UMB FINANCIAL CORP
Form 10-Q
May 02, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019

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 number001-38481

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 Number)

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	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 Par Value	UMBF	The NASDAQ Global Select Market

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	Accelerated filer
Non- accelerated filer	Smaller reporting company
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

As of April 26, 2019, UMB Financial Corporation had 49,067,086 shares of common stock outstanding.

UMB FINANCIAL CORPORATION

FORM 10-Q

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UMB FINANCIAL CORPORATION

CONSOLIDATED BALANCE SHEETS

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

	March 31, 2019 (unaudited)	December 31, 2018 (audited)
ASSETS		
Loans	$12,549,732	$12,178,150
Allowance for loan losses	(103,661)	(103,635)
Net loans	12,446,071	12,074,515
Loans held for sale	1,267	3,192
Securities:		
Available for sale	6,891,869	6,542,800
Held to maturity (fair value of $1,122,660 and $1,070,532, respectively)	1,147,947	1,170,646
Trading securities	56,025	61,011
Other securities	75,357	73,692
Total investment securities	8,171,198	7,848,149
Federal funds sold and securities purchased under agreements to resell	264,772	627,001
Interest-bearing due from banks	1,113,470	1,047,830
Cash and due from banks	399,387	645,123
Premises and equipment, net	279,000	283,879
Accrued income	117,007	110,168
Goodwill	180,867	180,867
Other intangibles, net	13,676	15,003
Other assets	570,045	515,392
Total assets	$23,556,760	$23,351,119
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$6,448,422	$6,680,070
Interest-bearing demand and savings	12,018,580	11,454,442
Time deposits under $250,000	591,405	593,904
Time deposits of $250,000 or more	306,808	552,844
Total deposits	19,365,215	19,281,260
Federal funds purchased and repurchase agreements	1,494,048	1,518,920
Long-term debt	81,608	82,671
Accrued expenses and taxes	142,483	177,731
Other liabilities	122,563	62,067
Total liabilities	21,205,917	21,122,649

SHAREHOLDERS' EQUITY		
Common stock, $1.00 par value; 80,000,000 shares authorized; 55,056,730		
shares issued; and 49,058,246 and 49,117,222 shares outstanding, respectively	55,057	55,057
Capital surplus	1,060,630	1,054,601
Retained earnings	1,531,396	1,488,421
Accumulated other comprehensive loss, net	(17,639)	(95,782)
Treasury stock, 5,998,484 and 5,939,508 shares, at cost, respectively	(278,601)	(273,827)
Total shareholders' equity	2,350,843	2,228,470
Total liabilities and shareholders' equity	$23,556,760	$23,351,119

See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

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

	Three Months Ended March 31,	
	2019	2018
INTEREST INCOME		
Loans	$157,261	$126,134
Securities:		
Taxable interest	25,391	19,780
Tax-exempt interest	20,697	18,703
Total securities income	46,088	38,483
Federal funds and resell agreements	3,625	1,038
Interest-bearing due from banks	3,899	1,580
Trading securities	434	430
Total interest income	211,307	167,665
INTEREST EXPENSE		
Deposits	37,834	13,835
Federal funds and repurchase agreements	8,264	4,732
Other	1,341	1,176
Total interest expense	47,439	19,743
Net interest income	163,868	147,922
Provision for loan losses	12,350	10,000
Net interest income after provision for loan losses	151,518	137,922
NONINTEREST INCOME		
Trust and securities processing	41,957	44,002
Trading and investment banking	5,581	4,101
Service charges on deposit accounts	21,281	21,905
Insurance fees and commissions	338	301
Brokerage fees	7,243	6,353
Bankcard fees	17,067	18,123
Gain on sales of securities available for sale, net	809	139
Other	13,106	10,601
Total noninterest income	107,382	105,525
NONINTEREST EXPENSE		
Salaries and employee benefits	116,032	107,968
Occupancy, net	11,743	10,953
Equipment	19,684	18,826
Supplies and services	3,873	3,760
Marketing and business development	4,913	5,034
Processing fees	12,132	11,161
Legal and consulting	5,633	3,844
Bankcard	4,345	4,626
Amortization of other intangible assets	1,327	1,562

