

UMB FINANCIAL CORP
Form 10-K
February 25, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark one)

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

For the fiscal year ended: December 31, 2015

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)

<p>Missouri (State or other jurisdiction of incorporation or organization)</p> <p>1010 Grand Boulevard, Kansas City, Missouri (Address of principal executive offices) (Registrant's telephone number, including area code): (816) 860-7000</p>	<p>43-0903811 (I.R.S. Employer Identification No.)</p> <p>64106 (Zip Code)</p>
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Securities Registered Pursuant to Section 12(b) of the Act:

<p>Title of each class Common Stock, \$1.00 Par Value</p>	<p>Name of each exchange on which registered The NASDAQ Global Select Market</p>
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Securities Registered Pursuant to Section 12(g) of the Act: None

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

As of June 30, 2015 the aggregate market value of common stock outstanding held by nonaffiliates of the registrant was approximately \$2,482,162,139 based on the closing price of the registrant's common stock on the NASDAQ Global Select Market on that date.

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

Class	Outstanding at February 18, 2016
2016 Common Stock, \$1.00 Par Value	49,530,817

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive Proxy Statement on Schedule 14A to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on April 26, 2016, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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PART I

ITEM 1. BUSINESS

General

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

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

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

The Company's significant nonbank subsidiaries include the following:

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

UMB Fund Services, Inc. (UMBFS) is located in Milwaukee, Wisconsin, Chadds Ford, Pennsylvania, and Ogden, Utah, and provides fund accounting, transfer agency, and other services to mutual fund and alternative-investment groups.

On a full-time equivalent basis at December 31, 2015, the Company and its subsidiaries employed 3,830 persons.

Business Segments

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

These segments and their financial results are described in detail in (i) the section of Management's Discussion and Analysis of Financial Condition and Results of Operations entitled *Business Segments*, which can be found in Part II, Item 7, pages 35 through 37, of this report and (ii) Note 12, *Business Segment Reporting*, in the Notes to the Consolidated Financial Statements, which can be found in Part II, Item 8, pages 98 through 99 of this report.

Competition

The Company faces intense competition in each of its business segments and in all of the markets and geographic regions that the Company serves. Competition comes from both traditional and non-traditional financial-services providers, including banks, savings associations, finance companies, investment advisors, asset managers, mutual funds, private-equity firms, hedge funds, brokerage firms, mortgage-banking companies, credit-card companies, insurance companies, trust companies, securities processing companies, and credit unions. Recently, financial-technology (fintech) companies have been partnering more often with financial-services

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providers to compete with the Company for lending, payments, and other business. Many competitors are not subject to the same kind or degree of supervision and regulation as the Company.

Competition is based on a number of factors. Banking customers are generally influenced by convenience, rates and pricing, personal experience, quality and availability of products and other services, lending limits, transaction execution, and reputation. Investment advisory services compete primarily on returns, expenses, third-party ratings, and the reputation and performance of managers. Asset servicing competes primarily on price, quality of services, and reputation. The Company and its competitors all are impacted by the overall economy and health of the financial markets. The degree of impact will vary based on the basis of risk of each competitor and their approach to managing them.

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

Government Monetary and Fiscal Policies

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

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

The FRB and its policies have a substantial impact on the availability and demand for loans and deposits, the rates and other aspects of pricing for loans and deposits, and the conditions in equity, fixed income, currency, and other markets in which the Company operates. Policies announced or implemented by other central banks around the world have a meaningful effect as well and sometimes may be coordinated with those of the FRB.

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

Regulation and Supervision

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

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

interpretations of those laws and other laws that affect the Company.

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Overview

The Company is a bank holding company under the BHCA and a financial holding company under the GLBA. As a result, the Company including all of its businesses and operations in the United States and abroad are subject to the regulation, supervision, and examination of the FRB and to restrictions on permissible activities. This scheme of regulation, supervision, and examination is intended primarily for the protection and benefit of depositors and other customers of the Bank, the Deposit Insurance Fund (the DIF) of the Federal Deposit Insurance Corporation (the FDIC), the banking and financial systems as a whole, and the broader economy, not for the protection or benefit of the Company's shareholders or its non-deposit creditors.

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

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

Restrictions on Permissible Activities and Corporate Matters

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

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

The Company's ability to directly or indirectly engage in these banking and financial activities, however, is subject to conditions and other limits imposed by law or the FRB and, in some cases, requires the approval of the FRB or other

government authorities. These conditions or other limits may arise due to the particular type of activity or, in other cases, may apply to the Company's business more generally. An example of the former is the substantial restrictions on the timing, amount, form, substance, interconnectedness, and management of the Company's merchant banking investments. An example of the latter is a condition that, in order for the Company

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to engage in broader financial activities, its depository institutions must remain well capitalized and well managed under applicable banking laws and must receive at least a satisfactory rating under the Community Reinvestment Act (CRA).

Under amendments to the BHCA effected by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 and the Dodd-Frank Act, the Company may acquire banks outside of its home State of Missouri, subject to specified limits and may establish new branches in other States to the same extent as banks chartered in those States. Under the BHCA, however, the Company must procure the prior approval of the FRB and possibly other government authorities to directly or indirectly acquire ownership or control of five percent or more of any class of voting securities of, or substantially all of the assets of, an unaffiliated bank, savings association, or bank holding company. In deciding whether to approve any acquisition or branch, the FRB, the OCC, and other government authorities will consider public or private interests that may not be aligned with those of the Company's shareholders or non-deposit creditors. The FRB also has the power to require the Company to divest any depository institution that cannot maintain its well capitalized or well managed status.

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

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

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

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

A number of laws, principally Sections 23A and 23B of the Federal Reserve Act, and the FRB's Regulation W, also exist to prevent the Company and its nonbank subsidiaries from taking improper advantage of the benefits afforded to the Bank as a depository institution, including its access to federal deposit insurance and the discount window. These laws generally require the Bank and its subsidiaries to deal with the Company and its nonbank subsidiaries only on

market terms and, in addition, impose restrictions on the Bank and its subsidiaries in directly or indirectly extending credit to or engaging in other covered transactions with the Company or its nonbank subsidiaries. The Dodd-Frank Act rextended the restrictions to derivatives and securities lending

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transactions and expanded the restrictions for transactions involving hedge funds or private-equity funds that are owned or sponsored by the Company or its nonbank subsidiaries.

In addition, under amendments to the BHCA set forth in the Dodd-Frank Act and commonly known as the Volcker Rule, the Company is subject to extensive limits on proprietary trading and on owning or sponsoring hedge funds and private-equity funds. The limits on proprietary trading are largely directed toward purchases or sales of financial instruments by a banking entity as principal primarily for the purpose of short-term resale, a benefit from actual or expected short-term price movements, or the realization of short-term arbitrage profits. The limits on owning or sponsoring hedge funds and private-equity funds are designed to ensure that banking entities generally maintain only small positions in managed or advised funds and are not exposed to significant losses arising directly or indirectly from them. The Volcker Rule also provides for increased capital charges, quantitative limits, rigorous compliance programs, and other restrictions on permitted proprietary trading and fund activities, including a prohibition on transactions with a covered fund that would constitute a covered transaction under Sections 23A and 23B of the Federal Reserve Act.

Additional Requirements under the Dodd-Frank Act

On an annual basis, the Company and the Bank are required under the Dodd-Frank Act to conduct forward-looking, company-run stress tests as an aid to ensuring that each entity would have sufficient capital to absorb losses and support operations during adverse economic conditions. Summaries of stress-test results for the Company and the Bank are expected to be disclosed each year in the fall.

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

Capital-Adequacy Standards

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

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

Prior to January 1, 2015, the Company and the Bank were subject to capital-adequacy standards that had originally been promulgated in 1989 and that are commonly known as Basel I. The Company and the Bank were required to

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

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In July 2013, the FRB and the OCC issued comprehensive revisions to the capital-adequacy standards, commonly known as Basel III, to which the Company and the Bank began transitioning on January 1, 2015, with full compliance required by January 1, 2019. Basel III bolsters the quantity and quality of capital required under the capital-adequacy guidelines, in part, by (1) imposing a new minimum common-equity tier 1 risk-based capital ratio of 4.5%, (2) raising the minimum tier 1 risk-based capital ratio to 6.0%, (3) establishing a new capital conservation buffer of common-equity tier 1 capital to RWAs of 2.5%, (4) amending the definition of qualifying capital to be more conservative, and (5) limiting capital distributions and specified discretionary bonus payments whenever the capital conservation buffer is breached. Basel III also enhances the risk sensitivity of the standardized approach to determining a banking organization's RWAs.

The capital ratios for the Company and the Bank as of December 31, 2015, are set forth below:

	Tier 1 Leverage Ratio	Tier 1 Risk- Based Capital Ratio	Common Equity Tier 1 Capital Ratio	Total Risk-Based Capital Ratio
UMB Financial Corporation	9.08	11.86	11.74	12.80
UMB Bank, n.a.	8.13	10.63	10.63	11.22

These capital-to-assets ratios also play a central role in prompt corrective action (PCA), which is an enforcement framework used by the federal banking agencies to constrain the activities of banking organizations based on their levels of regulatory capital. Five categories have been established using thresholds for the total risk-based capital ratio, the tier 1 risk-based capital ratio, the common-equity tier 1 risk-based capital ratio, and the leverage ratio: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. While bank holding companies are not subject to the PCA framework, the FRB is empowered to compel a holding company to take measures such as the execution of financial or performance guarantees when prompt corrective action is required in connection with one of its depository-institution subsidiaries. At December 31, 2015, the Bank was well capitalized under the PCA framework.

Basel III includes a number of more rigorous provisions applicable only to banking organizations that are larger or more internationally active than the Company and the Bank. These include, for example, a supplementary leverage ratio incorporating off-balance-sheet exposures, a liquidity coverage ratio, and a net stable funding ratio. As with the Dodd-Frank Act, these standards may be informally applied or considered by the FRB and the OCC in their regulation, supervision, and examination of the Company and the Bank.

Deposit Insurance and Related Matters

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

or more.

If an insured depository institution such as the Bank were to become insolvent or if other specified events were to occur relating to its financial condition or the propriety of its actions, the FDIC may be appointed as conservator or receiver for the institution. In that capacity, the FDIC would have the power (1) to transfer assets and liabilities of the institution to another person or entity without the approval of the institution's creditors, (2) to require that its claims process be followed and to enforce statutory or other limits on damages claimed by the institution's creditors, (3) to enforce the institution's contracts or leases according to their terms, (4) to

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repudiate or disaffirm the institution's contracts or leases, (5) to seek to reclaim, recover, or recharacterize transfers of the institution's assets or to exercise control over assets in which the institution may claim an interest, (6) to enforce statutory or other injunctions, and (7) to exercise a wide range of other rights, powers, and authorities, including those that could impair the rights and interests of all or some of the institution's creditors. In addition, the administrative expenses of the conservator or receiver could be afforded priority over all or some of the claims of the institution's creditors, and under the FDIA, the claims of depositors (including the FDIC as subrogee of depositors) would enjoy priority over the claims of the institution's unsecured creditors.

