, net interest margin increased by $2.0 million and provision decreased by $6.9 million. This was offset by a $28.6 million increase in noninterest expense. Noninterest income increased due to a $13.2 million increase in advisory fees from Scout Investments, $6.2 million increase in fund administration and custody services income, $13.2 million increase in institutional management fee income and a $4.8 million increase in card services income. Fee income increased largely to the acquisitions and net inflows of $1.0 billion for the first nine months of 2011. Fee income from new sales is the primary driver of the increase in fund administration and alternative investments. Card services income increased from our credit card portfolio acquisitions in 2010 and due to increased sales volume in commercial card, healthcare services and debit card. Noninterest expense increased $16.6 million in salary and benefit costs related to the increase to staffing related to acquisitions and growth in Fund Services and Card Services. Amortization of intangibles related to the acquisitions increased by $3.7 million. Overhead allocations increased to this segment of $4.2 million due to the increases in revenue in this segment. Net interest income increased $2.0 million due to an increase in average deposits of $574.1 million.

Personal Financial Services net income before taxes decreased by $2.8 million, or 20.8 percent, to $10.5 million compared to the prior year. Net interest income decreased $2.2 million, or 2.8 percent, over 2010 due to a decrease in earning assets of $12.4 million. Average loans decreased by $8.3 million driven by decreased consumer loan balances due to the continued runoff of the indirect automobile portfolio partially offset by increases in the home equity loan portfolio and small business loans. Average deposit balances have increased in this segment compared to 2010, by $246.1 million, primarily in demand, interest checking, and money market with a reduction in savings and time deposits. Noninterest income increased $7.2 million, or 10.0 percent, from 2010. This increase was due primarily to an increase of $12.1 million in investment management fee income related to the acquisitions and growth in personal trust fee income. This increase was offset by a reduction deposit service charges of $6.5 million primarily due to a decrease in overdraft and insufficient fund fees. Noninterest expense increased $8.4 million, or 6.2 percent, over 2010. The increase was primarily due to an increase of $5.7 million in salary and benefit costs and $1.1 million in amortization of intangibles related to acquisitions.

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The net income before tax for the Treasury and Other Adjustments category was $3.5 million for the first nine months of 2011, compared to net income before tax of $2.5 million for the same period in 2010.

Balance Sheet Analysis

Total assets of the Company as of September 30, 2011 decreased $265.8 million, or 2.1 percent, compared to December 31, 2010 and increased $799.0 million, or 7.0 percent, compared to September 30, 2010. The increase in total assets from September 2010 to September 2011 is primarily a result of an increase in investment securities balances including trading securities of $758.7 million, or 14.6 percent. The decrease in total assets from December to September is primarily result of decreased due from Federal Reserve balances of $280.3 million, or 59.9 percent. The overall increase in total assets from September 30, 2010 is directly related to a corresponding increase in deposit balances of $793.2 million, or 9.2 percent. The decrease in assets from December 31, 2010 to September 30, 2011 is related to a decrease in federal funds purchased and securities sold under agreement to repurchase of $743.6 million, or 35.7 percent, due to the run-off of seasonal public fund tax deposits, as such tax deposits are generally higher around the end of the calendar year. This decrease is offset by an increase in deposit balances of $366.3 million, or 4.1 percent, from December 31, 2010.

Table 7

SELECTED BALANCE SHEET INFORMATION *(unaudited, dollars in thousands)*

	September 30, 2011	September 30, 2010	December 31, 2010
Total assets	$ 12,139,084	$ 11,340,041	$ 12,404,932
Loans, net of unearned interest	4,776,071	4,583,562	4,583,683
Total investment securities	5,940,165	5,181,441	5,742,104
Interest-bearing due from banks	322,993	658,347	848,598
Total earning assets	11,064,610	10,384,286	11,350,023
Total deposits	9,395,023	8,601,815	9,028,741
Total borrowed funds	1,379,223	1,469,066	2,128,446

Loans

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

Total loan balances have increased $192.4 million, or 4.2 percent, compared to December 31, 2010 and increased $192.5 million, or 4.2 percent, compared to September 30, 2010. The increase from December 31, 2010 and September 30, 2010 is primarily a result of a $161.7 million, or 8.3 percent, and 167.9 million, or 8.7 percent, increase in commercial loans, respectively.