Regulatory fees	2,890	2,905
Other	8,054	5,237
Total noninterest expense	190,626	175,876
Income before income taxes	68,274	67,571
Income tax expense	10,530	10,038
Income from continuing operations	57,744	57,533
Discontinued Operations		
Loss from discontinued operations before income taxes	—	(917)
Income tax benefit	—	(170)
Loss from discontinued operations	—	(747)
NET INCOME	$57,744	$56,786

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PER SHARE DATA		
Basic:		
Income from continuing operations	$1.19	$1.16
Loss from discontinued operations	—	(0.01)
Net income – basic	1.19	1.15
Diluted:		
Income from continuing operations	1.18	1.15
Loss from discontinued operations	—	(0.01)
Net income – diluted	1.18	1.14
Dividends	0.300	0.290
Weighted average shares outstanding – basic	48,712,153	49,420,606
Weighted average shares outstanding – diluted	48,998,571	49,917,454

See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, dollars in thousands)

	Three Months Ended March 31,	
	2019	2018
Net income	$57,744	$56,786
Other comprehensive income (loss), net of tax:		
Unrealized gains and losses on debt securities:		
Change in unrealized holding gains and losses, net	106,434	(80,662)
Less: Reclassification adjustment for gains included in net income	(809)	(139)
Change in unrealized gains and losses on debt securities during the period	105,625	(80,801)
Change in unrealized gains and losses on derivative hedges	(2,093)	2,202
Income tax (expense) benefit	(25,389)	19,782
Other comprehensive income (loss) before reclassifications	78,143	(58,817)
Amounts reclassified from accumulated other comprehensive income(1)(2)	—	(13,049)
Net current-period other comprehensive income (loss)	78,143	(71,866)
Comprehensive income (loss)	$135,887	$(15,080)

(1) See Note 3, "New Accounting Pronouncements," for discussion of the Company's adoption of Accounting Standards Update (ASU) No. 2016-01.

(2) See Note 3, "New Accounting Pronouncements," for discussion of the Company's adoption of ASU No. 2018-02.

See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance – January 1, 2018	$55,057	$1,046,095	$1,338,110	$ (45,525)	$(212,206)	$2,181,531
Total comprehensive income (loss)	—	—	56,786	(71,866)	—	(15,080)
Reclassification of certain tax effects[1]	—	—	12,917	—	—	12,917
Dividends ($0.290 per share)	—	—	(14,473)	—	—	(14,473)
Purchase of treasury stock	—	—	—	—	(5,951)	(5,951)
Issuance of equity awards, net of forfeitures	—	(2,959)	—	—	3,454	495
Recognition of equity-based compensation	—	2,270	—	—	—	2,270
Sale of treasury stock	—	145	—	—	140	285
Exercise of stock options	—	1,122	—	—	4,125	5,247
Cumulative effect adjustments[2]	—	—	145	—	—	145
Balance – March 31, 2018	$55,057	$1,046,673	$1,393,485	$ (117,391)	$(210,438)	$2,167,386
Balance – January 1, 2019	$55,057	$1,054,601	$1,488,421	$ (95,782)	$(273,827)	$2,228,470
Total comprehensive income	—	—	57,744	78,143	—	135,887
Dividends ($0.300 per share)	—	—	(14,769)	—	—	(14,769)
Purchase of treasury stock	—	—	—	—	(4,086)	(4,086)
Issuance of equity awards, net of forfeitures	—	2,383	—	—	(1,779)	604
Recognition of equity-based compensation	—	3,289	—	—	—	3,289
Sale of treasury stock	—	100	—	—	161	261
Exercise of stock options	—	257	—	—	930	1,187
Balance – March 31, 2019	$55,057	$1,060,630	$1,531,396	$ (17,639)	$(278,601)	$2,350,843

(1) Related to the adoption of ASU No. 2018-02. See Note 3, “New Accounting Pronouncements,” for further detail.