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

Other Regulatory and Supervisory Matters

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

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

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

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

Acquisitions

On May 31, 2015 (the Acquisition Date), the Company acquired all of the outstanding common stock of Marquette Financial Companies (Marquette). The owners of Marquette received 9.2295 shares of the Company's common stock for each share of Marquette common stock owned at the Acquisition Date (approximately 3.47 million shares in the aggregate). The market value of the shares of the Company's common stock issued at the effective time of the merger was approximately \$179.7 million, based on the closing price of the Company's common stock of \$51.79 per share on May 29, 2015. See further information in Note 15, Acquisitions, in the Notes to the Consolidated Financial Statements, which can be found in Part II, Item 8, pages 102 through 104 of this report.

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The information required by Guide 3, Statistical Disclosure by Bank Holding Companies, has been included in Part II, Items 6, 7, and 7A, pages 22 through 60, of this report.

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

Name	Age	Position with Registrant
Anthony J. Fischer	57	Mr. Fischer was named the President of UMB Fund Services, Inc. in July 2014. Prior to that, he served UMB Fund Services Inc. as an Executive Vice President in charge of Business Development from March 2013 until June 2014 and as a Senior Vice President in Business Development from February 2008 through February 2013.
Michael D. Hagedorn	49	Mr. Hagedorn has served as Vice Chairman of the Company since October 2009 and was named President and Chief Executive Officer of the Bank in January 2014. He was appointed interim Chief Financial Officer of the Company in October 2015. Between March 2005 and January 2014, he served as Chief Financial Officer of the Company and, from October 2009 to January 2014, also as Chief Administrative Officer of the Company. He previously served as Senior Vice President and Chief Financial Officer of Wells Fargo, Midwest Banking Group, from April 2001 to March 2005.
Andrew J. Iseman	51	Mr. Iseman joined Scout as Chief Executive Officer in August 2010. From February 2009 to June 2010, he served as Chief Operating Officer of RK Capital Management. He was previously employed by Janus Capital Group from January 2003 to April 2008, most recently serving as its Executive Vice President from January 2008 to April 2008 and also as its Chief Operating Officer from May 2007 to April 2008.
Shannon A. Johnson	36	Ms. Johnson has served as Executive Vice President and Chief Human Resources Officer of the Company since April of 2015. Ms. Johnson's previous positions with the Company include Senior Vice President, Executive Director of Talent Management and Development, and Senior Vice President, Director of Talent Management. Ms. Johnson held these positions from May 2011 to April 2015, and December 2009 to May 2011, respectively.
J. Mariner Kemper	43	Mr. Kemper has served as the President of the Company since November 2015 and as the Chairman and Chief Executive Officer of the Company since May 2004. He served as the Chairman and Chief Executive Officer of the Bank between December 2012 and January 2014, and as the Chairman and Chief Executive Officer of UMB Bank Colorado, n.a. (a prior subsidiary of the Company) between 2000 and 2012. He was President of UMB Bank Colorado from 1997 to 2000. Mr. Kemper is the brother of Mr. Alexander C. Kemper, who currently serves on the Company's Board of Directors.
David D. Kling	67	

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Mr. Kling served as Executive Vice President and Chief Risk Officer of the Company from October 2008 until December 2015. From November 2007 until October 2008, he served as the Executive Vice President for Enterprise Services of the Bank. He also served as Executive Vice President of Financial Services and Support of the Bank from 1997 to 2007.

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Kevin M. Macke	43	Mr. Macke has served as Executive Vice President and Director of Operations for the Bank since November of 2015. In addition, beginning in January of 2014 and ending in December of 2015, Mr. Macke served as the Chief Financial Officer of the Bank. Prior to this time, Mr. Macke held several other positions within the Company or the Bank, including Director of Strategic Technology Initiatives with the Bank from November 2010 to January 2014, and Director of Financial Planning and Analysis with the Company from August 2005 to November 2010.
Jennifer M. Payne	39	Ms. Payne was named as Executive Vice President and Chief Risk Officer of the Company in January 2016. Prior to this time, she served the Company as Director of Corporate Risk Services and Director of Corporate Audit Services, from May 2012 to December 2015, and August 2005 to May 2012, respectively.
Scott A. Stengel	44	Mr. Stengel has served as Executive Vice President and General Counsel of the Company and the Bank since January 2014. He joined the Company as Senior Vice President and Deputy General Counsel in April 2013 after practicing law in Washington D.C., as a partner with King & Spalding LLP from 2011 to 2013 and as a partner with Orrick, Herrington & Sutcliffe LLP from 2005 to 2011.
Christian R. Swett	60	Mr. Swett has served as Executive Vice President and Chief Credit Officer of the Company since January 2011. Prior to this, Mr. Swett was an Executive Vice President.
Thomas S. Terry	52	Mr. Terry has served as Executive Vice President and Chief Lending Officer of the Company since January 2011. Prior to this time, Mr. Terry served as Executive Vice President.
Brian J. Walker	44	Mr. Walker has served as Executive Vice President and Chief Accounting Officer of the Company since January 2014 and June 2007, respectively. He previously served as Chief Financial Officer of the Company from January 2014 to October 2015. From July 2004 to June 2007, he served as a Certified Public Accountant for KPMG LLP, where he worked primarily as an auditor for financial institutions. He worked as a Certified Public Accountant for Deloitte & Touche LLP from November 2002 to July 2004.

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

ITEM 1A. RISK FACTORS

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

Financial Condition and Results of Operations (which can be found in Part II, Item 7 of this report beginning on page 23) and the Notes to the Consolidated Financial Statements (which can be found in Part II, Item 8 of this report beginning on page 68).

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The levels of or changes in interest rates could affect the Company's business or performance. The Company's business, results of operations, and financial condition are highly dependent on net interest income, which is the difference between interest income on earning assets (such as loans and investments) and interest expense on deposits and borrowings. Net interest income is significantly affected by market rates of interest, which in turn are influenced by monetary and fiscal policies, general economic conditions, the regulatory environment, competitive pressures, and expectations about future changes in interest rates. The policies and regulations of the FRB, in particular, have a substantial impact on market rates of interest. See "Government Monetary and Fiscal Policies" in Part I, Item 1 of this report beginning on page 4. The Company may be adversely affected by policies, regulations, or events that have the effect of altering the difference between long-term and short-term interest rates (commonly known as the yield curve), depressing the interest rates associated with its earning assets to levels near the rates associated with its interest expense, or changing the spreads among different interest-rate indices. The Company's customers and counterparties also may be negatively impacted by the levels of or changes in interest rates, which could increase the risk of delinquency or default on obligations to the Company. The levels of or changes in interest rates, moreover, may have an adverse effect on the value of the Company's investment portfolio and other financial instruments, the return on or demand for loans, the prepayment speed of loans, the cost or availability of deposits or other funding sources, or the purchase or sale of investment securities. In addition, a rapid change in interest rates could result in interest expense increasing faster than interest income because of differences in the maturities of the Company's assets and liabilities. The level of and changes in market rates of interest and, as a result, these risks and uncertainties are beyond the Company's control. The dynamics among these risks and uncertainties are also challenging to assess and manage. For example, while the highly accommodative monetary policy currently adopted by the FRB may benefit the Company to some degree by spurring economic activity among its customers, such a policy may ultimately cause the Company more harm by inhibiting its ability to grow or sustain net interest income. See "Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Risk" in Part II, Item 7A of this report beginning on page 54 for a discussion of how the Company monitors and manages interest-rate risk.

Weak or deteriorating economic conditions, more liberal origination or underwriting standards, or financial or systemic shocks could increase the Company's credit risk and adversely affect its lending or other banking businesses and the value of its loans or investment securities. The Company's business and results of operations depend significantly on general economic conditions. When those conditions are weak or deteriorating in any of the markets or regions where the Company operates, its business or performance could be adversely affected. The Company's lending and other banking businesses, in particular, are susceptible to weak or deteriorating economic conditions, which could result in reduced loan demand or utilization rates and at the same time increased delinquencies or defaults. These kinds of conditions also could dampen the demand for products and other services in the Company's investment-management, asset-servicing, insurance, brokerage, or related businesses. Increased delinquencies or defaults could result as well from the Company adopting more liberal origination or underwriting standards for extensions of credit or other dealings with its customers or counterparties. If delinquencies or defaults on the Company's loans or investment securities increase, their value and the income derived from them could be adversely affected, and the Company could incur administrative and other costs in seeking a recovery on its claims and any collateral. Weak or deteriorating economic conditions also may negatively impact the market value and liquidity of the Company's investment securities, and the Company may be required to record additional impairment charges if investment securities suffer a decline in value that is considered other-than-temporary. In addition, to the extent that loan charge-offs exceed estimates, an increase to the amount of provision expense related to the allowance for loan losses would reduce the Company's income. See "Quantitative and Qualitative Disclosures About Market Risk - Credit Risk" in Part II, Item 7A of this report beginning on page 58 for a discussion of how the Company monitors and manages credit risk. A financial or systemic shock and a failure of a significant counterparty or a significant group of counterparties could negatively impact the Company as well, possibly to a severe degree, due to its role as a financial intermediary and the interconnectedness of the financial system.

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A meaningful part of the Company's loan portfolio is secured by real estate and, as a result, could be negatively impacted by deteriorating or volatile real-estate markets or associated environmental liabilities.

At December 31, 2015, 37.8 percent of the Company's aggregate loan portfolio comprised of commercial real-estate loans (representing 28.2 percent of the aggregate loan portfolio), construction real-estate loans (representing 4.4 percent of the aggregate loan portfolio), and residential real-estate loans (representing 5.2 percent of the aggregate loan portfolio) was primarily secured by interests in real estate predominantly located in the States where the Company operates. Other credit extended by the Company may be secured in part by real estate as well. Real-estate values in the markets where this collateral is located may be different from, and in some instances worse than, real-estate values in other markets or in the United States as a whole and may be affected by general economic conditions and a variety of other factors outside of the control of the Company or its customers. Any deterioration or volatility in these real-estate markets could result in increased delinquencies or defaults, could adversely affect the value of the loans and the income to be derived from them, could give rise to unreimbursed recovery costs, and could reduce the demand for new or additional credit and related banking products and other services, all to the detriment of the Company's business and performance. In addition, if hazardous or toxic substances were found on any real estate that the Company acquires in foreclosure or otherwise, substantial liability may arise for compliance and remediation costs, personal injury, or property damage.

