UMB FINANCIAL CORP
Form 10-K
February 27, 2015
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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

## FORM 10-K

**(Mark one)**

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2014

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

Commission file number: 0-4887

# UMB FINANCIAL CORPORATION

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Missouri** | **43-0903811** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **1010 Grand Boulevard, Kansas City, Missouri** | **64106** |
| **(Address of principal executive offices)** | **(Zip Code)** |

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

Securities Registered Pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| **Common Stock, $1.00 Par Value** | **The NASDAQ Global Select Market** |

Securities Registered Pursuant to Section 12(g) of the Act: **None**

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

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

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

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

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

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

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

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

As of June 30, 2014 the aggregate market value of common stock outstanding held by nonaffiliates of the registrant was approximately $2,395,384,553 based on the NASDAQ Global Select Market closing price of that date.

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

| Class | Outstanding at February 20, 2015 |
|---|---|
| Common Stock, $1.00 Par Value | 45,748,796 |

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Company s definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on April 28, 2015, are incorporated by reference into Part III of this Form 10-K.

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## PART I

### ITEM 1. *BUSINESS*

### General

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

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

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

The Company s significant nonbank subsidiaries include the following:

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

UMB Fund Services, Inc. (UMBFS) is located in Milwaukee, Wisconsin, Kansas City, Missouri, 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, 2014, the Company and its subsidiaries employed 3,592 persons.

On December 15, 2014, the Company announced the execution of a definitive agreement to acquire Marquette Financial Companies (MFC), a privately held $1.3 billion financial-services company, in an all-stock transaction. MFC owns Meridian Bank, N.A., which has eight branches in the Phoenix area, and Meridian Bank Texas, which has five branches in Ft. Worth, Dallas, and Denton. Within Meridian Bank, N.A. are Marquette Business Credit, which provides asset-based loans for working capital, recapitalization, growth, and mergers and acquisitions, and Marquette Transportation Finance, which provides accounts-receivable financing and factoring primarily for transportation businesses, and its division, Marquette Commercial Finance. MFC also owns Marquette Asset Management, which provides private asset-management and trust services to individuals, families, and institutions. The transaction has been approved by the boards of directors of the Company and MFC and is anticipated to close in mid-2015. The Company and MFC continue to conduct business as usual while the acquisition is pending regulatory approval.

### Business Segments

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

These segments and their financial results are described in detail in (i) the section of Management s Discussion and Analysis entitled *Business Segments*, which can be found in Part II, Item 7, pages 34 through 36, of this report and (ii) Note 12, Business Segment Reporting, to the Consolidated Financial Statements, which can be found in Part II, Item 8, pages 92 through 93, of this report.

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**Competition**

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

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

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

**Government Monetary and Fiscal Policies**

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

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

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

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

**Regulation and Supervision**

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

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

*Overview*

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

Many of the Company s subsidiaries are also subject to separate or related schemes of regulation, supervision, and examination: for example, (1) the Bank by the Office of the Comptroller of the Currency (OCC) under the National Banking Acts, the FDIC under the Federal Deposit Insurance Act (FDIA) , and the Consumer Financial Protection Bureau (CFPB) under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act); (2) Scout, Scout Distributors, LLC, UMBFS, UMB Distribution Services, LLC, UMB Financial Services, Inc., and Prairie Capital Management, LLC by the Securities and Exchange Commission (SEC) and State regulatory authorities under federal and State securities laws, and UMB Distribution Services, LLC and UMB Financial Services, Inc. by the Financial Industry Regulatory Authority (FINRA) as well; and (3) UMB Insurance, Inc. by State regulatory authorities under applicable State insurance laws. These schemes, like that overseen by the FRB, are designed to protect public or private interests that often are not aligned with those of 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 its subsidiaries have violated any law or commitment or engaged in any unsafe or unsound practice, formal or informal corrective or enforcement actions could be taken by the FRB against the Company, its subsidiaries, and institution-affiliated parties (such as directors, officers, and agents). These enforcement actions could include an imposition of civil monetary penalties and could directly affect not only the Company, its subsidiaries, and institution-affiliated parties but also the Company s counterparties, shareholders, and creditors and its commitments, arrangements, or other dealings with them. The OCC has similarly expansive authorities and powers over the Bank and its subsidiaries, as does the CFPB over matters involving consumer financial laws. The SEC, FINRA, and other domestic or foreign government authorities also have an array of means at their disposal to regulate and enforce matters within their jurisdiction that could impact the Company s businesses and operations.

*Restrictions on Permissible Activities and Corporate Matters*

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

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

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

Under amendments to the BHCA effected by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 and the Dodd-Frank Act, the Company may acquire banks outside of its home State of Missouri, subject to specified limits and may establish new branches in other States to the same extent as banks chartered in those States. Under the BHCA, however, the Company must procure the prior approval of the FRB to directly or indirectly acquire ownership or control of 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 also 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 will be compelled beginning January 1, 2016, to maintain a capital conservation buffer in excess of its minimum risk-based capital ratios and will be restricted in declaring and paying dividends whenever the buffer is breached. The authorities and powers of the FRB, the OCC, and other government authorities to prevent any unsafe or unsound practice also could be employed to further limit the dividends that the Bank or 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 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, 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

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generally require the Bank and its subsidiaries to deal with the Company and its nonbank subsidiaries only on market terms and, in addition, impose restrictions on the Bank and its subsidiaries in directly or indirectly extending credit to or engaging in other covered transactions with the Company or its nonbank subsidiaries. The Dodd-Frank Act recently extended the restrictions to derivatives and securities lending transactions and expanded the restrictions for transactions involving hedge funds or private-equity funds that are owned or sponsored by the Company or its nonbank subsidiaries.

In addition, under amendments to the BHCA effected by the Dodd-Frank Act and commonly known as the Volcker Rule, the Company and its subsidiaries are subject to extensive limits on proprietary trading and on owning or sponsoring hedge funds and private-equity funds. The limits on proprietary trading are largely focused on purchases or sales of financial instruments by a banking entity as principal primarily for the purpose of short-term resale, benefitting from actual or expected short-term price movements, or realizing short-term arbitrage profits. The limits on owning or sponsoring hedge funds and private-equity funds are designed to ensure that banking entities generally maintain only small positions in managed or advised funds and are not exposed to significant losses arising directly or indirectly from them. The Volcker Rule also provides for increased capital charges, quantitative limits, rigorous compliance programs, and other restrictions on permitted proprietary trading and fund activities, including a prohibition on transactions with a covered fund that would constitute a covered transaction under Sections 23A and 23B of the Federal Reserve Act. The Company continues to assess the impact to its businesses of the final regulation implementing the Volcker Rule and to take steps to fully conform its activities to that regulation. Absent receipt of an individualized extension from the FRB, the Company and its subsidiaries must generally bring their activities into conformance by July 21, 2015 (in the case of proprietary trading and specified fund activities), or July 21, 2016 (in the case of other fund activities), although the FRB has expressed its intent to extend the latter deadline to July 21, 2017.

*Additional Requirements under the Dodd-Frank Act*

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

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

*Capital-Adequacy Standards*

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

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

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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.

Through December 31, 2014, 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.

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

The Company and the Bank have been 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%.

The capital ratios for the Company and the Bank as of December 31, 2014, are set forth below:

| | Tier 1 Leverage Ratio | Tier 1 Risk Based Capital Ratio | Total Risk-Based Capital Ratio |
|---|---|---|---|
| UMB Financial Corporation | 8.72 | 13.29 | 14.04 |
| UMB Bank, n.a. | 7.63 | 11.68 | 12.43 |

These capital-to-assets ratios also play a central role in prompt corrective action (PCA), which is an enforcement framework used by the federal banking agencies to constrain the activities of banking organizations based on their levels of regulatory capital. Five categories have been established using thresholds for the total risk-based capital ratio, the tier 1 risk-based capital ratio, and the leverage ratio: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. While bank holding companies are not subject to the PCA framework, the FRB is empowered to compel a holding company to take measures such as the execution of financial or performance guarantees when prompt corrective action is required in connection with one of its depository-institution subsidiaries. At December 31, 2014, the Bank was well capitalized under the PCA framework.

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 and addresses other perceived weaknesses in the capital-adequacy guidelines that were identified during the recent global economic crisis. In addition, as part of their Basel III rulemaking, the federal banking agencies have made corresponding revisions to the PCA framework.

Final and proposed rules relating to Basel III include a number of more rigorous provisions applicable only to banking organizations that are larger or more internationally active than the Company and the Bank. These include, for example, a supplementary leverage ratio incorporating off-balance-sheet exposures, a liquidity coverage ratio, and a net stable funding ratio. 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 required the FDIC, in setting assessments, to offset the effect of increasing its reserve for the DIF on institutions with consolidated assets of less than $10 billion. The result of this revised approach to deposit-insurance assessments is generally an increase in costs, on an absolute or relative basis, for institutions with consolidated assets of $10 billion or more.

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

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

*Other Regulatory and Supervisory Matters*

As a public company, the Company is subject to the Securities Act of 1933, 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.

