

UMB FINANCIAL CORP
Form 10-Q
May 05, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended **March 31, 2010**

OR

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

For the transition period from _____ to _____

Commission file number 0-4887

UMB FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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Missouri
(State or other jurisdiction of
incorporation or organization)

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

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

64106
(ZIP Code)

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

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

Indicate by check mark whether the registrant 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 No

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.

Large accelerated filer

Accelerated filer

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

smaller reporting company

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

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

As of April 30, 2010, UMB Financial Corporation had 40,464,984 shares of common stock outstanding.

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

	March 31, 2010	December 31, 2009
ASSETS		
Loans:	\$ 4,301,965	\$ 4,314,705
Allowance for loan losses	(67,442)	(64,139)
Net loans	4,234,523	4,250,566
Loans held for sale	17,706	17,523
Investment Securities:		
Available for sale	4,740,505	4,885,788
Held to maturity (market value of \$57,570 and \$58,366, respectively)	55,968	56,986
Federal Reserve Bank stock and other	22,432	22,732
Trading securities	34,858	38,214
Total investment securities	4,853,763	5,003,720
Federal funds sold and securities purchased under agreements to resell	21,177	329,765
Interest-bearing due from banks	724,437	1,057,195
Cash and due from banks	319,966	458,093
Bank premises and equipment, net	213,330	217,642
Accrued income	61,515	64,949
Goodwill	131,356	131,356
Other intangibles	46,635	47,462
Other assets	99,648	85,084
Total assets	\$ 10,724,056	\$ 11,663,355
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 2,716,510	\$ 2,775,222
Interest-bearing demand and savings	3,904,509	3,904,268
Time deposits under \$100,000	738,260	772,040
Time deposits of \$100,000 or more	861,230	1,082,958
Total deposits	8,220,509	8,534,488
Federal funds purchased and repurchase agreements	1,311,296	1,927,607
Short-term debt	21,874	29,514
Long-term debt	24,212	25,458
Accrued expenses and taxes	103,549	107,896
Other liabilities	13,165	22,841
Total liabilities	9,694,605	10,647,804

SHAREHOLDERS EQUITY

Common stock, \$1.00 par value; 80,000,000 shares authorized, 55,056,730 shares issued, and 40,488,195 and 40,439,607 shares outstanding, respectively	55,057	55,057
Capital surplus	713,062	712,774
Retained earnings	581,443	562,748
Accumulated other comprehensive income	36,631	40,454
Treasury stock, 14,568,535 and 14,617,123 shares, at cost, respectively	(356,742)	(355,482)
Total shareholders equity	1,029,451	1,015,551
Total liabilities and shareholders equity	\$ 10,724,056	\$ 11,663,355

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**UMB FINANCIAL CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF INCOME***(unaudited, dollars in thousands, except share and per share data)*

	Three Months Ended March 31,	
	2010	2009
<u>INTEREST INCOME</u>		
Loans	\$ 53,483	\$ 52,800
Securities:		
Taxable interest	23,779	29,122
Tax-exempt interest	7,317	7,020
Total securities income	31,096	36,142
Federal funds and resell agreements	61	130
Interest-bearing due from banks	1,319	842
Trading securities	142	168
Total interest income	86,101	90,082
<u>INTEREST EXPENSE</u>		
Deposits	9,624	13,823
Federal funds and repurchase agreements	444	660
Long-term debt	259	390
Total interest expense	10,327	14,873
Net interest income	75,774	75,209
Provision for loan losses	8,310	6,000
Net interest income after provision for loan losses	67,464	69,209
<u>NONINTEREST INCOME</u>		
Trust and securities processing	35,572	24,899
Trading and investment banking	7,027	4,861
Service charges on deposits	20,519	20,795
Insurance fees and commissions	1,699	1,570
Brokerage fees	1,336	2,352
Bankcard fees	12,020	10,947
Gain on sales of securities available for sale, net	5,382	42
Other	2,875	3,443
Total noninterest income	86,430	68,909
<u>NONINTEREST EXPENSE</u>		
Salaries and employee benefits	62,253	57,996
Occupancy, net	8,921	8,144
Equipment	10,870	12,996
Supplies and services	4,707	5,377
Marketing and business development	3,705	3,191
Processing fees	11,029	7,004
Legal and consulting	1,622	1,548

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Bankcard	3,190	3,957
Amortization of other intangible assets	2,091	976
Regulatory Fees	3,238	1,727
Other	5,752	3,728
Total noninterest expense	117,378	106,644
Income before income taxes	36,516	31,474
Income tax provision	10,331	8,873
NET INCOME	\$ 26,185	\$ 22,601
<u>PER SHARE DATA</u>		
Net income - basic	\$ 0.65	\$ 0.56
Net income - diluted	0.65	0.55
Dividends	0.185	0.175
Weighted average shares outstanding	40,089,527	40,598,097
See Notes to Condensed Consolidated Financial Statements.		