Challenging business, economic, or market conditions could adversely affect the Company's fee-based banking, investment-management, asset-servicing, or other businesses.

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

The Company's investment-management and asset-servicing businesses could be negatively impacted by declines in assets under management or administration or by shifts in the mix of assets under management or administration.

The revenues of Scout, Prairie Capital Management (PCM), and the Company's other investment-management businesses are highly dependent on advisory fee income. These businesses generally earn higher fees on equity-based or alternative investments and strategies and lower fees on fixed income investments and strategies. Advisory-fee income may be negatively impacted by an absolute decline in assets under management or by a shift in the mix of assets under management from equities or alternatives to fixed income. Such a decline or shift could be caused or influenced by any number of factors, such as underperformance in absolute or relative terms, loss of key advisers or other talent, changes in investing preferences or trends, market downturns or volatility, drops in investor confidence, reputational damage, increased competition, or general economic conditions. Any of these factors also could affect clients of UMBFS, and if this were to cause a decline in assets under administration at UMBFS or an adverse shift in the mix of those assets, the performance of UMBFS could suffer.

To the extent that the Company continues to maintain a sizeable portfolio of available-for-sale investment securities, its income may be adversely affected and its reported equity more volatile. As of December 31, 2015, the Company's securities portfolio totaled approximately \$7.6 billion, which represented approximately 39.6 percent of its total assets. Regulatory restrictions and the Company's investment policies generally result in the acquisition of

securities with lower yields than loans. For the year-ended December 31, 2015, the weighted average yield of the Company's securities portfolio was 2.0 percent as compared to 3.7 percent for its loan portfolio. Accordingly, to the extent that the Company is unable to effectively deploy its

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funds to originate or acquire loans or other assets with higher yields than those of its investment securities, the Company's income may be negatively impacted. Additionally, approximately \$6.8 billion, or 90.0 percent, of the Company's investment securities are classified as available for sale and reported at fair value. Unrealized gains or losses on these securities are excluded from earnings and reported in other comprehensive income, which in turn affects the Company's reported equity. As a result, to the extent that the Company continues to maintain a significant portfolio of available-for-sale securities, its reported equity may experience greater volatility.

The trading volume in the Company's common stock at times may be low, which could adversely affect liquidity and share price. Although the Company's common stock is listed for trading on the NASDAQ Global Select Market, the trading volume in the stock may at times be low and, in relative terms, less than that of other financial-services companies. A public trading market that is deep, liquid, and orderly depends on the presence in the marketplace of a large number of willing buyers and sellers and narrow bid-ask spreads. These market features, in turn, depend on a number of factors, such as the individual decisions of investors and general economic and market conditions, over which the Company has no control. During any period of lower trading volume in the Company's common stock, the share price could be more volatile, and the liquidity of the stock could suffer.

The Company operates in a highly regulated industry, and its business or performance could be adversely affected by the regulatory and supervisory frameworks applicable to it, changes in those frameworks, and other regulatory risks and uncertainties. The Company is subject to expansive regulatory frameworks in the United States at federal, State, and local levels and in the foreign jurisdictions where its business segments operate. In addition, the Company is subject to the direct supervision of government authorities charged with overseeing the kinds of financial activities conducted by its business segments. Much in these regulatory and supervisory frameworks is designed to protect public or private interests that often are not aligned with those of the Company's shareholders or non-deposit creditors. See "Regulation and Supervision" in Part I, Item 1 of this report beginning on page 4. In the wake of the recent global economic crisis, moreover, government scrutiny of all financial-services companies has been amplified, fundamental changes have been made to the banking, securities, and other laws that govern financial services (with the Dodd-Frank Act and Basel III being two of the more prominent examples), and a host of related business practices have been reexamined and reshaped. As a result, the Company expects to continue devoting increased time and resources to risk management, compliance, and regulatory change management. Risks also exist that government authorities could judge the Company's business or other practices as unsafe, unsound, or otherwise unadvisable and bring formal or informal corrective or enforcement actions against it, including fines or other penalties and directives to change its products or other services. For practical or other reasons, the Company may not be able to effectively defend itself against these actions, and they in turn could give rise to litigation by private plaintiffs. All of these and other regulatory risks and uncertainties could adversely affect the Company's reputation, business, results of operations, financial condition, or prospects.

Regulatory or supervisory requirements, future growth, operating results, or strategic plans may prompt the Company to raise additional capital, but that capital may not be available at all or on favorable terms and, if raised, may be dilutive. The Company is subject to safety-and-soundness and capital-adequacy standards under applicable law and to the direct supervision of government authorities. See "Regulation and Supervision" in Part I, Item 1 of this report beginning on page 4. If the Company is not or is at risk of not satisfying these standards or applicable supervisory requirements whether due to inadequate operating results that erode capital, future growth that outpaces the accumulation of capital through earnings, or otherwise the Company may be required to raise capital. The Company also may be compelled to raise capital if regulatory or supervisory requirements change. In addition, the Company may elect to raise capital for strategic reasons even when not required to do so. The Company's ability to raise capital on favorable terms or at all will depend on general economic and market conditions, which are outside of its control, and on the Company's operating and financial performance. Accordingly, the Company cannot be assured of its ability to raise capital when needed or on favorable terms. An inability to raise capital when needed and on

favorable terms could damage the performance and value of its business, prompt regulatory intervention, and harm its reputation, and if

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the condition were to persist for any appreciable period of time, its viability as a going concern could be threatened. If the Company is able to raise capital and does so by issuing common stock or convertible securities, the ownership interest of our existing shareholders could be diluted, and the market price of our common stock could decline.

The market price of the Company's common stock could be adversely impacted by banking, antitrust, or corporate laws that have or are perceived as having an anti-takeover effect. Banking and antitrust laws, including associated regulatory-approval requirements, impose significant restrictions on the acquisition of direct or indirect control over any bank holding company, including the Company. In addition, a non-negotiated acquisition of control over the Company may be inhibited by provisions of its organizational documents that have been adopted in conformance with applicable corporate law. If these laws were to operate or be perceived as operating to hinder or deter a potential acquirer for the Company, the market price of the Company's common stock could suffer.

The Company's business relies on systems, employees, service providers, and counterparties, and failures or errors by any of them or other operational risks could adversely affect the Company. The Company engages in a variety of businesses in diverse markets and relies on systems, employees, service providers, and counterparties to properly oversee, administer, and process a high volume of transactions. This gives rise to meaningful operational risk including the risk of fraud by employees or outside parties, unauthorized access to its premises or systems, errors in processing, failures of technology, breaches of internal controls or compliance safeguards, inadequate integration of acquisitions, human error, and breakdowns in business continuity plans. Significant financial, business, reputational, regulatory, or other harm could come to the Company as a result of these or related risks and uncertainties. For example, the Company could be negatively impacted if financial, accounting, data-processing, or other systems were to fail or not fully perform their functions. The Company also could be adversely affected if key personnel or a significant number of employees were to become unavailable due to a pandemic, natural disaster, war, act of terrorism, accident, or other reason. These same risks arise as well in connection with the systems and employees of the service providers and counterparties on whom the Company depends as well as their own third-party service providers and counterparties. See **Quantitative and Qualitative Disclosures About Market Risk** **Operational Risk** in Part II, Item 7A of this report beginning on page 60 for a discussion of how the Company monitors and manages operational risk.

Cyber incidents and other security breaches at the Company, at its service providers or counterparties, or in the business community or markets may negatively impact the Company's business or performance. In the ordinary course of its business, the Company collects, stores, and transmits sensitive, confidential, or proprietary data and other information, including intellectual property, business information, funds-transfer instructions, and the personally identifiable information of its customers and employees. The secure processing, storage, maintenance, and transmission of this information is critical to the Company's operations and reputation, and if any of this information were mishandled, misused, improperly accessed, lost, or stolen or if the Company's operations were disrupted, the Company could suffer significant financial, business, reputational, regulatory, or other damage. For example, despite security measures, the Company's information technology and infrastructure may be breached through cyber-attacks, computer viruses or malware, pretext calls, electronic phishing, or other means. These risks and uncertainties are rapidly evolving and increasing in complexity, and the Company's failure to effectively mitigate them could negatively impact its business and operations.

Service providers and counterparties also present a source of risk to the Company if their own security measures or other systems or infrastructure were to be breached or otherwise fail. Likewise, a cyber-attack or other security breach affecting the business community, the markets, or parts of them may cycle or cascade through the financial system and adversely affect the Company or its service providers or counterparties. Many if not all of these risks and uncertainties are beyond the Company's control.

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Even when an attempted cyber incident or other security breach is successfully avoided or thwarted, the Company may need to expend substantial resources in doing so, may be required to take actions that could adversely affect customer satisfaction or behavior, and may be exposed to reputational damage. If a breach were to occur, moreover, the Company could be exposed to contractual claims, regulatory actions, or litigation by private plaintiffs. Despite the Company's efforts to ensure the integrity of systems and controls and to manage third-party risk, the Company may not be able to anticipate or implement effective measures to prevent all security breaches or all risks to the sensitive, confidential, or proprietary information that it or its service providers or counterparties collect, store, or transmit.

The Company is heavily reliant on technology, and a failure in effectively implementing technology initiatives or anticipating future technology needs or demands could adversely affect the Company's business or performance. Like most financial-services companies, the Company significantly depends on technology to deliver its products and other services and to otherwise conduct business. To remain technologically competitive and operationally efficient, the Company invests in system upgrades, new solutions, and other technology initiatives. Many of these initiatives have a significant duration, are tied to critical systems, and require substantial resources. Although the Company takes steps to mitigate the risks and uncertainties associated with these initiatives, there is no guarantee that they will be implemented on time, within budget, or without negative operational or customer impact. The Company also may not succeed in anticipating its future technology needs, the technology demands of its customers, or the competitive landscape for technology. If the Company were to falter in any of these areas, its business or performance could be negatively impacted.

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

The Company faces intense competition from other financial-services companies, and competitive pressures could adversely affect the Company's business or performance. The Company faces intense competition in each of its business segments and in all of its markets and geographic regions, and the Company expects competitive pressures only to intensify in the future—especially in light of legislative and regulatory initiatives arising out of the recent global economic crisis, technological innovations that alter the barriers to entry, current economic and market conditions, and government monetary and fiscal policies. See Competition in Part I, Item 1 of this report beginning on page 3. Competitive pressures may drive the Company to take actions that the Company might otherwise eschew, such as lowering the interest rates or fees on loans or raising the interest rates on deposits in order to keep or attract high-quality customers. These pressures also may accelerate actions that the Company might otherwise elect to defer, such as substantial investments in technology or infrastructure. Whatever the reason, actions that the Company takes in response to competition may adversely affect its results of operations and financial condition. These consequences could be exacerbated if the Company is not successful in introducing new products and other services, achieving market acceptance of its products and other services, developing and maintaining a strong customer base, or prudently managing expenses.