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

**Acquisitions**

A discussion of past acquisitions is included in Note 15, Acquisitions, to the Consolidated Financial Statements, which can be found in Part II, Item 8, pages 96 through 97 of this report.

**Statistical Disclosure**

The information required by Guide 3, Statistical Disclosure by Bank Holding Companies, has been included in Part II, Items 6, 7, and 7A, pages 20 through 57, of this report.

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

| Name | Age | Position with Registrant |
|---|---|---|
| Peter J. deSilva | 53 | Mr. deSilva has served as President and Chief Operating Officer of the Company since January 2004. He was named Vice Chairman of the Bank in January 2014 and, between December 2012 and January 2014, served as President and Chief Operating Officer of the Bank. Mr. deSilva was previously employed by Fidelity Investments from 1987 to 2004, the last seven years as Senior Vice President with principal responsibility for brokerage operations. |
| Anthony J. Fischer | 56 | 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 | 48 | Mr. Hagedorn has served as Vice Chairman of the Company since October 2009 and was named President and Chief Executive Officer of the Bank in January 2014. Between March 2005 and January 2014, he served as Chief Financial Officer of the Company and, from October 2009 to January 2014, also as Chief Administrative Officer of the Company. He previously served as Senior Vice President and Chief Financial Officer of Wells Fargo, Midwest Banking Group, from April 2001 to March 2005. |
| Andrew J. Iseman | 50 | 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. |

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| Name | Age | Position with Registrant |
|---|---|---|
| J. Mariner Kemper | 42 | Mr. Kemper has served 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. |
| Brian J. Walker | 43 | Mr. Walker was named Executive Vice President and Chief Financial Officer of the Company in January 2014 and has served as Chief Accounting Officer of the Company since June 2007. 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 certainties that may affect the Company as well as its subsidiaries. These risk factors should be read in conjunction with Management s Discussion and Analysis (which can be found in Part II, Item 7 of this report beginning on page 22) and its Consolidated Financial Statements (which can be found in Part II, Item 8 of this report beginning on page 58).

**The levels of or changes in interest rates could affect the Company s business.** 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 interest expense, or changing the relationship between different interest-rate indices. The Company s customers and counterparties also may be negatively impacted by the levels of or changes in interest rates, which could increase the risk of delinquency or default on obligations to the Company. The levels of or changes in interest rates, moreover, may have an adverse effect on the value of the Company s investment portfolio and other financial instruments, the return on or demand for loans, the prepayment speed of loans, the cost or availability of deposits or other funding sources, or the purchase or sale of investment securities. In addition, a rapid change in interest rates could result in interest expense increasing faster than interest income because of differences in the maturities of the Company s assets and liabilities. The level of and changes in market rates of interest and, as a result, these risks and uncertainties are beyond the Company s control. See Quantitative and Qualitative Disclosures About Market Risk Interest Rate Risk in Part II, Item 7A of this report beginning on page 51 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 results of operations could be adversely affected. The Company s lending and other banking businesses, in particular, are susceptible to weak or deteriorating economic conditions, which could result in reduced loan demand or utilization rates and at the same time increased delinquencies or defaults. These kinds of conditions also could dampen the demand for products in the Company s asset-management, insurance, brokerage, or related businesses. Increased delinquencies or defaults could result as well from the Company adopting, for strategic or other reasons, more liberal origination or underwriting standards for extensions of credit or other dealings with customers or counterparties. If delinquencies or defaults on the Company s loans or investment securities increase, their value could be adversely affected. 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 54 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.

**Challenging business, economic, or market conditions could adversely affect the Company s fee-based banking, investment-management, asset-servicing, or other businesses.** The Company s fee-based banking, investment-management, asset-servicing, and other businesses are driven by wealth creation in the economy, robust market activity, fiscal stability, and positive investor, business, and consumer sentiment. Economic downturns, market disruptions, high unemployment or underemployment, unsustainable debt levels, depressed real-estate markets, or other challenging business, economic, or market conditions could adversely affect these businesses and their results. For example, if any of these conditions were to cause flows into or the fair value of assets held in the funds and accounts advised by Scout to weaken or decline, 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. Revenue from trading, asset management, custody, trust, cash and treasury management, and the Company s other fee-based businesses could be adversely affected as well if any of these conditions were to occur or persist.

**The Company s investment-management businesses could be negatively impacted by declines in assets under management or by shifts in the mix of assets under management.** 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.

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**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, 2014, the Company s securities portfolio totaled approximately $7.3 billion, which represented approximately 41.6 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, 2014, the weighted average yield of the Company s securities portfolio was 1.9 percent as compared to 3.5 percent for its loan portfolio. Accordingly, to the extent that the Company is unable to effectively deploy its 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 $6.9 billion, or 94.9 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. Accordingly, 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 Stock 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 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. These seismic shifts in the financial-services industry have yet to slow in an appreciable way, and as a result, the Company expects to continue devoting increased time and resources to risk management, compliance, and regulatory change management. All of this could have a detrimental impact on the Company s business and results of operations. Risks also exist that government authorities could judge the Company s business or other practices unfavorably and bring formal or informal corrective or enforcement actions against it including fines or other penalties and directives to change its products or services that, for practical or other reasons, the Company could not resist and that also could give rise to litigation by private plaintiffs. These and other regulatory risks and uncertainties could adversely affect the Company s reputation, business, results of operations, financial condition, or prospects.

**Regulatory or supervisory requirements, future growth, or operating results may require the Company to raise additional capital, but that capital may not be available or be available 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

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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. 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 the condition were to persist for any appreciable period of time, its viability as a going concern could be threatened.

**The Company s business relies on systems, employees, service providers, and counterparties, and failures by any of them or other operational risks could adversely affect the Company.** The Company engages in a variety of businesses in diverse markets and relies on systems, employees, service providers, and counterparties to properly process a high volume of transactions. This gives rise to meaningful operational risk including the risk of fraud by employees or outside parties, unauthorized access to its premises or systems, errors in processing, failures of technology, breaches of internal controls or compliance safeguards, inadequate integration of acquisitions, human error, and breakdowns in business continuity plans. Significant financial, business, reputational, regulatory, or other harm could come to the Company as a result of these or related risks and uncertainties. For example, the Company could be negatively impacted if financial, accounting, data-processing, or other systems were to fail or not fully perform their functions. The Company also could be adversely affected if key personnel or a significant number of employees were to become unavailable due to a pandemic, natural disaster, war, act of terrorism, accident, or other reason. These risks arise as well with the systems and employees of the service providers and counterparties on whom the Company depends as well as with their third-party service providers and counterparties. See Quantitative and Qualitative Disclosures About Market Risk Operational Risk in Part II, Item 7A of this report beginning on page 56 for a discussion of how the Company monitors and manages operational risk.

In the ordinary course of its business, the Company collects, stores, and transmits sensitive, confidential, or proprietary data and other information, including intellectual property, business information, and the personally identifiable information of its customers and employees. The secure processing, storage, maintenance, and transmission of this information is critical to the Company s operations and reputation, and if any of this information were mishandled, misused, improperly accessed, or lost, the Company could suffer significant financial, business, reputational, regulatory, or other damage. For example, despite security measures, the Company s information technology and infrastructure may be breached in cyber-attacks, by computer viruses or malware, or with other means. Two of the most significant cyber-attack risks that it faces are e-fraud and loss of sensitive customer data. Loss from e-fraud occurs when cybercriminals breach and extract funds directly from customers or the Company s accounts. The attempts to breach sensitive customer data, such as account numbers and social security numbers, are less frequent, but could present significant reputational, legal and/or regulatory costs to the Company if successful. The Company s risk and exposure to these matters remains heightened because of the evolving nature and complexity of these threats from cybercriminals and hackers.

Third parties, including vendors that provide services for our operations, could also be a source of security risk to us in the event of a failure of their own security systems and infrastructure or outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information in order to gain access to our data or our customers data. A breach also could occur due to employee error, malfeasance, or other disruptions. Even when an attempted breach is successfully avoided or thwarted, the Company may need to expend substantial resources in doing so and may be required take actions that could adversely affect customer satisfaction or behavior. If a breach were to occur, moreover, the Company could be exposed to regulatory actions or litigation by private plaintiffs. Despite the Company s efforts to ensure the integrity of systems and controls, it may not be able to anticipate or implement effective measures to prevent all security breaches or all risks to the sensitive, confidential, or proprietary information that it collects, stores, or transmits.

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

**The Company faces intense competition from other financial-services companies, and competitive pressures could adversely affect the Company s business.** The Company faces intense competition in each of its business segments and in all of its markets and geographic regions, and the Company expects competitive pressures only to intensify in the future especially in light of legislative and regulatory initiatives arising out of the recent 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 4. Competitive pressures may drive the Company to take actions that the Company might otherwise eschew, such as lowering the interest rates on loans or raising the interest rates on deposits in order to keep or attract high-quality customers. These pressures also may accelerate actions that it might otherwise elect to defer, such as investments in technology or infrastructure. Whatever the reason, actions that 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 services, achieving market acceptance of its products and services, developing and maintaining a strong customer base, or prudently managing expenses.