(2) Related to the adoption of ASU Nos. 2016-01 and 2017-12. See Note 3, “New Accounting Pronouncements,” for further detail.

See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, dollars in thousands)

	For the Three Months Ended March 31, 2019	2018
OPERATING ACTIVITIES		
Net income	$57,744	$56,786
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	12,350	10,000
Net amortization (accretion) of premiums and discounts from acquisition	135	(10)
Depreciation and amortization	13,614	13,371
Deferred income tax expense (benefit)	295	(7,760)
Net decrease (increase) in trading securities and other earning assets	4,507	(13,628)
Gains on sales of securities available for sale, net	(809)	(139)
(Gains) losses on sales of assets	(236)	142
Amortization of securities premiums, net of discount accretion	8,859	11,640
Originations of loans held for sale	(19,156)	(12,520)
Gains on sales of loans held for sale, net	(177)	(270)
Proceeds from sales of loans held for sale	21,258	9,664
Equity-based compensation	3,893	2,765
Net tax benefit related to equity compensation plans	539	1,713
Changes in:		
Accrued income	(6,839)	1,231
Accrued expenses and taxes	(13,319)	(61,711)
Other assets and liabilities, net	(36,453)	8,345
Net cash provided by operating activities	46,205	19,619
INVESTING ACTIVITIES		
Proceeds from maturities of securities held to maturity	22,769	21,303
Proceeds from sales of securities available for sale	53,329	41,273
Proceeds from maturities of securities available for sale	267,255	328,267
Purchases of securities held to maturity	(1,893)	(6,756)
Purchases of securities available for sale	(579,392)	(340,795)
Net increase in loans	(383,799)	(188,349)
Net decrease in fed funds sold and resell agreements	362,229	64,393
Net cash activity from acquisitions and divestitures	—	2,874
Net (increase) decrease in interest bearing balances due from other financial institutions	(3,867)	6,674
Purchases of premises and equipment	(10,066)	(8,639)
Proceeds from sales of premises and equipment	2,904	—
Net cash used in investing activities	(270,531)	(79,755)
FINANCING ACTIVITIES		
Net increase (decrease) in demand and savings deposits	332,490	(511,650)
Net decrease in time deposits	(248,535)	(293,085)

Net (decrease) increase in fed funds purchased and repurchase agreements	(24,872)	93,911
Repayment of long-term debt	(1,305)	(898)
Cash dividends paid	(14,777)	(14,531)
Proceeds from exercise of stock options and sales of treasury shares	1,448	5,532
Purchases of treasury stock	(4,086)	(5,951)
Net cash provided by (used in) financing activities	40,363	(726,672)
Decrease in cash and cash equivalents	(183,963)	(786,808)
Cash and cash equivalents at beginning of period	1,674,121	1,716,262
Cash and cash equivalents at end of period	$1,490,158	$929,454
Supplemental Disclosures:		
Income tax (refunds) payments	$(12)	$5,972
Total interest payments	39,524	19,168

See Notes to Consolidated Financial Statements.

UMB FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2019 (UNAUDITED)

1. Financial Statement Presentation

The Consolidated Financial Statements include the accounts of UMB Financial Corporation and its subsidiaries (collectively, the Company) after the elimination of all intercompany transactions. In the opinion of management of the Company, all adjustments relating to items that are 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 ending December 31, 2019. The financial statements should be read in conjunction with “Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations” within this Quarterly Report on Form 10-Q (the Form 10-Q) and in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the Securities and Exchange Commission (SEC) on March 1, 2019 (the Form 10-K).