The Company's risk-management and compliance programs or functions may not be effective in mitigating risk and loss. The Company maintains an enterprise risk-management program that is designed to identify, quantify, monitor, report, and control the risks that it faces. These include interest-rate risk, credit risk, liquidity risk, market

risk, operational risk, reputational risk, and compliance risk. The Company also maintains a compliance program to identify, measure, assess, and report on its adherence to applicable law, policies, and

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procedures. While the Company assesses and improves these programs on an ongoing basis, there can be no assurance that its frameworks or models for risk management, compliance, and related controls will effectively mitigate risk and limit losses in its business. If conditions or circumstances arise that expose flaws or gaps in the Company's risk-management or compliance programs or if its controls break down, the performance and value of the Company's business could be adversely affected. The Company could be negatively impacted as well if, despite adequate programs being in place, its risk-management or compliance personnel are ineffective in executing them and mitigating risk and loss.

Liquidity is essential to the Company and its business or performance could be adversely affected by constraints in, or increased costs for, funding. The Company defines liquidity as the ability to fund increases in assets and meet obligations as they come due, all without incurring unacceptable losses. Banks are especially vulnerable to liquidity risk because of their role in the maturity transformation of demand or short-term deposits into longer-term loans or other extensions of credit. The Company, like other financial-services companies, relies to a significant extent on external sources of funding (such as deposits and borrowings) for the liquidity needed to conduct its business. A number of factors beyond the Company's control, however, could have a detrimental impact on the availability or cost of that funding and thus on its liquidity. These include market disruptions, changes in its credit ratings or the sentiment of its investors, the state of the regulatory environment and monetary and fiscal policies, declines in the value of its investment securities, the loss of substantial deposit relationships, financial or systemic shocks, significant counterparty failures, and reputational damage. Unexpected declines or limits on the dividends declared and paid by the Company's subsidiaries also could adversely affect its liquidity position. While the Company's policies and controls are designed to ensure that it maintains adequate liquidity to conduct its business in the ordinary course even in a stressed environment, there can be no assurance that its liquidity position will never become compromised. In such an event, the Company may be required to sell assets at a loss in order to continue its operations. This could damage the performance and value of its business, prompt regulatory intervention, and harm its reputation, and if the condition were to persist for any appreciable period of time, its viability as a going concern could be threatened. See **Quantitative and Qualitative Disclosures About Market Risk – Liquidity Risk** in Part II, Item 7A of this report beginning on page 59 for a discussion of how the Company monitors and manages liquidity risk.

If the Company's subsidiaries are unable to make dividend payments or distributions to the Company, it may be unable to satisfy its obligations to counterparties or creditors or make dividend payments to its shareholders. The Company is a legal entity separate and distinct from its bank and nonbank subsidiaries and depends on dividend payments and distributions from those subsidiaries to fund its obligations to counterparties and creditors and its dividend payments to shareholders. See **Regulation and Supervision – Requirements Affecting the Relationships among the Company, Its Subsidiaries, and Other Affiliates** in Part I, Item 1 of this report beginning on page 6. Any of the Company's subsidiaries, however, may be unable to make dividend payments or distributions to the Company, including as a result of a deterioration in the subsidiary's performance, investments in the subsidiary's own future growth, or regulatory or supervisory requirements. If any subsidiary were unable to remain viable as a going concern, moreover, the Company's right to participate in a distribution of assets would be subject to the prior claims of the subsidiary's creditors (including, in the case of the Bank, its depositors and the FDIC).

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

or other skilled employees or if the competition for talent drove its compensation costs to unsustainable levels, the Company's business, results of operations, and financial condition could be negatively impacted.

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The Company is subject to a variety of litigation and other proceedings, which could adversely affect its business or performance. The Company is involved from time to time in a variety of judicial, alternative-dispute, and other proceedings arising out of its business or operations. The Company establishes reserves for claims when appropriate under generally accepted accounting principles, but costs often can be incurred in connection with a matter before any reserve has been created. The Company also maintains insurance policies to mitigate the cost of litigation and other proceedings, but these policies have deductibles, limits, and exclusions that may diminish their value or efficacy. Despite the Company's efforts to appropriately reserve for claims and insure its business and operations, the actual costs associated with resolving a claim may be substantially higher than amounts reserved or covered. Substantial legal claims, even if not meritorious, could have a detrimental impact on the Company's business, results of operations, and financial condition and could cause reputational harm.

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

The Company's selection of accounting methods, assumptions, and estimates could impact its financial statements and reported earnings. To comply with generally accepted accounting principles, management must sometimes exercise judgment in selecting, determining, and applying accounting methods, assumptions, and estimates. This can arise, for example, in the determination of the allowance for loan losses, calculation of deferred tax assets, the evaluation of goodwill for potential impairments, or the determination of the fair value of assets or liabilities. Furthermore, accounting methods, assumptions and estimates are part of acquisition purchase accounting and the calculation of the fair value of assets and liabilities that have been purchased, including credit-impaired loans. The judgments required of management can involve difficult, subjective, or complex matters with a high degree of uncertainty, and several different judgments could be reasonable under the circumstances and yet result in significantly different results being reported. See "Critical Accounting Policies and Estimates" in Part II, Item 7 of this report beginning on page 51. If management's judgments are later determined to have been inaccurate, the Company may experience unexpected losses that could be substantial.

The Company's ability to successfully make opportunistic acquisitions is subject to significant risks, including the risk that government authorities will not provide the requisite approvals, the risk that integrating acquisitions may be more difficult, costly, or time consuming than expected, and the risk that the value of acquisitions may be less than anticipated. The Company may make opportunistic acquisitions of other financial-services companies or businesses from time to time. These acquisitions may be subject to regulatory approval, and there can be no assurance that the Company will be able to obtain that approval in a timely manner or at all. Even when the Company is able to obtain regulatory approval, the failure of other closing conditions to be satisfied or waived could delay the completion of an acquisition for a significant period of time or prevent it from occurring altogether. Any failure or delay in closing an acquisition could adversely affect the Company's reputation, business, results of operations, financial condition, or prospects.

Additionally, acquisitions involve numerous risks and uncertainties, including lower-than-expected performance or higher-than-expected costs, difficulties related to integration, diversion of management's attention from other business activities, changes in relationships with customers or counterparties, and the potential loss of key employees. An acquisition also could be dilutive to the Company's current shareholders if its common stock were issued to fully or partially pay or fund the purchase price. The Company, moreover, may not be successful in identifying acquisition candidates, integrating acquired companies or businesses, or realizing expected value from acquisitions. There is significant competition for valuable acquisition targets, and the Company may not be able to acquire other companies

or businesses on attractive terms. There can be no assurance that the Company will pursue future acquisitions, and the Company's ability to grow and successfully compete in its markets and regions may be impaired if it chooses not to pursue or is unable to successfully make acquisitions.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

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

ITEM 2. PROPERTIES

The Company's headquarters building, the UMB Bank Building, is located at 1010 Grand Boulevard in downtown Kansas City, Missouri, and opened in July 1986. All 250,000 square feet is occupied by departments and customer service functions of the Bank, as well as offices of the Company.

Other main facilities of the Bank in downtown Kansas City, Missouri are located at 928 Grand Boulevard (185,000 square feet); 906 Grand Boulevard (140,000 square feet); and 1008 Oak Street (180,000 square feet). Both the 928 Grand and 906 Grand buildings house backroom support functions. The 928 Grand building also houses Scout. Additionally, within the 906 Grand building there is 8,000 square feet of space leased to several small tenants. The 928 Grand building underwent a major renovation during 2004 and 2005. The 928 Grand building is connected to the UMB Bank Building (1010 Grand) by an enclosed elevated pedestrian walkway. The 1008 Oak building, which opened during the second quarter of 1999, houses the Company's operations and data processing functions.

The Bank leases 52,000 square feet in the Hertz Building located in the heart of the commercial sector of downtown St. Louis, Missouri. This location has a full-service banking center and is home to some operational and administrative support functions. The Bank also leases 30,000 square feet on the first, second, third, and fifth floors of the 1670 Broadway building located in the financial district of downtown Denver, Colorado. The location has a full-service banking center and is home to additional operational and administrative support functions.

As of December 31, 2015, the Bank operated a total of 115 banking centers and three wealth management offices.

UMBFS leases 88,944 square feet at 235 Galena Street in Milwaukee, Wisconsin, for its fund services operations headquarters. Additionally, UMBFS leases 37,300 square feet at 2225 Washington Boulevard in Ogden, Utah, and 6,302 square feet in 223 Wilmington West Chester Pike in Chadds Ford, Pennsylvania.

Additional information with respect to premises and equipment is presented in Note 1, Summary of Significant Accounting Policies, and Note 8, Premises and Equipment, in the Notes to the Consolidated Financial Statements in Item 8, pages 68 and 90 of this report.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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

The Company's common stock is traded on the NASDAQ Global Select Stock Market under the symbol UMBF. As of February 18, 2016, the Company had 2,365 distinct shareholders of record. Information regarding the Company's common stock for each quarterly period within the two most recent fiscal years is set forth in the table below.

	Three Months Ended			
	March 31	June 30	Sept 30	Dec 31
Per Share				
2015				
Dividend	\$ 0.235	\$ 0.235	\$ 0.235	\$ 0.245
Book value	36.76	37.68	38.56	38.34
Market price:				
High	57.32	58.84	58.44	54.87
Low	47.26	49.41	47.03	45.14
Close	52.89	57.02	50.81	46.55

	Three Months Ended			
	March 31	June 30	Sept 30	Dec 31
Per Share				
2014				
Dividend	\$ 0.225	\$ 0.225	\$ 0.225	\$ 0.235
Book value	33.94	35.21	35.51	36.10
Market price:				
High	68.27	66.98	65.30	61.00
Low	56.15	52.77	54.54	51.87
Close	64.70	63.39	54.55	56.89

Information concerning restrictions on the ability of the Company to pay dividends and the Company's subsidiaries to transfer funds to the Company is presented in Item 1, page 6 and Note 10, Regulatory Requirements, in the Notes to the Consolidated Financial Statements provided in Item 8, pages 93 and 94 of this report. Information concerning securities the Company issued under equity compensation plans is contained in Item 12, pages 123 and 124 and in Note 11, Employee Benefits, in the Notes to the Consolidated Financial Statements provided in Item 8, pages 94 through 98 of this report.