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

**Liquidity is essential to the Company s business and it could be adversely affected by constraints in, or increased costs for, funding.** The Company defines liquidity as the Company s ability to meet financial commitments through the maturity and sale of existing assets or availability of additional funds. Banks are especially vulnerable to liquidity risk because of their role in the maturity transformation of demand or short-term deposits into longer-term loans or other extensions of credit. The Company, like other financial-services companies, relies to a significant extent on external sources of funding (such as deposits and borrowings) for the liquidity needed in the conduct of its business. A number of factors beyond the Company s control, however, could have a detrimental impact on the level or cost of that funding and thus on its liquidity. These include market disruptions, changes in its credit ratings or the sentiment of its investors, the loss of substantial deposit relationships, 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 56 for a discussion of how the Company monitors and manages liquidity risk.

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**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 due to 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.** Skilled employees are the Company s most important resource, and competition for talented people is intense. Even though compensation is among the Company s highest expenses, it may not be able to hire the best people, keep them with the Company, or properly motivate them to perform at a high level. Recent scrutiny of compensation practices, especially in the financial-services industry, has made this only more difficult. In addition, some parts of 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.

**The Company is subject to a variety of litigation or other proceedings, which could adversely affect its business.** The Company is involved from time to time in a variety of judicial, alternative-dispute, or other proceedings arising out of its business or operations. The Company establishes reserves for claims when appropriate under generally accepted accounting principles, but costs often can be incurred in connection with a matter before any reserve has been created. In addition, the actual costs associated with resolving a claim may be substantially higher than amounts that the Company has reserved. Substantial legal claims, even if not meritorious, could have a detrimental impact on the Company s business, results of operations, and financial condition and cause reputational harm.

**Changes in accounting standards could impact the Company s financial statements and reported earnings.** Accounting standard-setting bodies, such as the Financial Accounting Standards Board, periodically change the financial accounting and reporting standards that affect the preparation of the 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 determining the allowance for loan losses or the fair value of assets or liabilities. The judgments required of management can involve difficult, subjective, or complex matters with a high degree of uncertainty, and several different judgments could be reasonable under the circumstances and yet result in significantly different results being reported. See Critical Accounting Policies and Estimates in Part II, Item 7 of this report beginning on page 49. If management s judgments later prove 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, such as its planned acquisition of Marquette Financial Companies (MFC). The acquisition of MFC is and other 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 if the Company obtains 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, 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 stock in the Company were issued to pay or fund the purchase price. The Company 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.

**ITEM 1B.** ***UNRESOLVED STAFF COMMENTS***

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

**ITEM 2.** ***PROPERTIES***

The Company s headquarters building, the UMB Bank Building, is located at 1010 Grand Boulevard in downtown Kansas City, Missouri, and opened during July 1986. 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, 2014, the Bank operated a total of 105 banking centers and two 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.

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Additional information with respect to premises and equipment is presented in Note 1, Summary of Significant Accounting Policies, and Note 8, Premises and Equipment, to the Consolidated Financial Statements in Item 8, pages 65 and 85 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.

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## PART II

**ITEM 5.** ***MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

The Company s stock is traded on the NASDAQ Global Select Stock Market under the symbol UMBF. As of February 20, 2015, the Company had 2,247 distinct shareholders of record. Company stock information for each full quarter period within the two most recent fiscal years is set forth in the table below.

| Per Share | Three Months Ended | | | |
|---|---|---|---|---|
| 2014 | March 31 | June 30 | Sept 30 | Dec 31 |
| 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 |

| Per Share | Three Months Ended | | | |
|---|---|---|---|---|
| 2013 | March 31 | June 30 | Sept 30 | Dec 31 |
| Dividend | $ 0.215 | $ 0.215 | $ 0.215 | $ 0.225 |
| Book value | 31.73 | 30.20 | 32.85 | 33.30 |
| Market price: | | | | |
| High | 49.42 | 56.14 | 62.20 | 65.44 |
| Low | 43.27 | 46.34 | 51.86 | 53.72 |
| Close | 49.07 | 55.67 | 54.34 | 64.28 |

Information concerning restrictions on the ability of the Registrant to pay dividends and the Registrant s subsidiaries to transfer funds to the Registrant is presented in Item 1, page 3 and Note 10, Regulatory Requirements, to the Consolidated Financial Statements provided in Item 8, pages 87 and 88 of this report. Information concerning securities the Company issued under equity compensation plans is contained in Item 12, pages 114 and 115 and in Note 11, Employee Benefits, of the Consolidated Financial Statements provided in Item 8, pages 88 through 92 of this report.

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

The following table provides information about share repurchase activity by the Company during the quarter ended December 31, 2014:

**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, 2014 | 2,410 | $ 55.80 | 2,410 | 1,980,379 |
| November 1 November 30, 2014 | 1,836 | 59.63 | 1,836 | 1,978,543 |
| December 1 December 31, 2014 | 29,085 | 56.34 | 29,085 | 1,949,458 |
| Total | 33,331 | $ 56.48 | 33,331 | |

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On April 22, 2014, the Company announced a plan to repurchase up to 2 million shares of common stock. This plan will terminate on April 21, 2015. 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.

**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 22 through 57, of this report.

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**FIVE-YEAR FINANCIAL SUMMARY**

**(in thousands except per share data)**

**As of and for the years ended December 31**

| **EARNINGS** | **2014** | **2013** | **2012** | **2011** | **2010** |
|---|---|---|---|---|---|
| Interest income | $ 363,871 | $ 348,341 | $ 339,685 | $ 343,653 | $ 346,507 |
| Interest expense | 13,816 | 15,072 | 19,629 | 26,680 | 35,894 |
| Net interest income | 350,055 | 333,269 | 320,056 | 316,973 | 310,613 |
| Provision for loan losses | 17,000 | 17,500 | 17,500 | 22,200 | 31,510 |
| Noninterest income | 498,688 | 491,833 | 458,122 | 414,332 | 360,370 |
| Noninterest expense | 666,926 | 624,178 | 590,454 | 562,746 | 512,622 |
| Net income | 120,655 | 133,965 | 122,717 | 106,472 | 91,002 |
| | | | | | |
| **AVERAGE BALANCES** | | | | | |
| Assets | $ 15,998,893 | $ 15,030,762 | $ 13,389,192 | $ 12,417,274 | $ 11,108,233 |
| Loans, net of unearned interest | 6,975,338 | 6,221,318 | 5,251,278 | 4,756,165 | 4,490,587 |
| Securities | 7,053,837 | 7,034,542 | 6,528,523 | 5,774,217 | 5,073,839 |
| Interest-bearing due from banks | 843,134 | 663,818 | 547,817 | 837,807 | 593,518 |
| Deposits | 12,691,273 | 11,930,318 | 10,521,658 | 9,593,638 | 8,451,966 |
| Long-term debt | 6,059 | 4,748 | 5,879 | 11,284 | 19,141 |
| Shareholders equity | 1,599,765 | 1,337,107 | 1,258,284 | 1,138,625 | 1,066,872 |
| | | | | | |
| **YEAR-END BALANCES** | | | | | |
| Assets | $ 17,500,960 | $ 16,911,852 | $ 14,927,196 | $ 13,541,398 | $ 12,404,932 |
| Loans, net of unearned interest | 7,466,418 | 6,521,869 | 5,690,626 | 4,970,558 | 4,598,097 |
| Securities | 7,285,667 | 7,051,127 | 7,134,316 | 6,277,482 | 5,742,104 |
| Interest-bearing due from banks | 1,539,386 | 2,093,467 | 720,500 | 1,164,007 | 848,598 |
| Deposits | 13,616,859 | 13,640,766 | 11,653,365 | 10,169,911 | 9,028,741 |
| Long-term debt | 8,810 | 5,055 | 5,879 | 6,529 | 8,884 |
| Shareholders equity | 1,643,758 | 1,506,065 | 1,279,345 | 1,191,132 | 1,060,860 |
| | | | | | |
| **PER SHARE DATA** | | | | | |
| Earnings basic | $ 2.69 | $ 3.25 | $ 3.07 | $ 2.66 | $ 2.27 |
| Earnings diluted | 2.65 | 3.20 | 3.04 | 2.64 | 2.26 |
| Cash dividends | 0.91 | 0.87 | 0.83 | 0.79 | 0.75 |
| Dividend payout ratio | 33.83% | 26.77% | 27.04% | 29.70% | 33.04% |
| Book value | $ 36.10 | $ 33.30 | $ 31.71 | $ 29.46 | $ 26.24 |
| Market price | | | | | |
| High | 68.27 | 65.44 | 52.61 | 45.20 | 44.51 |
| Low | 51.87 | 43.27 | 37.68 | 30.49 | 31.88 |
| Close | 56.89 | 64.28 | 43.82 | 37.25 | 41.44 |
| | | | | | |
| Return on average assets | 0.75% | 0.89% | 0.92% | 0.86% | 0.82% |
| Return on average equity | 7.54 | 10.02 | 9.75 | 9.35 | 8.53 |
| Average equity to average assets | 10.00 | 8.90 | 9.40 | 9.17 | 9.60 |
| Total risk-based capital ratio | 14.04 | 14.43 | 11.92 | 12.20 | 12.45 |

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

**MANAGEMENT S DISCUSSION AND ANALYSIS**

This review highlights the material changes in the results of operations and changes in financial condition for the year-ended December 31, 2014. 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 report. Results of operations for the periods included in this review are not necessarily indicative of results to be attained during any future period.