Table of Contents**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, 2009	\$ 55,057	\$ 707,812	\$ 502,073	\$ 41,105	\$ (331,236)	\$ 974,811
Comprehensive income						
Net income			22,601			22,601
Change in unrealized gains on securities				5,370		5,370
Total comprehensive income						27,971
Cash dividends (\$0.175 per share)			(7,188)			(7,188)
Purchase of treasury stock					(12,443)	(12,443)
Issuance of equity awards		(1,261)			1,393	132
Recognition of equity based compensation		1,202				1,202
Net tax benefit related to equity compensation plans		58				58
Sale of treasury stock		114			54	168
Exercise of stock options		119			154	273
Balance - March 31, 2009	\$ 55,057	\$ 708,044	\$ 517,486	\$ 46,475	\$ (342,078)	\$ 984,984
Balance - January 1, 2010	\$ 55,057	\$ 712,774	\$ 562,748	\$ 40,454	\$ (355,482)	\$ 1,015,551
Comprehensive income						
Net income			26,185			26,185
Change in unrealized gains on securities				(3,823)		(3,823)
Total comprehensive income						22,362
Cash dividends (\$0.185 per share)			(7,490)			(7,490)
Purchase of treasury stock					(2,961)	(2,961)
Issuance of equity awards		(1,374)			1,498	124
Recognition of equity based compensation		1,410				1,410
Net tax benefit related to equity compensation plans		48				48
Sale of treasury stock		113			63	176
Exercise of stock options		91			140	231
Balance - March 31, 2010	\$ 55,057	\$ 713,062	\$ 581,443	\$ 36,631	\$ (356,742)	\$ 1,029,451

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**UMB FINANCIAL CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(unaudited, dollars in thousands)*

	Three Months Ended March 31,	
	2010	2009
Operating Activities		
Net Income	\$ 26,185	\$ 22,601
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	8,310	6,000
Depreciation and amortization	9,170	9,561
Deferred income tax benefit	(3,087)	(2,532)
Net decrease in trading securities	3,356	1,970
Gains on sale of securities available for sale	(5,382)	(42)
Losses on sale of assets	92	1
Amortization of securities premiums, net of discount accretion	7,299	3,963
Originations of loans held for sale	(26,577)	(67,157)
Net gains on sales of loans held for sale	(170)	(389)
Proceeds from sales of loans held for sale	26,564	54,633
Issuance of equity awards	124	132
Equity based compensation	1,410	1,202
Changes in:		
Accrued income	3,434	2,730
Accrued expenses and taxes	640	(1,947)
Other assets and liabilities, net	(5,423)	6,263
Net cash provided by operating activities	45,945	36,989
Investing Activities		
Proceeds from maturities of securities held to maturity	2,626	1,229
Proceeds from sales of securities available for sale	360,020	98
Proceeds from maturities of securities available for sale	624,202	1,194,813
Purchases of securities held to maturity	(1,678)	(1,468)
Purchases of securities available for sale	(865,300)	(436,286)
Net decrease in loans	19,334	76,740
Net decrease in fed funds sold and resell agreements	308,588	183,258
Net increase in interest-bearing balances due from other financial institutions	(18,458)	(10,391)
Purchases of bank premises and equipment	(3,096)	(3,581)
Net cash paid for acquisitions	(12,386)	
Proceeds from sales of bank premises and equipment	169	163
Net cash provided by investing activities	414,021	1,004,575
Financing Activities		
Net decrease in demand and savings deposits	(58,621)	(45,008)
Net decrease in time deposits	(255,508)	(3,505)
Net decrease in fed funds purchased and repurchase agreements	(616,311)	(713,114)
Net (decrease) increase in short-term debt	(7,640)	11,354
Repayment of long-term debt	(1,246)	(1,166)
Cash dividends paid	(7,477)	(7,178)
Net tax benefit related to equity compensation plans	48	58

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Proceeds from exercise of stock options and sales of treasury shares	407	441
Purchases of treasury stock	(2,961)	(12,443)
Net cash used in financing activities	(949,309)	(770,561)
(Decrease) increase in cash and due from banks	(489,343)	271,003
Cash and due from banks at beginning of period	1,229,645	887,559
Cash and due from banks at end of period	\$ 740,302	\$ 1,158,562
Supplemental Disclosures:		
Income taxes paid	\$ 783	\$ 208
Total interest paid	13,255	16,269
See Notes to Condensed Consolidated Financial Statements.		