The Company is a financial holding company, which offers a wide range of banking and other financial services to its customers through its branches and offices. 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 Company also has offices in Pennsylvania, South Dakota, Indiana, Utah, Minnesota, California, and Wisconsin.

2. Summary of Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 provided in the Notes to Consolidated Financial Statements in the Form 10-K.

Cash and cash equivalents

Cash and cash equivalents includes Cash and due from banks and amounts due from the Federal Reserve Bank (FRB). Cash on hand, cash items in the process of collection, and amounts due from correspondent banks are included in Cash and due from banks. Amounts due from the FRB are interest-bearing for all periods presented and are included in the Interest-bearing due from banks line on the Company’s Consolidated Balance Sheets.

This table provides a summary of cash and cash equivalents as presented on the Consolidated Statements of Cash Flows as of March 31, 2019 and March 31, 2018 (in thousands):

	March 31,	
	2019	2018
Due from the FRB	$1,090,771	$649,616

Cash and due from banks	399,387	279,838
Cash and cash equivalents at end of period	$1,490,158	$929,454

Also included in the Interest-bearing due from banks, but not considered cash and cash equivalents, are interest-bearing accounts held at other financial institutions, which totaled $22.7 million and $21.5 million at March 31, 2019 and March 31, 2018, respectively.

Per Share Data

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted net income per share includes the dilutive effect of 286,418 and 496,848 shares issuable upon the exercise of options granted by the Company and outstanding at March 31, 2019 and 2018, respectively.

Options issued under employee benefits plans to purchase 123,384 and 141,870 shares of common stock were outstanding at March 31, 2019 and 2018, respectively, but were not included in the computation of diluted earnings per share because the options were anti-dilutive.

Derivatives

The Company records all derivatives on the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Currently, three of the Company's derivatives are designated in qualifying hedging relationships. However, the remainder of the Company's derivatives are not designated in qualifying hedging relationships, as the derivatives are not used to manage risks within the Company's assets or liabilities. All changes in fair value of the Company's non-designated derivatives are recognized directly in earnings. Changes in fair value of the Company's fair value hedges are recognized directly in earnings. Changes in fair value of the Company's cash flow hedges are recognized in accumulated other comprehensive income (AOCI).

3. New Accounting Pronouncements

Revenue Recognition In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, "Revenue from Contracts with Customers" – Accounting Standards Codification (ASC) Topic 606. The ASU replaced most existing revenue recognition guidance in U.S. GAAP when it became effective. In August 2015, the FASB issued ASU No. 2015-14, which deferred the effective date of ASU No. 2014-09 to annual reporting periods that begin after December 15, 2017. In March, April, and May 2016, the FASB issued implementation amendments to the May 2014 ASU (collectively, the amended guidance). The amended guidance affects any entity that enters into contracts with customers to transfer goods and services, unless those contracts are within the scope of other standards. The amended guidance specifically excludes interest income, as well as other revenues associated with financial assets and liabilities, including loans, leases, securities, and derivatives. The amended guidance permits the use of either the full retrospective approach or a modified retrospective approach. The Company adopted the amended guidance using the modified retrospective approach on January 1, 2018. The adoption of this guidance had no impact on the Company's Consolidated Financial Statements, except for additional financial statement disclosures. See Note 9, "Revenue Recognition" for related disclosures.

Financial Instruments In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." The amendment is intended to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments in this update were adopted on January 1, 2018. Upon adoption, the Company recorded a cumulative effect adjustment to the Company's Consolidated Balance Sheets of $132 thousand as an increase to the opening balance of total shareholders' equity.