**CAUTIONARY NOTICE ABOUT FORWARD-LOOKING STATEMENTS**

From time to time the Company has made, and in the future will make, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as believe, expect, anticipate, intend, estimate, project, outlook, forecast, target, goal, or other words of comparable meaning or future-tense or conditional verbs such as may, will, should, would, or could. Forward-lool 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 controls, including its ability to control lapses or deficiencies in financial reporting or to effectively mitigate or manage operational risk;

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

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

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

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

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

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

other assumptions, risks, or uncertainties described in the Risk Factors (Item 1A), Management s Discussion and Analysis (Item 7), or the Notes to 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. 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 maintaining a focus to improve net income and strengthen the balance sheet.

The first 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. With a diverse source of revenues, this strategy has helped reduce the Company s exposure to sustained low interest rates. During 2014, noninterest income increased $6.9 million, or 1.4 percent, to $498.7 million for the year ended December 31, 2014, compared to the same period in 2013. Trust and securities processing income increased $22.1 million, or 8.3 percent, and bankcard fee income increased $5.2 million, or 8.4 percent, for year-to-date December 31, 2014 compared to the same period in 2013. These increases in noninterest income were offset by decreases in equity earnings on alternative investments and gains on sales of securities available for sale. Equity earnings on alternative investments had unrealized gains of $4.0 million for the year-ended December 31, 2014 compared to unrealized gains of $19.0 million for the same period in 2013. Gains of $4.1 million on securities available for sale were recognized during the year ended December 31, 2014 compared to $8.5 million during the same period in 2013.

The second strategic objective is a focus on net interest income through loan and deposit growth. During 2014, continued progress on this strategy was illustrated by an increase in net interest income of $16.8 million, or 5.0 percent, from the previous year. The Company has continued to show increased net interest income in a historically low rate environment through the effects of increased volume of average earning assets and a low cost of funds in its balance sheet. Average earning assets increased by $964.9 million, or 6.9 percent, from 2013. Average loan balances increased $754.0 million, or 12.1 percent, for year-to-date December 31, 2014 compared to the same period in 2013. Earning asset growth was primarily funded with a $486.9 million increase in average non-interest-bearing deposits, or 10.3 percent. Net interest margin and net interest spread, on a tax-equivalent basis, decreased six basis points, compared to 2013.

The third strategic objective is a focus on improving operating efficiencies. At December 31, 2014, the Company had 105 banking centers and two wealth management offices. The Company continues to emphasize increasing its primary retail customer base by providing a broad offering of services through our existing branch network. These efforts have resulted in the total loans and deposits growth previously discussed. The Company continues to invest in technological advances that will help management drive operating efficiencies in the future through improved data analysis and automation. During 2014, systems infrastructure enhancements have been implemented, and these will continue into 2015. The Company continues to evaluate core systems and will invest in enhancements that will yield operating efficiencies. The Company evaluates its cost structure for opportunities to moderate expense growth without sacrificing growth initiatives.

The fourth 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 buy-back strategy. At December 31, 2014, the Company had $1.6 billion in total shareholders equity. This is an increase of $137.7 million, or 9.1 percent, compared to total shareholders equity at December 31, 2013. In 2013, the Company completed the issuance of 4.5 million shares of common stock with net proceeds of $231.4 million to be used for strategic growth purposes. At December 31, 2014, the Company had a total risk-based capital ratio of 14.04 percent. The Company repurchased 97,609 shares at an average price of $58.81 per share during 2014. Further, the Company paid $41.4 million in dividends during 2014, which represents a 13.8 percent increase compared to 2013.

**Earnings Summary**

The Company recorded consolidated net income of $120.7 million for the year-ended December 31, 2014. This represents a 9.9 percent decrease over 2013. Net income for 2013 was $134.0 million, or an increase of 9.2 percent compared to 2012. Basic earnings per share for the year-ended December 31, 2014, were $2.69 per share compared to $3.25 per share in 2013 and $3.07 per share in 2012. Basic earnings per share for 2014 decreased 17.2 percent over 2013, which increased 5.9 percent over 2012. Fully diluted earnings per share for the year-ended December 31, 2014, were $2.65 per share compared to $3.20 per share in 2013 and $3.04 per share in 2012.

The Company s net interest income increased to $350.1 million in 2014 compared to $333.3 million in 2013 and $320.1 million in 2012. In total, a favorable volume variance outpaced the impact from an unfavorable rate variance, resulting in a $16.8 million increase in net interest income in 2014, compared to 2013. The impact from an unfavorable rate variance and favorable volume variance on earning assets was slightly offset by the reduced cost of funding on the volume growth of interest-bearing deposits, resulting in the net favorable volume variance described. See Table 2 on page 28. 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. This was largely impacted by an unfavorable rate variance in the same category. Additionally, a two basis point reduction in rate on a volume increase of $274.1 million on average interest-bearing deposits helped drive the resulting increase in net interest income. Despite the current low rate environment, the Company continues to see benefit from interest-free funds. The impact of this benefit remained flat as compared to 2013 and is illustrated on Table 3 on page 29. The $13.2 million increase in net interest income in 2013, compared to 2012, 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 $970.0 million, or 18.5 percent, for 2013 compared to the same period in 2012. This was more than offset by an unfavorable rate variance in the same category. Additionally, a 10 basis points reduction in rate on a volume increase of $955.6 million on interest-bearing deposits drove the resulting increase in net interest income. The current economic environment has made it difficult to anticipate the future of the Company s margins. The magnitude and duration of this impact will be largely dependent upon the Federal Reserve s policy decisions and market movements. See Table 20 in Item 7A on page 52 for an illustration of the impact of a rate increase or decrease on net interest income as of December 31, 2014.

The Company had an increase of $6.9 million, or 1.4 percent, in noninterest income in 2014, compared to 2013, and a $33.7 million, or 7.4 percent, increase in 2013, compared to 2012. The increase in 2014 is primarily attributable to higher trust and securities processing income and bankcard fee income offset by a decrease in equity earnings in alternative investments and gains on the sales of securities available for sale. Trust and securities processing income increased $22.1 million, or 8.3 percent, for the year-ended December 31, 2014, compared to the same period in 2013. Equity earnings on alternative investments decreased $15.1 million for the year-ended December 31, 2014 primarily related to valuation declines in equity method investments in PCM. Gains of $4.1 million on securities available for sale were recognized during the year ended December 31, 2014 compared to $8.5 million during the same period in 2013. The change in noninterest income in 2014 from 2013, and 2013 from 2012 is illustrated on Table 6 on page 32.

Noninterest expense increased in 2014 by $42.7 million, or 6.8 percent, compared to 2013 and increased in 2013 by $33.7 million, or 5.7 percent, compared to 2012. This increase is primarily driven by an increase of $18.9 million, or 5.6 percent, in salary and employee benefit expense, a $4.4 million, or 8.9 percent increase in equipment expense driven by increased computer hardware and software expense, and a $20.3 million contingency reserve recorded in 2014. These increases were offset by a decrease in other noninterest expense of $4.6 million, or 13.0 percent, due to a decline of $4.7 million in contingent consideration liabilities on acquisitions. The increase in noninterest expense in 2014 from 2013, and 2013 from 2012 is illustrated on Table 7 on page 33.

**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 2014, 2013 and 2012.

Net interest margin is calculated as net interest income on a fully tax equivalent basis (FTE) as a percentage of average earning assets. Net interest income is presented on a tax-equivalent basis to adjust for the tax-exempt