Table of Contents**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table provides information about share repurchase activity by the Company during the quarter ended December 31, 2015:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 - October 31, 2015	14,490	\$ 51.30	14,490	1,970,187
November 1 - November 30, 2015	4,626	52.73	4,626	1,965,561
December 1 - December 31, 2015	25,529	50.80	25,529	1,940,032
Total	44,645	\$ 51.16	44,645	

On April 28, 2015, the Company announced a plan to repurchase up to two million shares of common stock. This plan will terminate on April 26, 2016. The Company has not made any repurchases other than through this plan. 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.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

For a discussion of factors that may materially affect the comparability of the information below, please see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, pages 23 through 53, of this report.

FIVE-YEAR FINANCIAL SUMMARY**(in thousands except per share data)****As of and for the years ended December 31,**

	2015	2014	2013	2012	2011
EARNINGS					
Interest income	\$ 430,681	\$ 363,871	\$ 348,341	\$ 339,685	\$ 343,653
Interest expense	18,614	13,816	15,072	19,629	26,680
Net interest income	412,067	350,055	333,269	320,056	316,973
Provision for loan losses	15,500	17,000	17,500	17,500	22,200
Noninterest income	466,454	498,688	491,833	458,122	414,332
Noninterest expense	703,736	665,680	623,204	589,669	561,674
Net income	116,073	120,655	133,965	122,717	106,472
AVERAGE BALANCES					
Assets	\$ 17,786,442	\$ 15,998,893	\$ 15,030,762	\$ 13,389,192	\$ 12,417,274
Loans, net of unearned interest	8,425,107	6,975,338	6,221,318	5,251,278	4,756,165
Total investment securities	7,330,246	7,053,837	7,034,542	6,528,523	5,774,217
Interest-bearing due from banks	664,752	843,134	663,818	547,817	837,807
Deposits	14,078,290	12,691,273	11,930,318	10,521,658	9,593,638
Long-term debt	58,571	6,059	4,748	5,879	11,284
Shareholders' equity	1,805,856	1,599,765	1,337,107	1,258,284	1,138,625
YEAR-END BALANCES					
Assets	\$ 19,094,245	\$ 17,500,960	\$ 16,911,852	\$ 14,927,196	\$ 13,541,398
Loans, net of unearned interest	9,431,350	7,466,418	6,521,869	5,690,626	4,970,558
Total investment securities	7,568,870	7,285,667	7,051,127	7,134,316	6,277,482
Interest-bearing due from banks	522,877	1,539,386	2,093,467	720,500	1,164,007
Deposits	15,092,752	13,616,859	13,640,766	11,653,365	10,169,911
Long-term debt	86,070	8,810	5,055	5,879	6,529
Shareholders' equity	1,893,694	1,643,758	1,506,065	1,279,345	1,191,132
PER SHARE DATA					
Earnings basic	\$ 2.46	\$ 2.69	\$ 3.25	\$ 3.07	\$ 2.66

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Earnings diluted	2.44	2.65	3.20	3.04	2.64
Cash dividends	0.95	0.91	0.87	0.83	0.79
Dividend payout ratio	38.62%	33.83%	26.77%	27.04%	29.70%
Book value	\$ 38.34	\$ 36.10	\$ 33.30	\$ 31.71	\$ 29.46
Market price					
High	58.84	68.27	65.44	52.61	45.20
Low	45.14	51.87	43.27	37.68	30.49
Close	46.55	56.89	64.28	43.82	37.25
Return on average assets	0.65%	0.75%	0.89%	0.92%	0.86%
Return on average equity	6.43	7.54	10.02	9.75	9.35
Average equity to average assets	10.15	10.00	8.90	9.40	9.17
Total risk-based capital ratio	12.80	14.04	14.43	11.92	12.20

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis highlights the material changes in the results of operations and changes in financial condition for the year-ended December 31, 2015. It should be read in conjunction with the accompanying Consolidated Financial Statements, Notes to Consolidated Financial Statements, and other financial statistics appearing elsewhere in this Annual Report on Form 10-K. Results of operations for the periods included in this review are not necessarily indicative of results to be attained during any future period.

CAUTIONARY NOTICE ABOUT FORWARD-LOOKING STATEMENTS

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

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

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

local, regional, national, or international business, economic, or political conditions or events;

changes in laws or the regulatory environment, including as a result of recent financial-services legislation or regulation;

changes in monetary, fiscal, or trade laws or policies, including as a result of actions by central banks or supranational authorities;

changes in accounting standards or policies;

shifts in investor sentiment or behavior in the securities, capital, or other financial markets, including changes in market liquidity or volatility or changes in interest or currency rates;

changes in spending, borrowing, or saving by businesses or households;

the Company's ability to effectively manage capital or liquidity or to effectively attract or deploy deposits;

changes in any credit rating assigned to the Company or its affiliates;

adverse publicity or other reputational harm to the Company;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

Overview

The Company focuses on the following four core strategic objectives. Management believes these strategic objectives will guide its efforts to achieving its vision, to deliver the unparalleled customer experience, all the while seeking to improve net income and strengthen the balance sheet.

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The first strategic objective is a focus on improving operating efficiencies. Over the past two quarters, an in-depth review of the organization was completed to identify efficiencies. The Company plans to utilize this review to simplify our organizational and reporting structures, streamline back office functions and take advantage of synergies among various platforms and distribution networks. The Company has identified a total of \$32.9 million in annualized savings to be realized over the coming quarters as a result of the elimination of employee positions and business process improvements. These savings are discussed further in the Company's Current Report on Form 8-K filed January 26, 2016. This total does not include the additional cost savings we expect to recognize related to the Marquette integration, or any ongoing efficiencies identified through our normal course of business. The Company continues to invest in technological advances that will help management drive operating efficiencies in the future through improved data analysis and automation. The Company also continues to evaluate core systems and will invest in enhancements that it believes will yield operating efficiencies.

The second strategic objective is a focus on net interest income through loan and deposit growth. During 2015, continued progress on this strategy was illustrated by an increase in net interest income of \$62.0 million, or 17.7 percent, from the previous year. The Company has continued to show increased net interest income in a historically low rate environment through the effects of increased volume of average earning assets and a low cost of funds in its Consolidated Balance Sheets. On May 31, 2015, the Marquette acquisition was completed, which added earning assets with an acquired value of \$1.2 billion to the Company's Consolidated Balance Sheets. Average earning assets increased \$1.6 billion, or 10.6 percent from December 31, 2014. The funding for these assets was driven primarily by an 8.5 percent increase in average interest-bearing liabilities and a 14.1 percent increase in average noninterest-bearing demand deposits. Average loan balances increased \$1.4 billion, or 20.8 percent compared to the same period in 2014. Net interest margin, on a tax-equivalent basis, increased 15 basis points compared to the same period in 2014.

The third strategic objective is to grow the Company's fee-based businesses. As the industry continues to experience economic uncertainty, the Company has continued to emphasize its fee-based operations. By maintaining a diverse source of revenues, this strategy has helped reduce the Company's exposure to sustained low interest rates. During 2015, noninterest income decreased \$32.2 million, or 6.5 percent, to \$466.5 million for the year ended December 31, 2015, compared to the same period in 2014. This change is discussed in greater detail below under Noninterest income. The Company continues to emphasize its asset management, brokerage, bankcard services, healthcare services, and treasury management businesses. At December 31, 2015, noninterest income represented 53.1 percent of total revenues, compared to 58.8 percent at December 31, 2014.

The fourth strategic objective is a focus on capital management. The Company places a significant emphasis on the maintenance of a strong capital position, which management believes promotes investor confidence, provides access to funding sources under favorable terms, and enhances the Company's ability to capitalize on business growth and acquisition opportunities. The Company continues to maximize shareholder value through a mix of reinvesting in organic growth, evaluating acquisition opportunities that complement the strategies, increasing dividends over time, and properly utilizing a share repurchase program. At December 31, 2015, the Company had \$1.9 billion in total shareholders' equity. This is an increase of \$249.9 million, or 15.2 percent, compared to total shareholders' equity at December 31, 2014. This increase is primarily attributable to the issuance of common stock for the acquisition of Marquette of \$179.7 million on May 31, 2015. At December 31, 2015, the Company had a total risk-based capital ratio of 12.80 percent. The Company repurchased 164,335 shares of common stock at an average price of \$51.46 per share during 2015. Further, the Company paid \$46.0 million in dividends during 2015, which represents an 11.2 percent increase compared to 2014.

Earnings Summary

The Company recorded consolidated net income of \$116.1 million for the year-ended December 31, 2015. This represents a 3.8 percent decrease over 2014. Net income for 2014 was \$120.7 million, or a decrease of 9.9 percent compared to 2013. Basic earnings per share for the year ended December 31, 2015, were \$2.46 per share compared to \$2.69 per share in 2014 and \$3.25 per share in 2013. Basic earnings per share for 2015 decreased

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8.6 percent as compared to 2014, which decreased 17.2 percent as compared to 2013. Fully diluted earnings per share decreased 7.9 percent as compared to 2014, which decreased 17.2 percent as compared to 2013.

The Company's net interest income increased to \$412.1 million in 2015 compared to \$350.1 million in 2014 and \$333.3 million in 2013. In total, a favorable volume variance coupled with a smaller favorable rate variance, resulted in a \$62.0 million increase in net interest income in 2015, compared to 2014. See Table 2 on page 29. The favorable volume variance on earning assets was predominantly driven by the increase in average loan balances of \$1.4 billion, or 20.8 percent, for 2015 compared to the same period in 2014. Net interest margin, on a tax-equivalent basis, increased to 2.64 percent for 2015, compared to 2.49 percent for the same periods in 2014. The Marquette acquisition added earning assets with an acquired value of \$1.2 billion primarily from loan balances with an acquired value of \$980.4 million at May 31, 2015. Marquette also added interest-bearing liabilities with an acquired value of \$910.8 million primarily from interest-bearing deposits of \$708.7 million at May 31, 2015. Despite the current low interest rate environment, the Company continues to see benefit from interest-free funds. The impact of this benefit increased two basis points compared to 2014 and is illustrated on Table 3 on page 30. The \$16.8 million increase in net interest income in 2014, compared to 2013, is primarily a result of a favorable volume variance. The favorable volume variance on earning assets was predominantly driven by the increase in average loan balances of \$754.0 million, or 12.1 percent, for 2014 compared to the same period in 2013. The current economic environment has made it difficult to anticipate the future of the Company's margins. The magnitude and duration of this impact will be largely dependent upon the FRB's policy decisions and market movements. See Table 20 in Item 7A on page 55 for an illustration of the impact of a rate increase or decrease on net interest income as of December 31, 2015.