Table of Contents**UMB FINANCIAL CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2010 (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 significant 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, 2009.

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, and Wisconsin. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also impact reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A summary of the significant accounting policies to assist the reader in understanding the financial presentation 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, 2009.

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 \$420.3 million and \$806.8 million at March 31, 2010 and March 31, 2009, respectively, and is considered cash and cash equivalents. The amounts due from certificates of deposit totaled \$304.1 million and \$121.5 million at March 31, 2010 and March 31, 2009, respectively.

This table provides a summary of cash and due from banks as presented on the Consolidated Statement of Cash Flows as of March 31, 2010 and March 31, 2009 (in thousands):

	March 31,	
	2010	2009
Due from the Federal Reserve	\$ 420,336	\$ 806,840
Cash and due from banks	319,966	351,722
Cash and due from banks at end of period	\$ 740,302	\$ 1,158,562

Per Share Data

Basic income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted income per share includes the dilutive effect of 285,268 and 282,226 shares issuable upon the exercise of stock options granted by the Company at March 31, 2010 and 2009, respectively.

Options issued under employee benefit plans to purchase 1,119,068 and 971,191 shares of common stock were outstanding at March 31, 2010 and 2009, respectively, but were not included in the computation of diluted EPS because the options were anti-dilutive.

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Accounting for Transfers of Financial Assets- an amendment of FASB Statement No. 140 In June 2009, the Financial Accounting Standards Board (FASB) issued SFAS No. 166 Accounting for Transfers of Financial Assets-an amendment of FASB Statement No. 140 or Accounting Standards Codification (ASC) 860. The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This Statement removes the concept of a qualifying special-purpose entity from SFAS No. 140 and removes the exception from applying FASB Interpretation No. 46 to qualifying special-purpose entities. The Company adopted this statement on January 1, 2010 without a material impact on its financial position or results of operations.

Amendments to FASB Interpretation No. 46(R) In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) or ASC 810, which amends the consolidation guidance applicable to variable interest entities. The amendments to the consolidation guidance affect all entities currently within the scope of FIN 46(R), as well as qualifying special-purpose entities that are currently excluded from the scope of FIN 46(R). The Company adopted this statement on January 1, 2010 without a material impact on its financial position or results of operations.

Fair Value Measurements and Disclosures In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, Fair Value Measurements and Disclosures (ASU 2010-06), which amends ASC 820, adding new requirements for disclosures for Levels 1 and 2, separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements and clarification of existing fair value disclosures. ASU 2010-06 is effective for interim and annual periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The Company adopted this statement on January 1, 2010 without a material impact on its financial position or results of operations.

4. Loans and Allowance for Loan Losses

This table provides a summary of the major categories of loans as of March 31, 2010 and December 31, 2009 (*in thousands*):

	March 31, 2010	December 31, 2009
Commercial, financial, and agricultural	\$ 1,943,520	\$ 1,963,533
Real estate construction	98,884	106,914
Consumer	412,607	441,406
Real estate	1,839,418	1,795,342
Leases	7,536	7,510
Total loans	4,301,965	4,314,705
Loans held for sale	17,706	17,523
Total loans and loans held for sale	\$ 4,319,671	\$ 4,332,228

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This table is an analysis of the allowance for loan losses for the three months ended March 31, 2010 and 2009 (*in thousands*):

	Three Months Ended March 31,	
	2010	2009
Beginning allowance - January 1	\$ 64,139	\$ 52,297
Additions (deductions):		
Charge-offs	(6,007)	(5,970)
Recoveries	1,000	1,678
Net charge-offs	(5,007)	(4,292)
Provision charged to expense	8,310	6,000
Ending allowance - March 31	\$ 67,442	\$ 54,005

Impaired loans Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or at the fair value of the collateral securing the loan. The summary below provides an analysis of impaired loans as of and for the three months ended March 31, 2010 and twelve months ended December 31, 2009 (*in thousands*):

	March 31, 2010	December 31, 2009
Total impaired loans as of March 31 and December 31	\$ 23,449	\$ 20,880
Amount of impaired loans which have a related allowance	17,186	14,290
Amount of related allowance	7,736	3,813
Remaining impaired loans with no allowance	6,263	6,590
Average recorded investment in impaired loans during the period	22,165	14,974

5. Securities**Securities Available for Sale**

This table provides detailed information about securities available for sale at March 31, 2010 and December 31, 2009 (*in thousands*):

March 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	\$ 805,784	\$ 3,375	\$ (402)	\$ 808,757
U.S. Agencies	1,526,156	8,711	(926)	