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status of earnings from certain loans and investments, which are primarily obligations of state and local governments. A critical component of net interest income and related net interest margin is the percentage of earning assets funded by interest-free sources. Table 3 analyzes net interest margin for the three years ended December 31, 2014, 2013 and 2012. Net interest income, average balance sheet amounts and the corresponding yields earned and rates paid for the years 2012 through 2014 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)***

| | | 2014 | | | 2013 | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest Income/ Expense (1) | Rate Earned/ Paid (1) | Average Balance | Interest Income/ Expense (1) | Rate Earned/ Paid (1) |
| **ASSETS** | | | | | | |
| Loans, net of unearned interest (FTE) (2) (3) (4) | $ 6,975.3 | $ 245.3 | 3.52% | $ 6,221.3 | $ 229.7 | 3.69% |
| Securities: | | | | | | |
| Taxable | 4,898.8 | 76.2 | 1.56 | 4,876.3 | 75.2 | 1.54 |
| Tax-exempt (FTE) | 2,122.8 | 60.4 | 2.84 | 2,102.2 | 62.5 | 2.97 |
| Total securities | 7,021.6 | 136.6 | 1.94 | 6,978.5 | 137.7 | 1.97 |
| Federal funds sold and resell agreements | 48.9 | 0.2 | 0.53 | 36.6 | 0.2 | 0.53 |
| Interest-bearing | 843.2 | 2.5 | 0.30 | 663.9 | 1.9 | 0.29 |
| Other earning assets (FTE) | 32.2 | 0.5 | 1.46 | 56.0 | 1.1 | 1.90 |
| Total earning assets (FTE) | 14,921.2 | 385.1 | 2.58 | 13,956.3 | 370.6 | 2.66 |
| Allowance for loan losses | (76.5) | | | (72.4) | | |
| Cash and due from banks | 435.3 | | | 439.5 | | |
| Other assets | 718.9 | | | 707.4 | | |
| Total assets | $ 15,998.9 | | | $ 15,030.8 | | |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | | | | | |
| Interest-bearing demand and savings deposits | $ 6,043.5 | $ 6.2 | 0.10% | $ 6,073.5 | $ 5.3 | 0.09% |
| Time deposits under $100,000 | 449.5 | 2.5 | 0.56 | 527.3 | 3.5 | 0.66 |
| Time deposits of $100,000 or more | 641.7 | 3.5 | 0.55 | 619.9 | 4.4 | 0.71 |
| Total interest bearing deposits | 7,494.7 | 12.2 | 0.16 | 7,220.7 | 13.2 | 0.18 |
| Short-term debt | | | | 0.2 | | |
| Long-term debt | 6.1 | | | 4.7 | 0.2 | 4.26 |
| Federal funds purchased and repurchase agreements | 1,535.0 | 1.6 | 0.11 | 1,613.6 | 1.7 | 0.11 |
| Total interest bearing liabilities | 9,035.8 | 13.8 | 0.15 | 8,839.2 | 15.1 | 0.17 |
| Noninterest bearing demand deposits | 5,196.5 | | | 4,709.6 | | |
| Other | 166.8 | | | 144.9 | | |
| Total | 14,399.1 | | | 13,693.7 | | |
| Total shareholders equity | 1,599.8 | | | 1,337.1 | | |
| Total liabilities and shareholders equity | $ 15,998.9 | | | $ 15,030.8 | | |

| | | | | |
|---|---|---|---|---|
| Net interest income (FTE) | $ 371.3 | | $ 355.5 | |
| Net interest spread | | 2.43% | | 2.49% |
| Net interest margin | | 2.49% | | 2.55% |

(1) Interest income and yields are stated on a fully tax-equivalent (FTE) basis, using a marginal tax rate of 35%. The tax-equivalent interest income and yields give effect to disallowance of interest expense, for federal income tax purposes related to certain tax-free assets. Rates earned/paid may not compute to the rates shown due to presentation in millions. The tax-equivalent interest income totaled $21.2 million, $22.2 million, and $19.9 million in 2014, 2013, and 2012, respectively.

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(2) Loan fees are included in interest income. Such fees totaled $9.9 million, $10.9 million, and $11.0 million in 2014, 2013, and 2012, 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)***

| | | 2012 | |
|---|---|---|---|
| | Average Balance | Interest Income/ Expense (1) | Rate Earned/ Paid (1) |
| **ASSETS** | | | |
| Loans, net of unearned interest (FTE) (2) (3) | $ 5,251.3 | $ 217.6 | 4.14% |
| Securities: | | | |
| Taxable | 4,612.5 | 81.0 | 1.76 |
| Tax-exempt (FTE) | 1,862.8 | 57.9 | 3.11 |
| Total securities | 6,475.3 | 138.9 | 2.14 |
| Federal funds sold and resell agreements | 26.5 | 0.1 | 0.46 |
| Interest-bearing | 547.8 | 1.8 | 0.33 |
| Other earning assets (FTE) | 53.2 | 1.2 | 2.34 |
| Total earning assets (FTE) | 12,354.1 | 359.6 | 2.91 |
| Allowance for loan losses | (73.0) | | |
| Cash and due from banks | 402.1 | | |
| Other assets | 706.0 | | |
| Total assets | $ 13,389.2 | | |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | | |
| Interest-bearing demand and savings deposits | $ 5,021.5 | $ 6.5 | 0.13% |
| Time deposits under $100,000 | 577.6 | 4.9 | 0.85 |
| Time deposits of $100,000 or more | 665.9 | 6.0 | 0.90 |
| Total interest bearing deposits | 6,265.0 | 17.4 | 0.28 |
| Short-term debt | 5.6 | 0.1 | 1.75 |
| Long-term debt | 5.9 | 0.3 | 5.08 |
| Federal funds purchased and repurchase agreements | 1,410.5 | 1.9 | 0.13 |
| Total interest bearing liabilities | 7,687.0 | 19.7 | 0.26 |
| Noninterest bearing demand deposits | 4,256.6 | | |
| Other | 187.3 | | |
| Total | 12,130.9 | | |
| Total shareholders equity | 1,258.3 | | |
| Total liabilities and shareholders equity | $ 13,389.2 | | |
| Net interest income (FTE) | | $ 339.9 | |
| Net interest spread | | | 2.65% |
| Net interest margin | | | 2.75% |

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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 due jointly 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 | | 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) |
| 48,869 | 36,589 | 0.53 | 0.53 | Federal funds sold 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 purchased and repurchase agreements | (83) | (40) | (123) |
| 6,059 | 4,972 | (0.69) | 3.02 | Other | (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 |

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

| | | | |
|---|---|---|---|
| Net interest income | $ 43,974 | $ (30,761) | $ 13,213 |

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*Table 3*

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

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Average earning assets | $ 14,921,178 | $ 13,956,267 | $ 12,354,077 |
| Interest-bearing liabilities | 9,035,841 | 8,839,231 | 7,687,032 |
| Interest-free funds | $ 5,885,337 | $ 5,117,036 | $ 4,667,045 |
| Free funds ratio (free funds to earning assets) | 39.44% | 36.66% | 37.78% |
| Tax-equivalent yield on earning assets | 2.58% | 2.66% | 2.91% |
| Cost of interest-bearing liabilities | 0.15 | 0.17 | 0.26 |
| Net interest spread | 2.43% | 2.49% | 2.65% |
| Benefit of interest-free funds | 0.06 | 0.06 | 0.10 |
| Net interest margin | 2.49% | 2.55% | 2.75% |

The Company experienced an increase in net interest income of $16.8 million, or 5.0 percent, for the year 2014, compared to 2013. This follows an increase of $13.2 million, or 4.1 percent, for the year 2013, compared to 2012. As illustrated in Table 2, the 2014 and 2013 increases are due to the favorable volume variances in earning assets, which were partially offset by the rate variances.

The decrease in the cost of funds has led to a declining beneficial impact from interest-free funds. However, the Company still maintains a significant portion of its deposit funding with noninterest-bearing demand deposits. Noninterest-bearing demand deposits represented 41.4 percent, 38.0 percent and 42.2 percent of total outstanding deposits at December 31, 2014, 2013 and 2012, respectively. As illustrated in Table 3, the impact from these interest-free funds was six basis points in 2014 and 2013, compared to ten basis points in 2012.

The Company has experienced a repricing of its earning assets and interest-bearing liabilities during the 2014 interest rate cycle. The average rate on earning assets during 2014 has decreased by eight basis points, while the average rate on interest-bearing liabilities decreased by two basis points, resulting in a six basis point decline in spread. The volume of loans has increased from an average of $6.2 billion in 2013 to an average of $7.0 billion in 2014. Loan-related earning assets tend to generate a higher spread than those earned in the Company s investment portfolio. By design, the Company s investment portfolio is moderate in duration and liquid in its composition of assets. If the Federal Reserve s Open Market Committee maintains rates at current levels, the Company anticipates a negative impact to interest income as a result. The magnitude of this impact will be largely dependent upon the Federal Reserve s policy decisions, market movements and the duration of this rate environment.

During 2015, approximately $1.2 billion of available for sale securities are expected to have principal repayments. This includes approximately $335 million which will have principal repayments during the first quarter of 2015. The total investment portfolio had an average life of 43.6 months, 47.6 months, and 40.0 months as of December 31, 2014, 2013, and 2012, 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, there 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, to the Consolidated Financial Statements.

*Table 4*

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

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

| | | | December 31 | | |
|---|---|---|---|---|---|
| **Loan Category** | **2014** | **2013** | **2012** | **2011** | **2010** |
| Commercial | $ 55,349 | $ 48,886 | $ 43,390 | $ 37,927 | $ 39,138 |
| Real estate | 10,725 | 15,342 | 15,506 | 20,486 | 18,557 |
| Consumer | 9,921 | 10,447 | 12,470 | 13,593 | 16,243 |
| Leases | 145 | 76 | 60 | 11 | 14 |
| Total allowance | $ 76,140 | $ 74,751 | $ 71,426 | $ 72,017 | $ 73,952 |

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 54 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, of the Consolidated Financial Statements.

As illustrated in Table 5 below, the ALL decreased as a percentage of total loans to 1.02 percent as of December 31, 2014, compared to 1.15 percent as of December 31, 2013. Based on the factors above, provision for loan loss totaled $17.0 million for the year-ended December 31, 2014, which is a decrease of $500 thousand, or 2.9 percent, compared to the same period in 2013. This provision for loan losses totaled $17.5 million for the year-ended December 31, 2013 and 2012.