The Company had a decrease of \$32.2 million, or 6.5 percent, in noninterest income in 2015, as compared to 2014, and a \$6.9 million, or 1.4 percent, increase in 2014, compared to 2013. The decrease in 2015 is primarily attributable to lower trust and securities processing income and unrealized equity losses on alternative investments offset by increased gains on the sales of securities available for sale. Trust and securities processing income decreased \$26.0 million, or 9.0 percent, for the year ended December 31, 2015, compared to the same period in 2014. Equity earnings on alternative investments decreased \$16.2 million for the year ended December 31, 2015 primarily related to valuation declines in equity-method investments in PCM. Gains of \$10.4 million on securities available for sale were recognized during the year ended December 31, 2015 compared to \$4.1 million during the same period in 2014. The change in noninterest income in 2015 from 2014, and 2014 from 2013 is illustrated on Table 6 on page 33.

Noninterest expense increased in 2015 by \$38.1 million, or 5.7 percent, compared to 2014 and increased in 2014 by \$42.5 million, or 6.8 percent, compared to 2013. The increase in 2015 is primarily driven by an increase of \$47.9 million, or 13.4 percent, in salary and employee benefit expense, and a \$9.9 million, or 18.5 percent increase in equipment expense driven by increased computer hardware and software expense, which was partially offset by the \$20.3 million contingency reserve recorded in 2014. The increase in noninterest expense in 2015 from 2014, and 2014 from 2013 is illustrated on Table 7 on page 34.

Net Interest Income

Net interest income is a significant source of the Company's earnings and represents the amount by which interest income on earning assets exceeds the interest expense paid on liabilities. The volume of interest earning assets and the related funding sources, the overall mix of these assets and liabilities, and the rates paid on each affect net interest income. Table 2 summarizes the change in net interest income resulting from changes in volume and rates for 2015, 2014 and 2013.

Net interest margin, presented in Table 1 on page 27, is calculated as net interest income on a fully tax equivalent basis (FTE) as a percentage of average earning assets. Net interest income is presented on a tax-equivalent basis to

adjust for the tax-exempt status of earnings from certain loans and investments, which are primarily obligations of state and local governments. A critical component of net interest income and related net interest margin is the percentage of earning assets funded by interest-free sources. Table 3 analyzes net interest

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margin for the three years ended December 31, 2015, 2014 and 2013. Net interest income, average balance sheet amounts and the corresponding yields earned and rates paid for the years 2013 through 2015 are presented in Table 1 below.

The following table presents, for the periods indicated, the average earning assets and resulting yields, as well as the average interest-bearing liabilities and resulting yields, expressed in both dollars and rates.

*Table 1***THREE YEAR AVERAGE BALANCE SHEETS/YIELDS AND RATES (tax-equivalent basis) (in millions)**

	Average Balance	2015 Interest Income/ Expense (1)	Rate Earned/ Paid (1)	Average Balance	2014 Interest Income/ Expense (1)	Rate Earned/ Paid (1)
ASSETS						
Loans, net of unearned interest (FTE) (2)(3)(4)	\$ 8,425.1	\$ 308.3	3.66%	\$ 6,975.3	\$ 245.3	3.52%
Securities:						
Taxable	4,823.7	75.3	1.56	4,898.8	76.2	1.56
Tax-exempt (FTE)	2,473.8	67.3	2.72	2,122.8	60.4	2.84
Total securities	7,297.5	142.6	1.95	7,021.6	136.6	1.94
Federal funds sold and resell agreements	76.1	0.7	0.92	48.9	0.2	0.53
Interest-bearing	664.8	2.4	0.35	843.2	2.5	0.30
Other earning assets (FTE)	32.7	0.5	1.46	32.2	0.5	1.46
Total earning assets (FTE)	16,496.2	454.5	2.75	14,921.2	385.1	2.58
Allowance for loan losses	(77.9)			(76.5)		
Cash and due from banks	496.4			435.3		
Other assets	871.7			718.9		
Total assets	\$ 17,786.4			\$ 15,998.9		
LIABILITIES AND SHAREHOLDERS EQUITY						
Interest-bearing demand and savings deposits	\$ 7,010.3	\$ 7.9	0.11%	\$ 6,403.5	\$ 6.2	0.10%
Time deposits under \$250,000	700.9	3.9	0.56	549.6	3.0	0.55
Time deposits of \$250,000 or more	439.4	2.5	0.57	541.6	3.0	0.55
Total interest bearing deposits	8,150.6	14.3	0.18	7,494.7	12.2	0.16
Short-term debt	1.9					
Long-term debt	57.3	2.5	4.36	6.1		
Federal funds purchased and repurchase agreements	1,590.8	1.8	0.11	1,535.0	1.6	0.11

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Total interest bearing liabilities	9,800.6	18.6	0.19	9,035.8	13.8	0.15
Noninterest bearing demand deposits	5,927.6			5,196.5		
Other	252.3			166.8		
Total	15,980.5			14,399.1		
Total shareholders equity	1,805.9			1,599.8		
Total liabilities and shareholders equity	\$ 17,786.4			\$ 15,998.9		
Net interest income (FTE)	\$ 435.9			\$ 371.3		
Net interest spread			2.56%			2.43%
Net interest margin			2.64%			2.49%

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- (1) Interest income and yields are stated on a fully tax-equivalent (FTE) basis, using a marginal tax rate of 36%. The tax-equivalent interest income and yields give effect to disallowance of interest expense, for federal income tax purposes related to certain tax-free assets. Rates earned/paid may not compute to the rates shown due to presentation in millions. The tax-equivalent interest income totaled \$23.8 million, \$21.2 million, and \$22.2 million in 2015, 2014, and 2013, respectively.
- (2) Loan fees are included in interest income. Such fees totaled \$11.4 million, \$9.9 million, and \$10.9 million in 2015, 2014, and 2013, respectively.
- (3) Loans on non-accrual are included in the computation of average balances. Interest income on these loans is also included in loan income.
- (4) Amount includes loans held for sale.

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

	Average Balance	2013 Interest Income/ Expense (1)	Rate Earned/ Paid (1)
ASSETS			
Loans, net of unearned interest (FTE) (2)(3)	\$ 6,221.3	\$ 229.7	3.69%
Securities:			
Taxable	4,876.3	75.2	1.54
Tax-exempt (FTE)	2,102.2	62.5	2.97
Total securities	6,978.5	137.7	1.97
Federal funds sold and resell agreements	36.6	0.2	0.53
Interest-bearing	663.9	1.9	0.29
Other earning assets (FTE)	56.0	1.1	1.90
Total earning assets (FTE)	13,956.3	370.6	2.66
Allowance for loan losses	(72.4)		
Cash and due from banks	439.5		
Other assets	707.4		
Total assets	\$ 15,030.8		
LIABILITIES AND SHAREHOLDERS EQUITY			
Interest-bearing demand and savings deposits	\$ 6,073.5	\$ 5.3	0.09%
Time deposits under \$250,000	577.9	4.0	0.69
Time deposits of \$250,000 or more	569.3	3.9	0.69
Total interest bearing deposits	7,220.7	13.2	0.18
Short-term debt	0.2		
Long-term debt	4.7	0.2	4.26
Federal funds purchased and repurchase agreements	1,613.6	1.7	0.11

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Total interest bearing liabilities	8,839.2	15.1	0.17
Noninterest bearing demand deposits	4,709.6		
Other	144.9		
Total	13,693.7		
Total shareholders equity	1,337.1		
Total liabilities and shareholders equity	\$ 15,030.8		
Net interest income (FTE)		\$ 355.5	
Net interest spread			2.49%
Net interest margin			2.55%

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Table 2

RATE-VOLUME ANALYSIS (in thousands)

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

Average Volume		Average Rate		2015 vs. 2014	Increase (Decrease)		
2015	2014	2015	2014		Volume	Rate	Total
					Change in interest earned on:		
\$8,425,107	\$ 6,975,338	3.66%	3.52%	Loans	\$ 53,057	\$ 9,990	\$ 63,047
					Securities:		
4,823,710	4,898,826	1.56	1.56	Taxable	(1,173)	296	(877)
2,473,811	2,122,822	2.72	2.84	Tax-exempt	7,565	(3,176)	4,389
76,108	48,869	0.92	0.53	Federal funds and resell agreements	249	189	438
664,752	843,134	0.35	0.30	Interest-bearing due from banks	(632)	463	(169)
32,725	32,189	1.46	1.46	Other	(14)	(4)	(18)
16,496,213	14,921,178	2.75	2.58	Total	59,052	7,758	66,810
					Change in interest incurred on:		
8,150,588	7,494,744	0.18	0.16	Interest-bearing deposits	1,148	879	2,027
1,590,776	1,535,038	0.11	0.11	Federal funds and repurchase agreements	63	106	169
59,174	6,059	4.33	(0.69)	Trading securities	2,298	304	2,602
\$9,800,538	\$ 9,035,841	0.19%	0.15%	Total	3,509	1,289	4,798
					Net interest income		
					\$ 55,543	\$ 6,469	\$ 62,012

Average Volume		Average Rate		2014 vs. 2013	Increase (Decrease)		
2014	2013	2014	2013		Volume	Rate	Total
					Change in interest earned on:		
\$6,975,338	\$ 6,221,318	3.52%	3.69%	Loans	\$ 26,534	\$ (10,921)	\$ 15,613
					Securities:		
4,898,826	4,876,304	1.56	1.54	Taxable	350	652	1,002
2,122,822	2,102,216	2.84	2.97	Tax-exempt	750	(1,940)	(1,190)

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48,869	36,589	0.53	0.53	Federal funds and resell agreements	65	1	66
843,134	663,818	0.30	0.29	Interest-bearing due from banks	537	70	607
32,189	56,022	1.46	1.90	Other	(333)	(235)	(568)
14,921,178	13,956,267	2.58	2.66	Total	27,903	(12,373)	15,530
				Change in interest incurred on:			
7,494,744	7,220,675	0.16	0.18	Interest-bearing deposits	448	(1,389)	(941)
1,535,038	1,613,584	0.11	0.11	Federal funds and repurchase agreements	(83)	(40)	(123)
6,059	4,972	(0.69)	3.02	Trading securities	(8)	(184)	(192)
\$9,035,841	\$ 8,839,231	0.15%	0.17%	Total	357	(1,613)	(1,256)
				Net interest income	\$ 27,546	\$ (10,760)	\$ 16,786

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Table 3

ANALYSIS OF NET INTEREST MARGIN (in thousands)

	2015	2014	2013
Average earning assets	\$ 16,496,213	\$ 14,921,178	\$ 13,956,267
Interest-bearing liabilities	9,800,538	9,035,841	8,839,231
Interest-free funds	\$ 6,695,675	\$ 5,885,337	\$ 5,117,036
Free funds ratio (interest free funds to average earning assets)	40.59%	39.44%	36.66%
Tax-equivalent yield on earning assets	2.75%	2.58%	2.66%
Cost of interest-bearing liabilities	0.19	0.15	0.17
Net interest spread	2.56%	2.43%	2.49%
Benefit of interest-free funds	0.08	0.06	0.06
Net interest margin	2.64%	2.49%	2.55%

The Company experienced an increase in net interest income of \$62.0 million, or 17.7 percent, for the year-ended December 31, 2015, compared to 2014. This follows an increase of \$16.8 million, or 5.0 percent, for the year-ended December 31, 2014, compared to 2013. As noted above, the impacts of the Marquette acquisition are included in these results. Average earning assets increased by \$1.6 billion, or 10.6 percent, compared to the same period in 2014. Net interest margin, on a tax-equivalent basis, increased to 2.64 percent for 2015 compared to 2.49 percent in 2014. As illustrated in Table 2, the 2015 and 2014 increases are primarily due to the favorable volume variances in earning assets.