Leases In February 2016, the FASB issued ASU No. 2016-02, "Leases" – ASC Topic 842. In January, July, and December 2018 and March 2019, the FASB issued implementation amendments to the February 2016 ASU (collectively, the amended guidance). The amended guidance changes the accounting treatment of leases, in that lessees will recognize most leases on-balance sheet. This will increase reported assets and liabilities, as lessees will be required to recognize a right-of-use asset along with a lease liability, measured on a discounted basis. The amended guidance allows an entity to choose either the effective date, or the beginning of the earliest comparative period presented in the financial statements, as its date of initial application. The Company adopted the amended guidance on January 1, 2019, using the effective date as the date of initial application. Adoption of the amended guidance resulted in the recording of a right-of-use asset of $58.2 million and a lease liability of $63.0 million to its Consolidated Balance Sheets as of January 1, 2019. The most significant effects of the adoption of the amended guidance are additional financial statement disclosures. See Note 10, “Leases” for related disclosures.

Extinguishments of Liabilities In March 2016, the FASB issued ASU No. 2016-04, “Recognition of Breakage for Certain Prepaid Stored-Value Products.” The amendment is intended to reduce the diversity in practice related to the recognition of breakage. Breakage refers to the portion of a prepaid stored-value product, such as a gift card, that goes unused wholly or partially for an indefinite period of time. This amendment requires that breakage be accounted for consistent with the breakage guidance within ASU No. 2014-09, “Revenue from Contracts with Customers.” The amendments in this update were adopted January 1, 2018 in conjunction with the adoption of ASU 2014-09, and the adoption had no impact on the Company’s Consolidated Financial Statements.

Credit Losses In September 2016, the FASB issued ASU 2016-13, “Measurement of Credit Losses on Financial Instruments.” This update replaces the current incurred loss methodology for recognizing credit losses with a current expected credit loss model, which requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This amendment broadens the information that an entity must consider in developing its expected credit loss estimates. Additionally, the update amends the accounting for credit losses for available-for-sale debt securities and purchased financial assets with a more-than-insignificant amount of credit deterioration since origination. This update requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a company’s loan portfolio. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The amendment requires the use of the modified retrospective approach for adoption.

The Company has formed a cross-functional working group, including our credit, finance, and risk management departments, to address the adoption and implementation of this amendment. We are currently working through our implementation plan which includes assessment and documentation of processes, internal controls, model development, documentation, and validation, among other things. The adoption of this amendment could result in an increase in the allowance for loan losses as a result of changing from the incurred loss model. The Company is currently evaluating the impact that this standard will have on its Consolidated Financial Statements.

Statement of Cash Flows In August 2016, the FASB issued ASU 2016-15, “Classification of Certain Receipts and Cash Payments.” This amendment adds to and clarifies existing guidance regarding the classification of certain cash receipts and payments in the statement of cash flows with the intent of reducing diversity in practice with respect to eight types of cash flows. The amendments in this update require full retrospective adoption. The amendments in this update were adopted on January 1, 2018 and did not have an impact on the Company’s Consolidated Financial Statements.

Derivatives and Hedging In August 2017, the FASB issued ASU No. 2017-12, “Targeted Improvements to Accounting for Hedging Activities.” The purpose of this updated guidance is to better align financial reporting for hedging activities with the economic objectives of those activities. The amendments in this update are effective for fiscal years beginning after December 15, 2018, with early adoption, including adoption in an interim period, permitted, and require the modified retrospective transition approach as of the date of adoption. The Company early adopted ASU 2017-12 with an effective date of January 1, 2018. Upon adoption, the Company recorded a cumulative effect adjustment to the Company’s Consolidated Balance Sheets of $13 thousand as an increase to the opening balance of total shareholders' equity.

Comprehensive Income In February 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." Under existing U.S. GAAP, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of income tax expense in the period in which the law was enacted. When deferred tax balances related to items originally recorded in AOCI are adjusted, certain tax effects become stranded in AOCI. This amendment allows a reclassification from AOCI to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the Tax Act), and requires certain disclosures about stranded tax effects. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption, including adoption in any interim period, is permitted. The Company early adopted ASU 2018-02 using a security-by-security approach with an effective date of January 1, 2018. Upon adoption, the Company reclassified stranded tax effects totaling $12.9 million from AOCI to retained earnings.