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*Table 5*

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

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Allowance-beginning of year | $ 74,751 | $ 71,426 | $ 72,017 | $ 73,952 | $ 64,139 |
| Provision for loan losses | 17,000 | 17,500 | 17,500 | 22,200 | 31,510 |
| Allowance of banks and loans acquired | | | | | |
| Charge-offs: | | | | | |
| Commercial | (7,307) | (4,748) | (8,446) | (12,693) | (6,644) |
| Consumer | | | | | |
| Credit card | (10,104) | (10,531) | (11,148) | (13,493) | (15,606) |
| Other | (1,323) | (1,600) | (1,530) | (1,945) | (2,979) |
| Real estate | (259) | (775) | (932) | (532) | (258) |
| Total charge-offs | (18,993) | (17,654) | (22,056) | (28,663) | (25,487) |
| Recoveries: | | | | | |
| Commercial | 848 | 867 | 1,136 | 813 | 637 |
| Consumer | | | | | |
| Credit card | 1,803 | 1,720 | 1,766 | 2,366 | 1,327 |
| Other | 687 | 815 | 1,035 | 1,317 | 1,797 |
| Real estate | 44 | 77 | 28 | 32 | 29 |
| Total recoveries | 3,382 | 3,479 | 3,965 | 4,528 | 3,790 |
| Net charge-offs | (15,611) | (14,175) | (18,091) | (24,135) | (21,697) |
| Allowance-end of year | $ 76,140 | $ 74,751 | $ 71,426 | $ 72,017 | $ 73,952 |
| Average loans, net of unearned interest | $ 6,974,246 | $ 6,217,240 | $ 5,243,264 | $ 4,748,909 | $ 4,478,377 |
| Loans at end of year, net of unearned interest | 7,465,794 | 6,520,512 | 5,686,749 | 4,960,343 | 4,583,683 |
| Allowance to loans at year-end | 1.02% | 1.15% | 1.26% | 1.45% | 1.61% |
| Allowance as a multiple of net charge-offs | 4.88x | 5.27x | 3.95x | 2.98x | 3.41x |
| Net charge-offs to: | | | | | |
| Provision for loan losses | 91.83% | 81.00% | 103.38% | 108.71% | 68.86% |
| Average loans | 0.22 | 0.23 | 0.35 | 0.51 | 0.48 |

**Noninterest Income**

A key objective of the Company is the growth of noninterest income to enhance profitability and provide steady income, as fee-based services are typically non-credit related and are not generally affected by fluctuations in interest rates. Noninterest income increased in 2014 by $6.9 million, or 1.4 percent, compared to 2013 and increased in 2013 by $33.7 million, or 7.4 percent, compared to 2012. 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 increase in 2013 is primarily attributable to higher trust and securities processing income and equity earnings on alternative investments, partially offset by decreases in trading and investment banking, gains on the sales of securities available for sale, and other noninterest income.

The Company s fee-based services provide the opportunity to offer multiple products and services to customers which management believes will more closely align to the customer s product demand with the Company. The Company s ongoing focus is to continue to develop and offer multiple products and services to its customers. The Company is currently emphasizing fee-based services including trust and securities processing,

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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 | |
| | 2014 | 2013 | 2012 | 14-13 | 13-12 | 14-13 | 13-12 |
| Trust and securities processing | $ 288,054 | $ 265,948 | $ 225,094 | $ 22,106 | $ 40,854 | 8.3% | 18.1% |
| Trading and investment banking | 19,398 | 20,641 | 30,359 | (1,243) | (9,718) | (6.0) | (32.0) |
| Service charges on deposit accounts | 85,299 | 84,133 | 78,694 | 1,166 | 5,439 | 1.4 | 6.9 |
| Insurance fees and commissions | 3,011 | 3,727 | 4,095 | (716) | (368) | (19.2) | (9.0) |
| Brokerage fees | 10,761 | 11,470 | 11,105 | (709) | 365 | (6.2) | 3.3 |
| Bankcard fees | 67,250 | 62,031 | 60,567 | 5,219 | 1,464 | 8.4 | 2.4 |
| Gains on sales of securities available for sale, net | 4,127 | 8,542 | 20,232 | (4,415) | (11,690) | (51.7) | (57.8) |
| Equity earnings on alternative investments | 3,975 | 19,048 | 422 | (15,073) | 18,626 | (79.1) | >100.0 |
| Other | 16,813 | 16,293 | 27,554 | 520 | (11,261) | 3.2 | (40.9) |
| Total noninterest income | $ 498,688 | $ 491,833 | $ 458,122 | $ 6,855 | $ 33,711 | 1.4% | 7.4% |

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 2014 compared to 2013, and in 2013 compared to 2012.

Trust and securities processing income consists of fees earned on personal and corporate trust accounts, custody of securities services, trust investments and investment management services, and mutual fund assets servicing. This income category increased by $22.1 million, or 8.3 percent in 2014, compared to 2013, and increased by $40.9 million, or 18.1 percent in 2013, compared to 2012. The Company increased fee income from institutional and personal investment management services by $12.8 million in 2014 and $12.7 million in 2013. Fund administration and custody services fee income increased by $8.4 million and $5.4 million in 2014 and 2013, respectively. Advisory fee income from the Scout funds decreased $1.9 million in 2014 compared to 2013 and increased $21.5 million in 2013 compared to 2012. Management continues to emphasize sales of services to both new and existing clients as well as increasing and improving the distribution channels.

Trading and investment banking income decreased by $1.2 million, or 6.0 percent in 2014, compared to 2013, and decreased $9.7 million, or 32.0 percent in 2013, compared to 2012. The income in this category is market driven and impacted by general increases or decreases in trading volume.

Gains on sales of securities available for sale decreased $4.4 million in 2014 compared to 2013 and decreased by $11.7 million in 2013 compared to 2012. 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 $15.1 million in 2014 compared to 2013 and increased $18.6 million in 2013 compared to 2012, primarily due to the change in unrealized gains on PCM investments.

Other noninterest income remained flat from 2013 to 2014 and decreased $11.3 million in 2013, compared to 2012. The decrease from 2012 to 2013 was primarily due to an $8.7 million adjustment in contingent consideration liabilities on acquisitions recognized in 2012 due to the adoption of new accounting guidance in 2012 related to fair value measurements and changes in cash flow projections.

**Noninterest Expense**

Noninterest expense increased in 2014 by $42.7 million, or 6.8 percent, compared to 2013 and increased in 2013 by $33.7 million, or 5.7 percent, compared to 2012. The main drivers of this increase in 2014 were salaries and employee benefits expense, equipment expense, and a contingency reserve established in 2014. The increases in 2013 were salaries and employee benefits expense, equipment expense, processing fees, and other noninterest expense. 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 | |
| | 2014 | 2013 | 2012 | 14-13 | 13-12 | 14-13 | 13-12 |
| Salaries and employee benefits | $ 358,569 | $ 339,691 | $ 319,852 | $ 18,878 | $ 19,839 | 5.6% | 6.2% |
| Occupancy, net | 40,197 | 39,291 | 37,927 | 906 | 1,364 | 2.3 | 3.6 |
| Equipment | 53,609 | 49,207 | 43,465 | 4,402 | 5,742 | 8.9 | 13.2 |
| Supplies and services | 20,411 | 20,387 | 21,045 | 24 | (658) | 0.1 | (3.1) |
| Marketing and business development | 24,148 | 22,703 | 24,604 | 1,445 | (1,901) | 6.4 | (7.7) |
| Processing fees | 56,049 | 57,791 | 51,191 | (1,742) | 6,600 | (3.0) | 12.9 |
| Legal and consulting | 20,407 | 18,703 | 17,980 | 1,704 | 723 | 9.1 | 4.0 |
| Bankcard | 19,594 | 18,381 | 18,154 | 1,213 | 227 | 6.6 | 1.3 |
| Amortization of other intangible assets | 12,193 | 13,218 | 14,775 | (1,025) | (1,557) | (7.8) | (10.5) |
| Regulatory fees | 10,445 | 9,129 | 9,447 | 1,316 | (318) | 14.4 | (3.4) |
| Contingency reserve | 20,272 | | | 20,272 | | 100.0 | |
| Other | 31,032 | 35,677 | 32,014 | (4,645) | 3,663 | (13.0) | 11.4 |
| Total noninterest expense | $ 666,926 | $ 624,178 | $ 590,454 | $ 42,748 | $ 33,724 | 6.8% | 5.7% |

Salaries and employee benefits expense increased $18.9 million, or 5.6 percent, and $19.8 million, or 6.2 percent, in 2014 and 2013, respectively. The increase in both 2014 and 2013 is primarily due to higher employee base salaries, higher commissions and bonuses, and higher cost of benefits. Base salaries increased by $11.7 million, or 5.5 percent, in 2014, compared to the same period in 2013. Commissions and bonuses increased by $5.3 million, or 7.5 percent, in 2014, compared to the same period in 2013. Employee benefits increased by $2.0 million, or 3.3 percent, in 2014, compared to the same period in 2013.

