

UMB FINANCIAL CORP
Form 10-Q
August 05, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from _____ to _____

Commission file number 0-4887

UMB FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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Missouri
(State or other jurisdiction of
incorporation or organization)

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

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

64106
(ZIP Code)

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

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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

As of July 31, 2009, UMB Financial Corporation had 40,614,927 shares of common stock outstanding.

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

| | June 30, 2009 | December 31, 2008 |
|--|------------------|----------------------|
| <u>ASSETS</u> | | |
| Loans: | \$ 4,331,887 | \$ 4,388,148 |
| Allowance for loan losses | (55,109) | (52,297) |
| Net loans | 4,276,778 | 4,335,851 |
| Loans held for sale | 38,060 | 21,886 |
| Investment securities: | | |
| Available for sale | 3,826,390 | 4,815,072 |
| Held to maturity (market value of \$51,186 and \$56,929, respectively) | 48,757 | 49,350 |
| Trading | 38,023 | 38,480 |
| Federal Reserve Bank stock and other | 21,962 | 21,505 |
| Total investment securities | 3,935,132 | 4,924,407 |
| Federal funds sold and securities purchased under agreements to resell | 130,100 | 235,092 |
| Interest-bearing due from banks | 698,246 | 575,309 |
| Cash and due from banks | 359,469 | 423,599 |
| Bank premises and equipment, net | 220,280 | 226,790 |
| Accrued income | 61,076 | 64,513 |
| Goodwill | 123,627 | 104,924 |
| Other intangibles | 39,769 | 18,101 |
| Other assets | 72,589 | 46,124 |
| Total assets | \$ 9,955,126 | \$ 10,976,596 |
| <u>LIABILITIES</u> | | |
| Deposits: | | |
| Noninterest-bearing demand | \$ 2,512,369 | \$ 2,383,454 |
| Interest-bearing demand and savings | 3,557,310 | 3,880,165 |
| Time deposits under \$100,000 | 784,535 | 789,375 |
| Time deposits of \$100,000 or more | 819,795 | 672,332 |
| Total deposits | 7,674,009 | 7,725,326 |
| Federal funds purchased and repurchase agreements | 1,088,446 | 2,127,353 |
| Short-term debt | 35,996 | 15,807 |
| Long-term debt | 31,073 | 35,925 |
| Accrued expenses and taxes | 110,255 | 81,429 |

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|--|---------------------|----------------------|
| Other liabilities | 23,363 | 15,945 |
| Total liabilities | 8,963,142 | 10,001,785 |
| SHAREHOLDERS EQUITY | | |
| Common stock, \$1.00 par value; 80,000,000 shares authorized; 55,056,730 shares issued; and 40,626,555 and 40,947,795 shares outstanding, respectively | 55,057 | 55,057 |
| Capital surplus | 709,839 | 707,812 |
| Retained earnings | 529,448 | 502,073 |
| Accumulated other comprehensive income | 44,238 | 41,105 |
| Treasury stock, 14,430,175 and 14,108,935 shares, at cost, respectively | (346,598) | (331,236) |
| Total shareholders equity | 991,984 | 974,811 |
| Total liabilities and shareholders equity | \$ 9,955,126 | \$ 10,976,596 |