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

Securities

The Company s securities 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 securities portfolio can be used as a tool to manage interest rate sensitivity. The Company s goal in the management of its securities portfolio is to maximize return within the Company s parameters of liquidity goals, interest rate risk and credit risk. The Company maintains strong liquidity levels while investing in only high-grade securities. The securities portfolio generates the Company s second largest component of interest income.

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Investment securities totaled $5.9 billion at September 30, 2011, compared to $5.7 billion at December 31, 2010, and $5.2 billion at September 30, 2010. Collateral pledging requirements for public funds, loan demand, and deposit funding are the primary factors impacting changes in the level of security holdings. Investment securities comprised 53.7 percent, 50.6 percent, and 49.9 percent, respectively, of the earning assets as of September 30, 2011, December 31, 2010, and September 30, 2010. There were $3.8 billion of these securities pledged to secure U.S. Government deposits, other public deposits, securities sold under repurchase agreements, and certain trust deposits as required by law at September 30, 2011.

Investment securities had an average tax-equivalent yield of 2.45 percent for the first nine months of 2011 compared to 2.77 percent for the same period in 2010, or a decrease of 32 basis points. The average life of the securities portfolio was 33.8 months at September 30, 2011 compared to 28.7 months at December 31, 2010 and 26.7 months at September 30, 2010. The increase in average life from September 30, 2010 and December 31, 2010 was primarily related to an increase in the percentage of investments invested in the core portfolio resulting in a lower percentage of short term investments held compared to the same period last year due to excess liquidity being retained in the continued low rate environment.

Deposits and Borrowed Funds

Deposits increased $366.3 million, or 4.1 percent, from December 31, 2010 to September 30, 2011 and increased $793.2 billion, or 9.2 percent, from September 30, 2010. Noninterest-bearing deposits increased $728.3 million offset by decreased interest-bearing deposits of $362.0 million from December 31, 2010. Noninterest-bearing deposits increased $838.5 million offset by a slight decrease in interest-bearing deposits of $45.3 million from September 30, 2010. The increase in noninterest-bearing deposits from September 30, 2010 and December 31, 2010 came primarily from our public funds, mutual fund processing and treasury management businesses. The decrease in interest-bearing deposits compared to September 30, 2010 is primarily related to decreases in money market and time deposit accounts.

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

Borrowed funds decreased $749.2 million from December 31, 2010 to $1.4 billion. 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. Borrowed funds decreased slightly by $89.8 million from September 30, 2010.

Federal funds purchased and securities sold under agreement to repurchase totaled $1.3 billion at September 30, 2011, compared to $2.1 billion at December 31, 2010 and $1.4 billion at September 30, 2010. 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. The Company manages capital for each subsidiary based upon the subsidiary s respective risks and growth opportunities as well as regulatory requirements.

Total shareholders equity was $1.2 billion at September 30, 2011, a $109.4 million increase compared to December 31, 2010. The Company s Board of Directors authorized, at its April 26, 2011, April 27, 2010, and April 21, 2009 meetings, the repurchase of up to two million shares of the Company s common stock during the twelve months following the meetings. During the nine months ended September 30, 2011 and 2010, the Company acquired 219,030 shares and 201,518 shares, respectively, of its common stock under these plans. The Company has not made any purchases other than through these plans.

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On October 25, 2011, the Board of Directors declared a dividend of $0.205 per share. The dividend will be paid on January 3, 2012 to shareholders of record on December 9, 2011.

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 11.32 percent and total capital ratio of 12.37 percent substantially exceed the regulatory minimums.