Equipment expense increased $4.4 million, or 8.9 percent in 2014. This increase is driven by increased computer hardware and software expenses.

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. As of March 31, 2014, $15.0 million of contingency reserve expense had been accrued related to this dispute. An additional $5.3 million of contingency reserve expense was recorded during the second quarter for a total estimated settlement liability of $20.3 million. Cash payments totaling $6.0 million were made on June 30,

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2014 for this liability with final settlement payments to be made in the third quarter of 2015. 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 $4.6 million, or 13.0 percent, primarily driven by an decrease in contingent consideration liabilities on acquisitions of $4.7 million, compared to 2013.

**Income Taxes**

Income tax expense totaled $44.2 million, $49.5 million and $47.5 million in 2014, 2013 and 2012, respectively. These amounts equate to effective rates of 26.8 percent, 27.0 percent and 27.9 percent for 2014, 2013 and 2012, respectively. The decrease in the effective tax rate from 2013 to 2014 results from changes in the portion of income earned from tax-exempt municipal securities. The decrease in the effective tax rate from 2012 to 2013 is primarily attributable to federal tax credits realized.

For further information on income taxes refer to Note 16, Income Taxes, of 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 | Percent Change |
|---|---|---|---|---|
| | **2014** | **2013** | **14-13** | **14-13** |
| Net interest income | $ 292,357 | $ 285,112 | $ 7,245 | 2.5% |
| Provision for loan losses | 9,175 | 5,535 | 3,640 | 65.8 |
| Noninterest income | 194,223 | 210,535 | (16,312) | (7.7) |
| Noninterest expense | 405,065 | 376,307 | 28,758 | 7.6 |
| Income before taxes | 72,340 | 113,805 | (41,465) | (36.4) |
| Income tax expense | 19,487 | 28,548 | (9,061) | (31.7) |
| Net income | $ 52,853 | $ 85,257 | $ (32,404) | (38.0)% |

Bank net income decreased by $32.4 million, or 38.0 percent, to $52.9 million for the year ended December 31, 2014, compared to the same period in 2013. Net interest income increased $7.2 million, or 2.5 percent, for the year ended December 31, 2014, compared to the same period in 2013, driven by commercial, commercial real estate, and real estate construction loan growth, while being slightly offset by interest rate margin compression. Provision for loan losses increased by $3.6 million, due to characteristics of the loan portfolio driving an increased allowance for loan loss reserve for this segment. Noninterest income decreased $16.3 million, or 7.8 percent, over the same period in 2013 driven by the following decreases: unrealized gains on PCM equity method investments of $15.1 million, bond trading income of $1.5 million, securities gains of $4.4 million, card services income of $1.6 million, and deposit service charges of $1.8 million compared to the

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same period last year. These decreases are offset by an increase in trust and securities processing income of $7.8 million and an increase in other noninterest income of $2.3 million. The increase in trust and securities processing income is due to an increase in asset values and new business generated during the current year compared to the same period last year. The increase in other noninterest income is due to a gain on the sale of a branch property of $2.8 million in 2014.

Noninterest expense increased $28.8 million, or 7.6 percent, to $405.1 million for the year ended December 31, 2014, compared to the same period in 2013. The increase in noninterest expense is primarily due to a $20.3 million contingency reserve recorded in the current year. 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 and recorded a $20.3 million contingency reserve related to this settlement. Other increases include a $4.8 million increase in salaries and benefits and a $1.6 million increase in legal and professional fees compared to the same period last year.

*Table 9*

**Payment Solutions Operating Results**

| | Year Ended December 31, | | Dollar Change | Percent Change |
|---|---|---|---|---|
| | 2014 | 2013 | 14-13 | 14-13 |
| Net interest income | $ 52,251 | $ 45,832 | $ 6,419 | 14.0% |
| Provision for loan losses | 7,825 | 11,965 | (4,140) | (34.6) |
| Noninterest income | 84,477 | 74,223 | 10,254 | 13.8 |
| Noninterest expense | 94,177 | 86,746 | 7,431 | 8.6 |
| Income before taxes | 34,726 | 21,344 | 13,382 | 62.7 |
| Income tax expense | 9,311 | 6,739 | 2,572 | 38.2 |
| Net income | $ 25,415 | $ 14,605 | $ 10,810 | 74.0% |

For the year ended December 31, 2014, Payment Solutions net income increased $10.8 million, or 74.0 percent, to $25.4 million compared to the same period in 2013. Net interest income increased $6.4 million, or 14.0 percent and provision for loan losses decreased $4.1 million for the year ended December 31, 2014, compared to the same period in 2013. Noninterest income increased $10.3 million, or 13.8 percent, driven by an increase in card services income of $6.8 million and an increase in deposit service charges of $3.0 million. Noninterest expense increased by $7.4 million, or 8.6 percent, primarily due to increased staffing, technology, occupancy, and bankcard fraud loss expenses compared to the same period last year.

*Table 10*

**Institutional Investment Management Operating Results**

| | Year Ended December 31, | | Dollar Change | Percent Change |
|---|---|---|---|---|
| | 2014 | 2013 | 14-13 | 14-13 |
| Net interest income | $ (3) | $ (32) | $ 29 | 90.6% |
| Provision for loan losses | | | | |
| Noninterest income | 131,226 | 126,442 | 4,784 | 3.8 |
| Noninterest expense | 92,008 | 88,336 | 3,672 | 4.2 |
| Income before taxes | 39,215 | 38,074 | 1,141 | 3.0 |
| Income tax expense | 10,331 | 10,002 | 329 | 3.3 |

| | | | | |
|---|---|---|---|---|
| Net income | $ 28,884 | $ 28,072 | $ 812 | 2.9% |

For the year ended December 31, 2014, Institutional Investment Management net income increased $0.8 million, or 2.9 percent, compared to the same period last year. Noninterest income increased $4.8 million, or 3.8 percent, due to a $7.8 million increase in advisory fees from separately managed accounts, offset by a $1.9 million decrease in advisory fees from the Scout funds. Scout assets under management remained flat at $31.2 billion as of December 31, 2014, compared to December 31, 2013. However, the mix of assets under management in Scout has shifted between the two year ends, and the mix as of December 31, 2014 is more heavily weighted towards fixed income assets compared to equity assets. The increase in noninterest expense of $3.7 million, or 4.2 percent, over the prior year was primarily due to a $4.7 million increase in salaries and benefits and a $0.6 million increase in marketing and business development expenses, offset by a $2.1 million decrease in processing fees due to a decrease in fees paid by the advisor to third-party distributors of the Scout funds.

*Table 11*

**Asset Servicing Operating Results**

| | Year Ended December 31, | | Dollar Change | Percent Change |
|---|---|---|---|---|
| | 2014 | 2013 | 14-13 | 14-13 |
| Net interest income | $ 5,450 | $ 2,357 | $ 3,093 | 131.2% |
| Provision for loan losses | | | | |
| Noninterest income | 88,762 | 80,633 | 8,129 | 10.1 |
| Noninterest expense | 75,676 | 72,789 | 2,887 | 4.0 |
| Income before taxes | 18,536 | 10,201 | 8,335 | 81.7 |
| Income tax expense | 5,033 | 4,170 | 863 | 20.7 |
| Net income | $ 13,503 | $ 6,031 | $ 7,472 | 123.9% |

For the year ended December 31, 2014, Asset Servicing net income increased $7.5 million, or 123.9 percent, to $13.5 million as compared to 2013. Net interest income increased $3.1 million compared to last year. Noninterest income increased $8.1 million, or 10.1 percent, due to an $8.4 million, or 10.5 percent, increase in fee income from growth in asset and transaction-based fees and new business in fund administration, alternative investment and custody services. As of December 31, 2014, assets under administration totaled $198.3 billion compared to $191.0 billion at December 31, 2013, an increase of 3.8 percent. Noninterest expense increased $2.9 million, or 4.0 percent, due to increased salaries and benefits of $1.8 million, increased occupancy expenses of $0.9 million, and increased operations and technology expenses of $1.9 million to support business growth. These increases were offset by a $2.8 million decrease in fair value adjustments to the contingent consideration liability on acquisitions prior to the final contingency consideration payment in April 2013.

***Balance Sheet Analysis***

**Loans and Loans Held For Sale**

Loans represent the Company s largest source of interest income. In addition to growing the commercial loan portfolio, management believes its middle market commercial business and its consumer business, including home equity and credit card loan products, are the market niches that represent its best opportunity to cross-sell fee-related services. Loan balances held for investment increased by $945.3 million, or 14.5 percent, in 2014. The increase in total loans is driven by the Company s focus on generating higher-yielding assets by shifting assets from the securities portfolio to the loan portfolio. Commercial, commercial real estate loans, and construction real estate loans had the most significant growth in outstanding balances in 2014, compared to 2013.