See Notes to Condensed Consolidated Financial Statements.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|------------------------------------|-------------|----------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| <u>INTEREST INCOME</u> | | | | |
| Loans | \$ 53,535 | \$ 58,710 | \$ 106,335 | \$ 123,351 |
| Securities: | | | | |
| Taxable interest | 25,818 | 25,329 | 54,935 | 52,792 |
| Tax-exempt interest | 7,168 | 6,591 | 14,188 | 13,205 |
| Total securities income | 32,986 | 31,920 | 69,123 | 65,997 |
| Federal funds and resell agreements | 50 | 1,375 | 181 | 5,463 |
| Interest-bearing due from banks | 942 | | 1,787 | |
| Trading securities and other | 194 | 335 | 362 | 646 |
| Total interest income | 87,707 | 92,340 | 177,788 | 195,457 |
| <u>INTEREST EXPENSE</u> | | | | |
| Deposits | 12,609 | 20,845 | 26,433 | 48,795 |
| Federal funds and repurchase agreements | 537 | 5,001 | 1,197 | 15,283 |
| Short-term debt | | 65 | | 157 |
| Long-term debt | 387 | 418 | 777 | 834 |
| Total interest expense | 13,533 | 26,329 | 28,407 | 65,069 |
| Net interest income | 74,174 | 66,011 | 149,381 | 130,388 |
| Provision for loan losses | 6,300 | 4,850 | 12,300 | 7,850 |
| Net interest income after provision for loan losses | 67,874 | 61,161 | 137,081 | 122,538 |
| <u>NONINTEREST INCOME</u> | | | | |
| Trust and securities processing | 28,635 | 33,132 | 53,534 | 64,363 |
| Trading and investment banking | 8,977 | 6,350 | 13,838 | 11,864 |
| Service charges on deposits | 21,135 | 20,935 | 41,929 | 41,557 |
| Insurance fees and commissions | 886 | 937 | 2,456 | 2,077 |
| Brokerage fees | 1,512 | 2,147 | 3,864 | 4,241 |
| Bankcard fees | 11,142 | 11,708 | 22,089 | 22,428 |
| Gains on sale of securities available for sale, net | 1,849 | 29 | 1,891 | 411 |
| Gain on mandatory redemption of Visa, Inc. class B common stock | | | | 8,875 |
| Other | 3,187 | 3,750 | 6,632 | 8,161 |
| Total noninterest income | 77,323 | 78,988 | 146,233 | 163,977 |
| <u>NONINTEREST EXPENSE</u> | | | | |
| Salaries and employee benefits | 59,596 | 55,100 | 117,593 | 110,144 |
| Occupancy, net | 8,572 | 7,762 | 16,716 | 15,409 |
| Equipment | 11,998 | 13,188 | 24,994 | 26,471 |

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| | | | | |
|---|------------------|------------------|------------------|------------------|
| Supplies and services | 5,570 | 6,065 | 10,947 | 11,926 |
| Marketing and business development | 4,171 | 4,459 | 7,361 | 8,349 |
| Processing fees | 8,140 | 8,967 | 15,143 | 16,643 |
| Legal and consulting | 2,644 | 1,831 | 4,192 | 2,934 |
| Bankcard | 2,927 | 2,618 | 6,884 | 5,475 |
| Amortization of other intangibles | 1,495 | 733 | 2,471 | 1,454 |
| Regulatory fees | 7,908 | 720 | 9,635 | 1,276 |
| Covered litigation provision | | | | (4,023) |
| Other | 5,859 | 4,922 | 9,587 | 9,536 |
| | | | | |
| Total noninterest expense | 118,880 | 106,365 | 225,523 | 205,594 |
| | | | | |
| Income before income taxes | 26,317 | 33,784 | 57,791 | 80,921 |
| Income tax provision | 7,290 | 10,060 | 16,163 | 24,841 |
| | | | | |
| NET INCOME | \$ 19,027 | \$ 23,724 | \$ 41,628 | \$ 56,080 |
| | | | | |
| <u>PER SHARE DATA</u> | | | | |
| Net income - basic | \$ 0.47 | \$ 0.58 | \$ 1.03 | \$ 1.37 |
| Net income - diluted | 0.47 | 0.58 | 1.02 | 1.36 |
| Dividends | 0.175 | 0.165 | 0.350 | 0.315 |
| | | | | |
| Weighted average shares outstanding | 40,374,963 | 40,657,351 | 40,485,689 | 40,817,350 |
| See Notes to Condensed Consolidated Financial Statements. | | | | |

Table of Contents**UMB FINANCIAL CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY***(unaudited, dollars in thousands, except per share data)*