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

Table 8

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

RATIOS	Three Months Ended September 30, 2011	2010	Nine Months Ended September 30, 2011	2010
Return on average assets	0.85%	0.82%	0.90%	0.88%
Return on average equity	8.81	8.31	9.89	9.09
Average equity to assets	9.64	9.88	9.09	9.66
Tier 1 risk-based capital ratio	11.32	12.61	11.32	12.61
Total risk-based capital ratio	12.37	13.78	12.37	13.78
Leverage ratio	6.76	7.39	6.76	7.39

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

Per Share Data	Three Months Ended September 30, 2011	2010	Nine Months Ended September 30, 2011	2010
Earnings basic	$ 0.65	$ 0.57	$ 2.08	$ 1.80
Earnings diluted	0.64	0.57	2.06	1.78
Cash dividends	0.195	0.185	0.585	0.555
Dividend payout ratio	30.00%	32.46%	28.13%	30.83%
Book value	$ 28.97	$ 26.98	$ 28.97	$ 26.98

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.

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,

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management evaluates its estimates and judgments, including those related to allowance for loan losses, investments, long-lived assets, contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which have formed the basis for making such judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the recorded estimates under different assumptions or conditions. A summary of critical accounting policies is listed in the Management s Discussion and Analysis of Financial Condition and Results of Operations section of the Company s Annual Report Form 10-K for the fiscal year ended December 31, 2010.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

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

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

Interest Rate Risk

In the banking industry, a major risk exposure is changing interest rates. To minimize the effect of interest rate changes to net interest income and exposure levels to economic losses, the Company manages its exposure to changes in interest rates through asset and liability management within guidelines established by its Funds Management Committee (FMC) and approved by the Company s Board of Directors. The FMC has the responsibility for approving and ensuring compliance with asset/liability management policies, including interest rate exposure. The Company s primary method for measuring and analyzing consolidated interest rate risk is the Net Interest Income Simulation Analysis. The Company also uses a Net Portfolio Value model to measure market value risk under various rate change scenarios and a gap analysis to measure maturity and repricing relationships between interest-earning assets and interest-bearing liabilities at specific points in time. On a limited basis, the Company uses hedges or swaps to manage interest rate risk by using futures contracts on certain loans and trading securities.

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 300 basis point upward and a 100 basis point downward gradual change of market interest rates over a one year period. Assumptions are made to project rates for new loans and deposits based on historical analysis, management outlook, and repricing strategies. Asset prepayments and other market risks are developed from industry estimates of prepayment speeds and other market changes. Since the results of these simulations can be significantly influenced by assumptions utilized, management evaluates the sensitivity of the simulation results to changes in assumptions.

Table 9 shows the net interest income increase or decrease over the next twelve months as of September 30, 2011 and 2010 based on hypothetical changes in interest rates.

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Table 9

MARKET RISK *(unaudited, dollars in thousands)*

Hypothetical change in interest rate (Rates in Basis Points)	September 30, 2011 Amount of change	September 30, 2010 Amount of change
300	$31,741	$7,103
200	20,701	3,999
100	9,935	1,319
Static		
(100)	N/A	N/A

The Company is positioned close to neutral with respect to interest rate changes and slightly positive in rapidly rising rate environments at September 30, 2011. Large increases in interest rates are projected to cause increases in net interest income with smaller changes having little impact. Due to the already low interest rate environment interest rates on liabilities are so low that there is little room for further rate reductions. The Company did not include a 100 basis point falling scenario. For projected increases in rates, net interest income is projected to increase due to the Company being positioned to adjust yields on assets with changes in market rates more than the cost of paying liabilities is projected to increase.

Trading Account

The Company s subsidiary UMB Bank, n.a. carries taxable government 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 UMB Bank, n.a. can carry in the trading account and also requires that UMB Bank, n.a. comply with any limits under applicable law and regulations. The policy also mandates the use of a value at risk methodology to manage price volatility risks within financial parameters. The risk associated with carrying trading securities is offset by the sale of exchange traded futures contracts, with both the trading account and futures contracts marked to market daily. This account had a balance of $71.1 million as of September 30, 2011 compared to $42.5 million as of December 31, 2010.

Documentation of the methodology used in determining value at risk is maintained and reviewed in compliance banking laws and regulations. The aggregate value at risk is reviewed quarterly. The aggregate value at risk in the trading account was insignificant as of September 30, 2011 and December 31, 2010.