The Company maintains a significant portion of its deposit funding with noninterest-bearing demand deposits. Noninterest-bearing demand deposits represented 41.8 percent, 41.4 percent and 38.0 percent of total outstanding deposits at December 31, 2015, 2014 and 2013, respectively. As illustrated in Table 3, the impact from these interest-free funds was eight basis points in 2015, compared to six basis points in 2014 and 2013.

The Company has experienced an increase in the yields of its earning assets and interest-bearing liabilities during the 2015 primarily due to the Marquette acquisition. The average rate on earning assets during 2015 has increased by 17 basis points, while the average rate on interest-bearing liabilities increased by four basis points, resulting in a 13 basis point increase in spread. The volume of loans has increased from an average of \$7.0 billion in 2014 to an average of \$8.4 billion in 2015. Loan-related earning assets tend to generate a higher spread than those earned in the Company's investment portfolio. By design, the Company's investment portfolio is moderate in duration and liquid in its composition of assets.

During 2016, approximately \$1.7 billion of available for sale securities are expected to have principal repayments. This includes approximately \$370 million which will have principal repayments during the first quarter of 2016. The

total investment portfolio had an average life of 44.8 months, 43.6 months, and 47.6 months as of December 31, 2015, 2014, and 2013, respectively.

Provision and Allowance for Loan Losses

The allowance for loan losses (ALL) represents management's judgment of the losses inherent in the Company's loan portfolio as of the balance sheet date. An analysis is performed quarterly to determine the appropriate balance of the ALL. The analysis reflects loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors. After the balance sheet analysis is performed for the ALL, the provision for loan losses is computed as the amount required to adjust the ALL to the appropriate level.

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Table 4 presents the components of the allowance by loan portfolio segment. The Company manages the ALL against the risk in the entire loan portfolio and therefore, the allocation of the ALL to a particular loan segment may change in the future. Management of the Company believes the present ALL is adequate considering the Company's loss experience, delinquency trends and current economic conditions. Future economic conditions and borrowers' ability to meet their obligations, however, are uncertainties which could affect the Company's ALL and/or need to change its current level of provision. For more information on loan portfolio segments and ALL methodology refer to Note 3, Loans and Allowance for Loan Losses, in the Notes to the Consolidated Financial Statements.

*Table 4***ALLOCATION OF ALLOWANCE FOR LOAN LOSSES (in thousands)**

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

Loan Category	December 31,				
	2015	2014	2013	2012	2011
Commercial	\$ 63,847	\$ 55,349	\$ 48,886	\$ 43,390	\$ 37,927
Real estate	8,220	10,725	15,342	15,506	20,486
Consumer	8,949	9,921	10,447	12,470	13,593
Leases	127	145	76	60	11
Total allowance	\$ 81,143	\$ 76,140	\$ 74,751	\$ 71,426	\$ 72,017

Table 5 presents a five-year summary of the Company's ALL. Also, please see Quantitative and Qualitative Disclosures About Market Risk - Credit Risk on page 58 in this report for information relating to nonaccrual, past due, restructured loans, and other credit risk matters. For more information on loan portfolio segments and ALL methodology refer to Note 3, Loans and Allowance for Loan Losses, in the Notes to the Consolidated Financial Statements.

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As illustrated in Table 5 below, the ALL decreased as a percentage of total loans to 0.86 percent as of December 31, 2015, compared to 1.02 percent as of December 31, 2014. Based on the factors above, provision for loan loss totaled \$15.5 million for the year-ended December 31, 2015, which is a decrease of \$1.5 million, or 8.8 percent, compared to the same period in 2014. This provision for loan losses totaled \$17.0 million and \$17.5 million for the years-ended December 31, 2014 and 2013, respectively.

Table 5

ANALYSIS OF ALLOWANCE FOR LOAN LOSSES (in thousands)

	2015	2014	2013	2012	2011
Allowance-beginning of year	\$ 76,140	\$ 74,751	\$ 71,426	\$ 72,017	\$ 73,952
Provision for loan losses	15,500	17,000	17,500	17,500	22,200
Charge-offs:					
Commercial	(5,239)	(7,307)	(4,748)	(8,446)	(12,693)
Consumer					
Credit card	(8,555)	(10,104)	(10,531)	(11,148)	(13,493)
Other	(1,103)	(1,323)	(1,600)	(1,530)	(1,945)
Real estate	(214)	(259)	(775)	(932)	(532)
Total charge-offs	(15,111)	(18,993)	(17,654)	(22,056)	(28,663)
Recoveries:					
Commercial	1,824	848	867	1,136	813
Consumer					
Credit card	1,802	1,803	1,720	1,766	2,366
Other	667	687	815	1,035	1,317
Real estate	321	44	77	28	32
Total recoveries	4,614	3,382	3,479	3,965	4,528
Net charge-offs	(10,497)	(15,611)	(14,175)	(18,091)	(24,135)
Allowance-end of year	\$ 81,143	\$ 76,140	\$ 74,751	\$ 71,426	\$ 72,017
Average loans, net of unearned interest	\$ 8,423,997	\$ 6,974,246	\$ 6,217,240	\$ 5,243,264	\$ 4,748,909
Loans at end of year, net of unearned interest	9,430,761	7,465,794	6,520,512	5,686,749	4,960,343
Allowance to loans at year-end	0.86%	1.02%	1.15%	1.26%	1.45%
Allowance as a multiple of net charge-offs	7.73x	4.88x	5.27x	3.95x	2.98x
Net charge-offs to:					
Provision for loan losses	67.72%	91.83%	81.00%	103.38%	108.71%
Average loans	0.12	0.22	0.23	0.35	0.51

Noninterest Income

A key objective of the Company is the growth of noninterest income to enhance profitability by providing a diverse source of revenue not directly tied to interest rates. Fee-based services are typically non-credit related and are not generally affected by fluctuations in interest rates. Noninterest income decreased in 2015 by \$32.2 million, or 6.5 percent, compared to 2014 and increased in 2014 by \$6.9 million, or 1.4 percent, compared to 2013. The decrease in 2015 is primarily attributable to lower trust and securities processing income and unrealized equity losses on alternative investments, which was partially offset by an increase in gains on securities available for sale. The increase in 2014 is primarily attributable to higher trust and securities processing income and bankcard fees, partially offset by decreases in gains on securities available for sale and equity earnings on alternative investments

The Company's fee-based services offer multiple products and services to customers which management believes will more closely align to the customer's product demand with the Company. The Company's ongoing

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focus is to continue to develop and offer multiple products and services to its customers. The Company is currently emphasizing fee-based services including trust and securities processing, bankcard, securities trading/brokerage and cash/treasury management. Management believes that it can offer these products and services both efficiently and profitably, as most have common platforms and support structures.

Table 6

SUMMARY OF NONINTEREST INCOME (in thousands)

	Year Ended December 31,			Dollar Change		Percent Change	
	2015	2014	2013	15-14	14-13	15-14	14-13
Trust and securities processing	\$ 262,056	\$ 288,054	\$ 265,948	\$ (25,998)	\$ 22,106	(9.0)%	8.3%
Trading and investment banking	20,218	19,398	20,641	820	(1,243)	4.2	(6.0)
Service charges on deposit accounts	86,460	85,299	84,133	1,161	1,166	1.4	1.4
Insurance fees and commissions	2,530	3,011	3,727	(481)	(716)	(16.0)	(19.2)
Brokerage fees	11,753	10,761	11,470	992	(709)	9.2	(6.2)
Bankcard fees	69,211	67,250	62,031	1,961	5,219	2.9	8.4
Gains on sales of securities available for sale, net	10,402	4,127	8,542	6,275	(4,415)	>100.0	(51.7)
Equity (losses) earnings on alternative investments	(12,188)	3,975	19,048	(16,163)	(15,073)	>100.0	(79.1)
Other	16,012	16,813	16,293	(801)	520	(4.8)	3.2
Total noninterest income	\$ 466,454	\$ 498,688	\$ 491,833	\$ (32,234)	\$ 6,855	(6.5)%	1.4%

Noninterest income and the year-over-year changes in noninterest income are summarized in Table 6 above. The dollar change and percent change columns highlight the respective net increase or decrease in the categories of noninterest income in 2015 compared to 2014, and in 2014 compared to 2013.

Trust and securities processing income consists of fees earned on personal and corporate trust accounts, custody of securities services, trust investments and investment management services, and mutual fund assets servicing. This income category decreased by \$26.0 million, or 9.0 percent in 2015, compared to 2014, and increased by \$22.1 million, or 8.3 percent in 2014, compared to 2013. The Company increased fee income from institutional and personal investment management services by \$5.3 million in 2015 and \$12.8 million in 2014. In 2015, \$2.4 million of the increase was attributable to Marquette. Fund administration and custody services fee income increased by \$2.9 million and \$8.4 million in 2015 and 2014, respectively. Advisory fee income from the Scout funds decreased \$35.6 million in 2015 compared to 2014 and decreased \$1.9 million in 2014 compared to 2013 due to changes in the underlying assets under management. The mix of assets under management in the Institutional Investment Management segment has shifted to a higher percentage of fixed income versus equity in 2015 and 2014. Management continues to emphasize sales of services to both new and existing clients as well as increasing and improving the distribution

channels.