| | Common Stock | Capital Surplus | Retained Earnings | Accumulated Other Comprehensive Income | Treasury Stock | Total |
|--|-----------------|--------------------|----------------------|---|-------------------|------------|
| Balance - January 1, 2008 | \$ 55,057 | \$ 702,914 | \$ 430,824 | \$ 12,246 | \$ (310,467) | \$ 890,574 |
| Comprehensive income | | | | | | |
| Net income | | | 56,080 | | | 56,080 |
| Change in unrealized gains on securities | | | | 327 | | 327 |
| Total comprehensive income | | | | | | 56,407 |
| Cash dividends (\$0.315 per share) | | | (12,906) | | | (12,906) |
| Purchase of treasury stock | | | | | (21,158) | (21,158) |
| Issuance of equity awards | | (814) | | | 954 | 140 |
| Recognition of equity based compensation | | 2,020 | | | | 2,020 |
| Net tax benefit related to equity compensation plans | | 320 | | | | 320 |
| Sale of treasury stock | | 184 | | | 94 | 278 |
| Exercise of stock options | | 512 | | | 826 | 1,338 |
| Balance - June 30, 2008 | \$ 55,057 | 705,136 | 473,998 | 12,573 | (329,751) | 917,013 |
| Balance - January 1, 2009 | \$ 55,057 | \$ 707,812 | \$ 502,073 | \$ 41,105 | \$ (331,236) | \$ 974,811 |
| Comprehensive income | | | | | | |
| Net income | | | 41,628 | | | 41,628 |
| Change in unrealized gains on securities | | | | 3,133 | | 3,133 |
| Total comprehensive income | | | | | | 44,761 |
| Cash dividends (\$0.35 per share) | | | (14,253) | | | (14,253) |
| Purchase of treasury stock | | | | | (17,298) | (17,298) |
| Issuance of equity awards | | (1,263) | | | 1,395 | 132 |
| Recognition of equity based compensation | | 2,571 | | | | 2,571 |
| Net tax benefit related to equity compensation plans | | 169 | | | | 169 |
| Sale of treasury stock | | 221 | | | 106 | 327 |
| Exercise of stock options | | 329 | | | 435 | 764 |
| Balance - June 30, 2009 | \$ 55,057 | \$ 709,839 | \$ 529,448 | \$ 44,238 | \$ (346,598) | \$ 991,984 |

See Notes to Condensed Consolidated Financial Statements.

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

| | Six Months Ended June 30, | |
|---|--------------------------------------|-----------------|
| | 2009 | 2008 |
| Operating Activities | | |
| Net Income | \$ 41,628 | \$ 56,080 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Provision for loan losses | 12,300 | 7,850 |
| Depreciation and amortization | 18,717 | 18,606 |
| Deferred income tax expense | (3,843) | (45) |
| Net decrease (increase) in trading securities | 457 | (19,089) |
| Gains on sales of securities available for sale | (1,891) | (411) |
| Gains on sales of assets | (18) | (302) |
| Amortization of securities premiums, net of discount accretion | 10,859 | 3,125 |
| Originations of loans held for sale | (151,573) | (82,459) |
| Net gains on sales of loans held for sale | (890) | (427) |
| Proceeds from sales of loans held for sale | 136,289 | 77,515 |
| Issuance of equity awards | 132 | 140 |
| Equity based compensation | 2,571 | 2,020 |
| Decrease in covered litigation provision | | (4,023) |
| Changes in: | | |
| Accrued income | 3,437 | 3,342 |
| Accrued expenses and taxes | 381 | (11,394) |
| Other assets and liabilities, net | 2,525 | (86,183) |
| Net cash provided by (used in) operating activities | 71,081 | (35,655) |
| Investing Activities | | |
| Proceeds from maturities of securities held to maturity | 2,350 | 6,587 |
| Proceeds from sales of securities available for sale | 45,046 | 56,406 |
| Proceeds from maturities of securities available for sale | 2,141,450 | 1,656,259 |
| Purchases of securities held to maturity | (2,808) | (7,910) |
| Purchases of securities available for sale | (1,201,056) | (1,244,469) |
| Net decrease (increase) in loans | 44,472 | (164,549) |
| Net decrease in fed funds sold and resell agreements | 104,992 | 201,047 |
| Net increase in interest-bearing balances due from other financial institutions | (87,078) | |
| Net change in unsettled securities transactions | (10,231) | 957 |
| Purchases of bank premises and equipment | (8,288) | (7,678) |
| Net cash paid for acquisitions | (23,391) | (31,720) |
| Proceeds from sales of bank premises and equipment | 557 | 414 |
| Net cash provided by investing activities | 1,006,015 | 465,344 |
| Financing Activities | | |
| Net decrease in demand and savings deposits | (194,027) | (133,459) |
| Net increase (decrease) in time deposits | 142,623 | (61,924) |
| Net decrease in fed funds purchased and repurchase agreements | (1,038,907) | (530,613) |
| Net increase in short-term debt | 20,189 | 181,625 |