Other Market Risk

The Company does not have material commodity price risks or derivative risks. The Company does have minimal foreign currency risk as a result of foreign exchange contracts. See Note 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 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, the Company centrally reviews loan requests to ensure the consistent application of the loan policy and standards. The Company has an internal loan review staff that operates independently of the affiliate banks. This review team performs periodic examinations of each bank s loans for credit quality, documentation and loan administration. The respective regulatory authority of each affiliate bank also reviews loan portfolios.

A primary indicator of credit quality and risk management is the level of nonperforming loans. Nonperforming loans include both nonaccrual loans and restructured loans. The Company s nonperforming loans decreased $4.9 million to $20.1 million at September 30, 2011, compared to September 30, 2010 and decreased $5.0 million, compared to December 31, 2010.

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The Company had $5.3 million of other real estate owned as of September 30, 2011 compared to $5.7 million as of September 30, 2010 and $4.4 million as of December 31, 2010. Loans past due more than 90 days totaled $6.4 million as of September 30, 2011, compared to $7.5 million at September 30, 2010 and $5.5 million as of December 31, 2010.

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 $4.1 million of restructured loans at September 30, 2011, $2.0 million at September 30, 2010 and $0.2 million at December 31, 2010.

Table 10

LOAN QUALITY *(unaudited, dollars in thousands)*

	September 30,		December 31,
	2011	2010	2010
Nonaccrual loans	$ 16,070	$ 23,014	$ 24,925
Restructured loans	4,070	2,008	217
Total nonperforming loans	20,140	25,022	25,142
Other real estate owned	5,299	5,714	4,387
Total nonperforming assets	$ 25,439	$ 30,736	$ 29,529
Loans past due 90 days or more	$ 6,387	$ 7,454	$ 5,480
Allowance for Loan Losses	72,876	72,719	73,952
Ratios			
Nonperforming loans as a percent of loans	0.42%	0.55%	0.55%
Nonperforming assets as a percent of loans plus other real estate owned	0.53	0.67	0.64
Nonperforming assets as a percent of total assets	0.21	0.27	0.24
Loans past due 90 days or more as a percent of loans	0.13	0.16	0.12
Allowance for loan losses as a percent of loans	1.53	1.59	1.61
Allowance for loan losses as a multiple of nonperforming loans	3.62x	2.91x	2.94x

Liquidity Risk

Liquidity represents the Company s ability to meet financial commitments through the maturity and sale of existing assets or availability of additional funds. The most important factor in the preservation of liquidity is maintaining public confidence that facilitates the retention and growth of a large, stable supply of core deposits and wholesale funds. Ultimately, public confidence is generated through profitable operations, sound credit quality and a strong capital position. The primary source of liquidity for the Company is regularly scheduled payments and maturity of assets, which include $5.8 billion of high-quality securities available for sale. Investment securities with a market value of $3.8 billion at September 30, 2011 were pledged to secure U.S. Government deposits, other public deposits, securities sold under repurchase agreements, and certain trust deposits as required by law. The liquidity of the Company and its affiliate banks is also enhanced by its activity in the federal funds market and by its core deposits. Neither the Company nor its subsidiaries are active in the debt market. The traditional funding source for the Company s subsidiary banks has been core deposits. Based upon regular contact with investment banking firms, management believes it can raise debt or equity capital on favorable terms, should the need arise.

The Company also has other commercial commitments that may impact liquidity. These commitments include unused commitments to extend credit, standby letters of credit and financial guarantees, and commercial letters of credit. The total amount of these commercial commitments at September 30, 2011 was $4.5 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.

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

Operational Risk

Operational risk generally refers to the risk of loss resulting from the Company s operations, including those operations performed for the Company by third parties. This would include but is 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, breaches of the internal control system and compliance requirements, and unplanned interruptions in service. This risk of loss also includes the potential legal or regulatory actions that could arise as a result of an operational deficiency, or as a result of noncompliance with applicable regulatory standards. Included in the legal and regulatory issues with which the Company must comply are a number of imposed rules resulting from the enactment of the Sarbanes-Oxley Act of 2002.