Gains on sales of securities available for sale increased \$6.3 million in 2015 compared to 2014 and decreased by \$4.4 million in 2014 compared to 2013. The investment portfolio is continually evaluated for opportunities to improve its performance and risk profile relative to market conditions and the Company's interest rate expectations. This can result in differences from period to period in the amount of realized gains.

Equity earnings on alternative investments decreased \$16.2 million to an unrealized loss position in 2015 compared to 2014 and decreased \$15.1 million in 2014 compared to 2013, primarily due to the changes in unrealized losses on PCM investments.

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Noninterest expense increased in 2015 by \$38.1 million, or 5.7 percent, compared to 2014 and increased in 2014 by \$42.5 million, or 6.8 percent, compared to 2013. The main drivers of this increase in 2015 were salaries and employee benefits expense, equipment expense, and legal and professional expense. The increases in 2014 were salaries and employee benefits expense, equipment expense, and a contingency reserve established in 2014. Table 7 below summarizes the components of noninterest expense and the respective year-over-year changes for each category.

Table 7

SUMMARY OF NONINTEREST EXPENSE (in thousands)

	Year Ended December 31,			Dollar Change		Percent Change	
	2015	2014	2013	15-14	14-13	15-14	14-13
Salaries and employee benefits	\$ 406,472	\$ 358,569	\$ 339,691	\$ 47,903	\$ 18,878	13.4%	5.6%
Occupancy, net	43,861	40,197	39,291	3,664	906	9.1	2.3
Equipment	63,533	53,609	49,207	9,924	4,402	18.5	8.9
Supplies and services	18,579	20,411	20,387	(1,832)	24	(9.0)	0.1
Marketing and business development	23,730	24,148	22,703	(418)	1,445	(1.7)	6.4
Processing fees	51,328	56,049	57,791	(4,721)	(1,742)	(8.4)	(3.0)
Legal and consulting	26,390	20,407	18,703	5,983	1,704	29.3	9.1
Bankcard	20,288	19,594	18,381	694	1,213	3.5	6.6
Amortization of other intangible assets	12,090	12,193	13,218	(103)	(1,025)	(0.8)	(7.8)
Regulatory fees	12,125	10,445	9,129	1,680	1,316	16.1	14.4
Contingency reserve		20,272		(20,272)	20,272	(100.0)	100.0
Other	25,340	29,786	34,703	(4,446)	(4,917)	(14.9)	(14.2)
Total noninterest expense	\$ 703,736	\$ 665,680	\$ 623,204	\$ 38,056	\$ 42,476	5.7%	6.8%

Salaries and employee benefits expense increased \$47.9 million, or 13.4 percent, and \$18.9 million, or 5.6 percent, in 2015 and 2014, respectively. The increase in both 2015 and 2014 is primarily due to higher employee base salaries, higher commissions and bonuses, and higher cost of benefits. Base salaries increased by \$31.1 million, or 14.0 percent, in 2015, compared to the same period in 2014. Commissions and bonuses increased by \$14.3 million, or 19.0 percent, in 2015, compared to the same period in 2014. Employee benefits increased by \$2.5 million, or 4.0 percent, in 2015, compared to the same period in 2014. The Marquette acquisition contributed \$23.2 million of increased salary and employee benefits expense in 2015. Included in these numbers is acquisition related severance expense of \$2.4 million in 2015. Additionally, non-acquisition related severance expense contributed \$4.6 million toward the increase in 2015.

Equipment expense increased \$9.9 million, or 18.5 percent and \$4.4 million, or 8.9 percent in 2015 and 2014, respectively. This increase is driven by increased computer hardware and software expenses for investments for regulatory requirements, cyber security and the ongoing modernization of our core systems in both years.

Legal and consulting expense increased \$6.0 million, or 29.3 percent, in 2015. This increase was driven by \$4.8 million in acquisition related expense related to the Marquette acquisition in 2015. The increases are also related to increased consulting expense from technology projects.

Processing fees expense decreased \$4.7 million, or 8.4 percent, in 2015. This reduction is primarily driven by decreased fees paid by the advisor to distributors of the Scout Funds

On June 30, 2014, the Company entered into a settlement agreement to resolve objections to its calculation of the earn-out amount owed to the sellers of PCM and a related incentive bonus calculation for the employees of

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PCM. A total estimated settlement liability of \$20.3 million was accrued in 2014. This contingency reserve is included in the Contingency reserve line on Company's Consolidated Statements of Income. Fair value adjustments subsequent to the settlement date are included in Other noninterest expense.

Other noninterest expense decreased \$4.4 million, or 14.9 percent, and \$4.9 million, or 14.2 percent, in 2015 and 2014, respectively, driven by a decrease in fair value adjustments to the contingent consideration liabilities on acquisitions in both years.

Total acquisition related expenses for Marquette recognized in noninterest expense during 2015 totaled \$9.8 million.

Income Taxes

Income tax expense totaled \$43.2 million, \$45.4 million and \$50.4 million in 2015, 2014 and 2013, respectively. These amounts equate to effective rates of 27.1 percent, 27.3 percent and 27.4 percent for 2015, 2014 and 2013, respectively. The decrease in the effective tax rate from 2014 to 2015 and from 2013 to 2014 results from changes in the portion of income earned from tax-exempt municipal securities. Amortization of investments in low-income housing tax credit (LIHTC) partnerships was previously recorded as part of Other noninterest expense. Due to the implementation of Accounting Standards Update (ASU) No. 2014-01, this amortization is now recorded in Income tax expense and was applied retrospectively to the 2013 and 2014 Consolidated Statements of Income.

For further information on income taxes refer to Note 16, Income Taxes, in the Notes to the Consolidated Financial Statements.

Business Segments

The Company has strategically aligned its operations into the following four reportable segments (collectively, Business Segments): Bank, Payment Solutions, Institutional Investment Management, and Asset Servicing. Business segment financial results produced by the Company's internal management reporting system are evaluated regularly by senior executive officers in deciding how to allocate resources and assess performance for individual Business Segments. The management accounting system assigns balance sheet and income statement items to each Business Segment using methodologies that are refined on an ongoing basis.

Table 8

Bank Operating Results

	Year Ended December 31,		Dollar Change 15-14	Percent Change 15-14
	2015	2014		
Net interest income	\$ 348,701	\$ 292,356	\$ 56,345	19.3%
Provision for loan losses	8,541	9,175	(634)	(6.9)
Noninterest income	188,444	194,223	(5,779)	(3.0)
Noninterest expense	446,656	404,203	42,453	10.5
Income before taxes	81,948	73,201	8,747	11.9
Income tax expense	22,127	24,095	(1,968)	(8.2)

Net income	\$ 59,821	\$ 49,106	\$ 10,715	21.8%
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Bank net income increased by \$10.7 million, or 21.8 percent, to \$59.8 million for the year ended December 31, 2015, compared to the same period in 2014. Net interest income increased \$56.3 million, or 19.3

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percent, for the year ended December 31, 2015, compared to the same period in 2014, driven by strong loan growth and the acquisition of Marquette. The Marquette acquisition added earning assets with an acquired value of \$1.2 billion primarily from loan balances with an acquired value of \$980.4 million, each at May 31, 2015. Provision for loan losses decreased by \$0.6 million, due to characteristics of the loan portfolio driving a decreased allowance for loan loss reserve for this segment. Noninterest income decreased \$5.8 million, or 3.0 percent, over the same period in 2014 driven by unrealized losses on PCM equity-method investments of \$16.2 million and decreased deposit service charges of \$2.8 million. These decreases were partially offset by increases of \$6.3 million in securities gains and \$5.8 million in trust and securities processing income due to the Marquette acquisition as well as an increase in asset values and new business generated during the current year compared to the same period last year.

Noninterest expense increased \$42.5 million, or 10.5 percent, to \$446.7 million for the year ended December 31, 2015, compared to the same period in 2014. The increase in noninterest expense is primarily due to a \$33.0 million increase in salaries and benefits, of which \$23.2 million was related to the acquisition of Marquette. Additional increases include \$19.0 million in increased technology, occupancy, and other service-based expenses as compared to the same period last year, an increase of \$3.2 million in legal and consulting expense driven by acquisition expenses related to Marquette, and \$2.5 million of increased amortization of intangibles related to the new intangibles acquired related to Marquette. These increases are partially offset by a \$20.3 million decrease in the contingency reserve recorded in 2014 with no comparable amount recorded during 2015. On June 30, 2014, the Company entered into a settlement agreement to resolve objections to its calculation of the earn-out amount owed to the sellers of PCM and a related incentive bonus calculation for the employees of PCM. A contingency reserve of \$20.3 million was recorded in 2014 related to the settlement.

*Table 9***Payment Solutions Operating Results**

	Year Ended December 31,		Dollar Change	Percent Change
	2015	2014	15-14	15-14
Net interest income	\$ 58,288	\$ 52,251	\$ 6,037	11.6%
Provision for loan losses	6,959	7,825	(866)	(11.1)
Noninterest income	91,326	84,478	6,848	8.1
Noninterest expense	106,016	93,915	12,101	12.9
Income before taxes	36,639	34,989	1,650	4.7
Income tax expense	10,043	7,791	2,252	28.9
Net income	\$ 26,596	\$ 27,198	\$ (602)	(2.2)%

For the year ended December 31, 2015, Payment Solutions net income decreased \$0.6 million, or 2.2 percent, to \$26.6 million compared to the same period in 2014. Net interest income increased \$6.0 million, or 11.6 percent and provision for loan losses decreased \$0.9 million for the year ended December 31, 2015, compared to the same period in 2014. Noninterest income increased \$6.8 million, or 8.1 percent, driven by an increase in deposit service charges of \$3.9 million due to increases in health savings accounts and corporate services income and an increase of \$1.7 million in card services income due to increased interchange fees. Noninterest expense increased by \$12.1 million, or 12.9 percent, primarily due to a \$5.0 million increase in salaries and benefits and \$6.0 million of increased technology,

occupancy, and other service-based expenses as compared to the same period last year.

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	Year Ended December 31,		Dollar	Percent
	2015	2014	Change	Change
			15-14	15-14
Net interest income	\$ 2	\$ (3)	\$ 5	>100.0%
Provision for loan losses				
Noninterest income	95,097	131,225	(36,128)	(27.5)
Noninterest expense	71,413	92,048	(20,635)	(22.4)
Income before taxes	23,686	39,174	(15,488)	(39.5)
Income tax expense	6,490	10,093	(3,603)	(35.7)
Net income	\$ 17,196	\$ 29,081	\$ (11,885)	(40.9)%

For the year ended December 31, 2015, Institutional Investment Management net income decreased \$11.9 million, or 40.9 percent, compared to the same period last year. Noninterest income decreased \$36.1 million, or 27.5 percent, due to a \$34.7 million decrease in advis