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| | | |
|--|-------------|------------|
| Proceeds from long-term debt | | 1,200 |
| Repayment of long-term debt | (4,852) | (2,783) |
| Cash dividends paid | (14,244) | (12,895) |
| Net tax benefit related to equity compensation plans | 169 | 320 |
| Proceeds from exercise of stock options and sales of treasury shares | 1,091 | 1,616 |
| Purchases of treasury stock | (17,298) | (21,158) |
| Net cash used in financing activities | (1,105,256) | (578,071) |
| Decrease in cash and due from banks | (28,160) | (148,382) |
| Cash and due from banks at beginning of period | 887,559 | 806,600 |
| Cash and due from banks at end of period | \$ 859,399 | \$ 658,218 |
| Supplemental Disclosures: | | |
| Income taxes paid | \$ 22,269 | \$ 24,053 |
| Total interest paid | 29,803 | 71,148 |
| See Notes to Condensed Consolidated Financial Statements. | | |

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UMB FINANCIAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009 (UNAUDITED)

1. Financial Statement Presentation

The condensed consolidated financial statements include the accounts of UMB Financial Corporation and its subsidiaries (collectively, the Company) after elimination of all material intercompany transactions. In the opinion of management of the Company, all adjustments, which were of a normal recurring nature and necessary for a fair presentation of the financial position and results of operations, have been made. The results of operations and cash flows for the interim periods presented may not be indicative of the results of the full year. The financial statements should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

2. Summary of Accounting Policies

The Company is a multi-bank financial holding company, which offers a wide range of banking and other financial services to its customers through its branches and offices in the states of Missouri, Kansas, Colorado, Illinois, Oklahoma, Arizona, Nebraska, Pennsylvania, South Dakota, Indiana, Utah, and Wisconsin. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also impact reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A summary of the significant accounting policies to assist the reader in understanding the financial presentation is listed in the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

The Company has evaluated subsequent events through August 5, 2009 which is the date the financial statements were issued.

Interest-bearing Due From Banks

Amounts due from the Federal Reserve Bank, which are interest-bearing in 2009 and at December 31, 2008, and amounts due from certificates of deposits held at other financial institutions are included in interest-bearing due from banks. The amount due from the Federal Reserve Bank totaled \$499.9 million at June 30, 2009 and is considered cash and cash equivalents. The amounts due from certificates of deposit totaled \$198.3 million at June 30, 2009. At December 31, 2008 the amount due from the Federal Reserve Bank totaled \$464.0 million and the amounts due from certificates of deposit totaled \$111.3 million.

Per Share Data

Basic income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted quarterly per share data includes the dilutive effect of 325,620 and 449,647 shares issuable upon the exercise of options granted by the Company and outstanding at June 30, 2009 and 2008, respectively. Diluted year-to-date income per share includes the dilutive effect of 291,189 and 359,798 shares issuable upon the exercise of stock options granted by the Company and outstanding at June 30, 2009 and 2008, respectively.

Options issued under employee benefit plans to purchase 473,771 shares of common stock were outstanding at June 30, 2009, but were not included in the computation of quarterly diluted EPS because the options were anti-dilutive. Options issued under employee benefit plans to purchase 791,984 shares of common stock were outstanding at June 30, 2009, but were not included in the computation of year-to-date diluted EPS because the options were anti-dilutive. Options issued under employee benefit plans to purchase 194,428 shares of common stock were outstanding at June 30, 2008, but were not included in the computation of year-to-date diluted EPS because the options were anti-dilutive. There were no anti-dilutive options in the computation of quarter-to-date diluted EPS at June 30, 2008.

Table of Contents**3. New Accounting Pronouncements**

Business Combinations In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141 (revised 2007) *Business Combinations*. The purpose of this statement is to improve the information that a reporting entity provides in its financial reports about a business combination and its effects. This statement establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. It also retains from the original pronouncement, SFAS No. 141, the requirement that the acquisition method (purchase method) be used in all business combinations and the guidance for identifying and recognizing intangible assets separately from goodwill. The Company adopted this statement on January 1, 2009.

Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51 In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements – an amendment of ARB No. 51*. This statement amends Accounting Research Bulletin (ARB) 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. It eliminates the former minority interest presentation. This statement also requires that the parent recognize a gain or loss in net income when a subsidiary is deconsolidated. The Company adopted this statement on January 1, 2009 with no effect on its financial position or results of operations.

Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. In April, 2009, the FASB issued Staff Position (FSP) SFAS No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP relates to determining fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms the objective of SFAS No. 157 which is to reflect how much an asset would be sold for in an orderly transaction (as opposed to a distressed or forced transaction) at the date of the financial statements under current market conditions. Specifically, it reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. This FSP shall be effective for interim reporting periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this FSP in the second quarter of 2009 with no effect on its financial position or results of operations.

Interim Disclosures about Fair Value of Financial Instruments. In April, 2009, the FASB issued FSP SFAS No. 107-1 and APB Opinion No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This FSP relates to fair value disclosures for any financial instruments including those that are not currently reflected on the balance sheet of companies at fair value. Prior to issuing this FSP, fair values for these assets and liabilities were only disclosed once a year. This FSP requires these disclosures on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. This FSP shall be effective for interim reporting periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this FSP in the second quarter of 2009 with no effect on its financial position or results of operations except for additional disclosures.

Recognition and Presentation of Other-Than-Temporary Impairments. In April, 2009, the FASB issued FSP SFAS 115-2 and SFAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. This FSP is intended to bring greater consistency to the timing of other-than-temporary impairment recognition, and provide greater clarity to investors about the credit and noncredit components of impaired debt securities that are not expected to be sold. The measure of impairment in comprehensive income remains fair value. The FSP also requires increased and more timely disclosures sought by investors regarding expected cash flows, credit losses, and an aging of securities with unrealized losses. This FSP shall be effective for interim reporting periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company adopted this FSP on April 1, 2009 with no effect on its financial position or results of operations.

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Subsequent Events In May 2009, the FASB issued SFAS No. 165 Subsequent Events . The objective of this Statement is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This Statement identifies the period after the balance sheet date that transactions should be evaluated for potential recognition or disclosure. It further sets forth the circumstances under which transactions occurring after the balance sheet date should be recognized and the types of disclosure required. This Statement shall be effective for interim reporting periods ending after June 15, 2009. The Company adopted this standard in the second quarter of 2009 with no effect on its financial position or results of operations.

Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 In June 2009, the FASB issued SFAS No. 166 Accounting for Transfers of Financial Assets-an amendment of FASB Statement No. 140 . The objective of this Statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This Statement removes the concept of a qualifying special-purpose entity from SFAS No. 140 and removes the exception from applying FASB Interpretation No. 46 to qualifying special-purpose entities. This Statement shall be effective as of the beginning of an entity's first annual reporting period that begins after November 15, 2009 and for interim periods within the first annual reporting period. The Company cannot currently quantify with precision the effect that this standard will have on the financial position or results of operations in the future.

Amendments to FASB Interpretation No. 46(R) In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) , which amends the consolidation guidance applicable to variable interest entities. The amendments to the consolidation guidance affect all entities currently within the scope of FIN 46(R), as well as qualifying special-purpose entities that are currently excluded from the scope of FIN 46(R). This Statement shall be effective as of the beginning of an entity's first annual reporting period that begins after November 15, 2009 and for interim periods within the first annual reporting period. The Company cannot currently quantify with precision the effect that this standard will have on the financial position or results of operations in the future.

4. Loans and Allowance for Loan Losses

This table provides a summary of the major categories of loans as of June 30, 2009 and December 31, 2008 (*in thousands*):

| | June 30, 2009 | December 31, 2008 |
|---|------------------|----------------------|
| Commercial, financial, and agricultural | \$ 2,053,357 | \$ 2,128,512 |
| Real estate construction | 98,791 | 89,960 |
| Consumer | 478,652 | 569,879 |
| Real estate | 1,692,768 | 1,589,902 |
| Leases | 8,319 | 9,895 |
| Total loans | 4,331,887 | 4,388,148 |
| Loans held for sale | 38,060 | 21,886 |
| Total loans and loans held for sale | \$ 4,369,947 | \$ 4,410,034 |

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This table provides an analysis of the allowance for loan losses for the three and six months ended June 30, 2009 and 2008 (*in thousands*):

| | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------|-----------------------|--------------------------------|-----------|---------------------------------|------|
| | | 2009 | 2008 | 2009 | 2008 |
| Beginning allowance | April 1 and January 1 | \$ 54,005 | \$ 47,481 | | |