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

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

ITEM 4. CONTROLS AND PROCEDURES

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

Disclosure Controls and Procedures

The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s Disclosure Controls and Procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by the report, the Company s disclosure controls and procedures are effective for ensuring the following criteria for the information the Company is required to report in its periodic SEC filings. SEC filings are recorded, processed, summarized, and reported within the time period required and that information required to be disclosed by the Company is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

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Internal Control Over Financial Reporting

There has been no change in the Company s internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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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. Except as stated below, 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.

During 2010, two suits were filed against UMB Bank, N.A. (the Bank) in Missouri state court alleging that the Bank s deposit account posting practices resulted in excessive overdraft fees in violation of Missouri s consumer protection statute and the account agreement. Both suits sought class-action status for the Bank s Missouri customers who may have been similarly affected. The Bank removed the first of the two suits (Johnson, et. al. vs. UMB Bank N.A.) to the U.S. District Court for the Western District of Missouri. The action was then transferred to the multidistrict litigation in the U.S. District Court for the Southern District of Florida, where similar claims against other financial institutions are pending. The second suit (Allen, et. al. vs. UMB Bank N.A., et. al.) was also filed in Missouri state court by another Bank customer alleging substantially identical facts. The Allen suit was subsequently amended to add the Company and all of its other bank subsidiaries as defendants, and to seek to include customers of all of the defendant banks in a class action. During the first quarter of 2011, a third suit (Downing vs. UMB Bank N.A., et. al.) was filed in the U.S. District Court for the Western District of Oklahoma by another bank customer alleging similar facts and also seeking class action status. On May 13, 2011, the Company and all of its bank subsidiaries entered into an agreement to settle the Allen suit. To resolve the litigation, and without admitting any wrongdoing, the Company agreed to establish a $7.8 million escrow settlement fund, and recognized the related expense in its consolidated statements of income for the period ended June 30, 2011. The settlement was subject to approval by the Circuit Court of Jackson County, Missouri. The court gave preliminary approval to the settlement agreement on June 27, 2011, and gave final approval to the settlement agreement at a fairness hearing on October 31, 2011. The Johnson suit was dismissed without prejudice on August 31, 2011.

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, 2010.

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

The table below sets forth the information with respect to purchases made by or on behalf of the Company or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the three months ended September 30, 2011.

ISSUER PURCHASE OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1-July 31, 2011	25,765	$ 43.79	25,765	1,932,964
August 1-August 31, 2011	106,972	35.27	106,972	1,825,992
September 1-September 30, 2011	4,261	35.78	4,261	1,821,731
Total	136,998	$ 36.89	136,998	

On April 26, 2011, the Company announced a plan to repurchase up to two million shares of common stock. This plan will terminate on April 25, 2012. All open market share purchases under the share repurchase plans are intended to be within the scope of Rule 10b-18 promulgated under the Exchange Act. Rule 10b-18 provides a safe harbor for purchases in a given day if the Company satisfies the manner, timing and volume conditions of the rule when purchasing its own common shares. The Company has not made any repurchases other than through this plan.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. RESERVED

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

a) The following exhibits are filed herewith:

i. 3.1 Articles of Incorporation restated as of April 25, 2006. Amended Article III was filed with the Missouri Secretary of State on May 18, 2006 and incorporated by reference to Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and filed with the Commission on May 9, 2006.

ii. 3.2 Bylaws, amended and restated as of July 26, 2011 incorporated by reference to Exhibit 3 (ii).2 to the Company s Current Report on Form 8-K and filed with the Commission on July 27, 2011.

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

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

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

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

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

viii. 101.INS* XBRL Instance

ix. 101.SCH* XBRL Taxonomy Extension Schema

x. 101.CAL* XBRL Taxonomy Extension Calculation

xi. 101.DEF* XBRL Taxonomy Extension Definition

xii. 101.LAB* XBRL Taxonomy Extension Labels

xiii. 101.PRE* XBRL Taxonomy Extension Presentation

* XBRL information will be considered to be furnished, not filed, for the first two years of a company s submission of XBRL information.

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SIGNATURES

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

UMB FINANCIAL CORPORATION

/s/ Brian J. Walker

Brian J. Walker
Senior Vice President, Corporate Controller

(Authorized Officer and Chief Accounting Officer)

Date: November 3, 2011

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