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*Table 12*

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

| | December 31 | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Commercial | $ 3,814,009 | $ 3,301,503 | $ 2,873,694 | $ 2,234,817 | $ 1,937,052 |
| Commercial credit card | 115,709 | 103,270 | 104,320 | 95,339 | 84,544 |
| Real estate construction | 256,006 | 152,875 | 78,486 | 84,590 | 128,520 |
| Real estate commercial | 1,866,301 | 1,702,151 | 1,435,811 | 1,394,555 | 1,294,897 |
| Leases | 39,090 | 23,981 | 19,084 | 3,834 | 7,055 |
| Total business-related | 6,091,115 | 5,283,780 | 4,511,395 | 3,813,135 | 3,452,068 |
| Real estate residential | 319,827 | 289,356 | 212,363 | 185,886 | 193,157 |
| Real estate HELOC | 643,586 | 566,128 | 573,923 | 533,032 | 476,057 |
| Consumer credit card | 310,296 | 318,336 | 334,518 | 333,646 | 322,208 |
| Consumer other | 100,970 | 62,912 | 54,550 | 94,644 | 140,193 |
| Total consumer-related | 1,374,679 | 1,236,732 | 1,175,354 | 1,147,208 | 1,131,615 |
| Loans before allowance and loans held for sale | 7,465,794 | 6,520,512 | 5,686,749 | 4,960,343 | 4,583,683 |
| Allowance for loan losses | (76,140) | (74,751) | (71,426) | (72,017) | (73,952) |
| Net loans before loans held for sale | 7,389,654 | 6,445,761 | 5,615,323 | 4,888,326 | 4,509,731 |
| Loans held for sale | 624 | 1,357 | 3,877 | 10,215 | 14,414 |
| Net loans and loans held for sale | $ 7,390,278 | $ 6,447,118 | $ 5,619,200 | $ 4,898,541 | $ 4,524,145 |
| As a % of total loans and loans held for sale | | | | | |
| Commercial | 51.08% | 50.63% | 50.49% | 44.96% | 42.13% |
| Commercial credit card | 1.55 | 1.58 | 1.83 | 1.92 | 1.84 |
| Real estate construction | 3.43 | 2.34 | 1.38 | 1.70 | 2.80 |
| Real estate commercial | 25.00 | 26.10 | 25.23 | 28.06 | 28.16 |
| Leases | 0.52 | 0.37 | 0.34 | 0.08 | 0.15 |
| Total business-related | 81.58 | 81.02 | 79.27 | 76.72 | 75.08 |
| Real estate residential | 4.28 | 4.44 | 3.73 | 3.74 | 4.20 |
| Real estate HELOC | 8.62 | 8.68 | 10.09 | 10.72 | 10.35 |
| Consumer credit card | 4.16 | 4.88 | 5.88 | 6.71 | 7.01 |
| Consumer other | 1.35 | 0.96 | 0.96 | 1.90 | 3.05 |
| Total consumer-related | 18.41 | 18.96 | 20.66 | 23.07 | 24.61 |
| Loans held for sale | 0.01 | 0.02 | 0.07 | 0.21 | 0.31 |
| Total loans and loans held for sale | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Included in Table 12 is a five-year breakdown of loans by type. Business-related loans continue to represent the largest segment of the Company s loan portfolio, comprising approximately 81.6 percent and 81.0 percent of total loans and loans held for sale at the end of 2014 and 2013, respectively.

Commercial loans represent the largest percent of total loans. Commercial loans have increased $512.5 million, or 15.5 percent, to 51.1 percent of total loans compared to 50.6 percent in 2013. The Company has also increased its capacity to lend through increased commitments over 2013. Commercial line utilization has remained low due to the current economic conditions.

As a percentage of total loans, commercial real estate and construction real estate loans now comprise 28.4 percent of total loans, which is the same as at the end of 2013. Commercial real estate increased $164.2 million, or 9.6 percent, and construction real estate loans increased $103.1 million, or 67.5 percent, compared to 2013. Generally, these loans are made for working capital or expansion purposes and are primarily secured by real estate with a maximum loan-to-value of 80 percent. Most of these properties are owner-occupied and/or have other collateral or guarantees as security.

HELOC loans increased $77.5 million, or 13.7 percent, and represent 8.6 percent of total loans, and residential real estate increased $30.5 million, or 10.5 percent, and represent 4.3 percent of total loans.

Nonaccrual, past due and restructured loans are discussed under Credit Risk within the Quantitative and Qualitative Disclosure about Market Risk in Item 7A on page 54 of this report.

**Investment Securities**

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

Securities available for sale and securities held to maturity comprised 44.0 percent and 44.5 percent of earning assets as of December 31, 2014 and 2013, respectively. Total investment securities were $7.3 billion and $7.1 billion at December 31, 2014 and 2013, respectively. Management expects deposit balance changes, loan demand, and collateral pledging requirements for public funds to be the primary factors impacting changes in the level of security holdings. Of the $6.9 billion of available-for-sale securities held at December 31, 2014, $5.7 billion were pledged to secure U.S. Government deposits, other public deposits, certain trust deposits, and other potential borrowings as required by law. Of the total pledged amount, securities with a market value of $1.2 billion at December 31, 2014 were pledged at the Federal Reserve Discount Window but were unencumbered as of that date.

Securities available for sale comprised 94.9 percent of the Company s investment securities portfolio at December 31, 2014, compared to 95.9 percent at year-end 2013. Securities available for sale had a net unrealized gain of $17.9 million at year-end, compared to a net unrealized loss of $52.1 million the preceding year. This market value change primarily reflects the impact of mid and longer-term market interest rate decreases as of December 31, 2014, compared to December 31, 2013. These amounts are reflected, on an after-tax basis, in the Company s other comprehensive income in shareholders equity, as an unrealized gain of $11.0 million at year-end 2014, compared to an unrealized loss of $32.6 million for 2013.

The securities portfolio achieved an average yield on a tax-equivalent basis of 1.9 percent for 2014, compared to 2.0 percent in 2013, and 2.1 percent in 2012. The decrease in yield is due to the replacement of higher yielding securities with lower yielding securities as the investment portfolio is reinvested. The average life of the available-for-sale securities portfolio was 43.6 months at December 31, 2014, compared to 47.6 months at year-end 2013. The decrease in average life from December 31, 2013 to December 31, 2014, was related primarily to reinvesting portfolio cash flows in shorter duration securities as well as the shortening of the average life of mortgage-backed securities due to faster prepayment rates resulting from market interest rate decreases during 2014.

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

The securities portfolio contains securities that have unrealized losses and are not deemed to be other-than-temporarily impaired (see the table of these securities in Note 4, Securities, to the Consolidated Financial

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Statements on page 80 of this document). The unrealized losses in the Company s investments in direct obligations of U.S. Treasury obligations, U.S. government agencies, federal agency mortgage-backed securities, municipal securities, and corporates were caused by changes in interest rates. The Company does not have the intent to sell these securities and does not believe it is more likely than not that the Company will be required to sell these securities before a recovery of fair value. The Company expects to recover its cost basis in the securities and does not consider these investments to be other-than-temporarily impaired at December 31, 2014.

*Table 13*

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

| **December 31, 2014** | **Amortized Cost** | **Fair Value** |
|---|---|---|
| U.S. Treasury | $ 519,484 | $ 519,460 |
| U.S. Agencies | 991,084 | 990,689 |
| Mortgage-backed | 3,276,009 | 3,277,604 |
| State and political subdivisions | 1,983,549 | 2,001,357 |
| Corporates | 124,096 | 122,826 |
| Total | $ 6,894,222 | $ 6,911,936 |

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

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

| | **U.S. Treasury Securities** | | **U.S. Agency Securities** | |
|---|---|---|---|---|
| **December 31, 2014** | **Fair Value** | **Weighted Average Yield** | **Fair Value** | **Weighted Average Yield** |
| Due in one year or less | $ 82,990 | 0.29% | $ 182,699 | 0.63% |
| Due after 1 year through 5 years | 431,492 | 0.67 | 807,990 | 0.72 |
| Due after 5 years through 10 years | 4,978 | 1.75 | | |
| Due after 10 years | | | | |

| | | | | |
|---|---|---|---|---|
| Total | $ 519,460 | 0.62% | $ 990,689 | 0.70% |

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| December 31, 2014 | Mortgage-backed Securities Fair Value | Mortgage-backed Securities Weighted Average Yield | State and Political Subdivisions Fair Value | State and Political Subdivisions Weighted Average Yield |
|---|---|---|---|---|
| Due in one year or less | $ 63,114 | 3.25% | $ 343,741 | 1.98% |
| Due after 1 year through 5 years | 2,567,443 | 2.06 | 868,959 | 2.40 |
| Due after 5 years through 10 years | 626,017 | 2.10 | 677,431 | 3.05 |
| Due after 10 years | 21,030 | 3.32 | 111,226 | 3.26 |
| Total | $ 3,277,604 | 2.09% | $ 2,001,357 | 2.58% |

| December 31, 2014 | Corporates Fair Value | Corporates Weighted Average Yield |
|---|---|---|
| Due in one year or less | $ | % |
| Due after 1 year through 5 years | 122,826 | 1.13 |
| Due after 5 years through 10 years | | |
| Due after 10 years | | |
| Total | $ 122,826 | 1.13% |

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

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

| December 31, 2013 | Corporates |
|---|---|

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

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

| | Mortgage-backed Securities | State and Political Subdivisions |
|---|---|---|