4. Loans and Allowance for Loan Losses

Loan Origination/Risk Management

The Company has certain lending policies and procedures in place that are designed to minimize the level of risk within the loan portfolio. Diversification of the loan portfolio manages the risk associated with fluctuations in economic conditions. Authority levels are established for the extension of credit to ensure consistency throughout the Company. It is necessary that policies, processes and practices implemented to control the risks of individual credit transactions and portfolio segments are sound and adhered to. The Company maintains an independent loan review department that reviews and validates the risk assessment on a continual basis. Management regularly evaluates the results of the loan reviews. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Company's policies and procedures.

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

Asset-based loans are offered primarily in the form of revolving lines of credit to commercial borrowers that do not generally qualify for traditional bank financing. Asset-based loans are underwritten based primarily upon the value of the collateral pledged to secure the loan, rather than on the borrower's general financial condition. The Company utilizes pre-loan due diligence techniques, monitoring disciplines, and loan management practices common within the asset-based lending industry to underwrite loans to these borrowers.

Factoring loans provide working capital through the purchase and/or financing of accounts receivable to borrowers in the transportation industry and to commercial borrowers that do not generally qualify for traditional bank financing.

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

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

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

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

Credit risk is a potential loss resulting from nonpayment of either the primary or secondary exposure. Credit risk is mitigated with formal risk management practices and a thorough initial credit-granting process including consistent underwriting standards and approval process. Control factors or techniques to minimize credit risk include knowing the client, understanding total exposure, analyzing the client and debtor's financial capacity, and monitoring the client's activities. Credit risk and portions of the portfolio risk are managed through concentration considerations, average risk ratings, and other aggregate characteristics.

Loan Aging Analysis

This table provides a summary of loan classes and an aging of past due loans at March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019					
	30-89 Days Past Due and Accruing	Greater than 90 Days Past Due and Accruing	Non-Accrual Loans	Total Past Due	Current	Total Loans
Loans						
Commercial:						
Commercial	$10,532	$ 71	$31,868	$42,471	$5,377,088	$5,419,559
Asset-based	—	—	—	—	386,670	386,670
Factoring	—	—	5,747	5,747	253,172	258,919
Commercial – credit card	485	109	—	594	195,502	196,096
Real estate:						
Real estate – construction	3,064	—	—	3,064	788,855	791,919
Real estate – commercial	5,434	—	20,566	26,000	3,869,010	3,895,010
Real estate – residential	122	—	1,196	1,318	719,177	720,495
Real estate – HELOC	1,138	—	2,730	3,868	516,847	520,715
Consumer:						
Consumer – credit card	1,646	1,691	744	4,081	216,751	220,832
Consumer – other	127	3	419	549	134,157	134,706
Leases	—	—	—	—	4,811	4,811
Total loans	$22,548	$ 1,874	$63,270	$87,692	$12,462,040	$12,549,732

	December 31, 2018					
	30-89 Days Past Due and Accruing	Greater than 90 Days Past Due and Accruing	Non-Accrual Loans	Total Past Due	Current	Total Loans
Loans						
Commercial:						
Commercial	$5,717	$ 133	$27,060	$32,910	$5,195,492	$5,228,402
Asset-based	—	—	—	—	380,738	380,738
Factoring	—	—	—	—	261,591	261,591
Commercial – credit card	490	90	—	580	165,754	166,334
Real estate:						
Real estate – construction	—	—	—	—	792,565	792,565
Real estate – commercial	7,385	90	11,662	19,137	3,695,143	3,714,280
Real estate – residential	246	3,750	807	4,803	702,701	707,504
Real estate – HELOC	764	—	2,776	3,540	542,181	545,721
Consumer:						
Consumer – credit card	2,022	1,945	648	4,615	226,367	230,982
Consumer – other	199	1	65	265	144,520	144,785
Leases	—	—	—	—	5,248	5,248
Total loans	$16,823	$ 6,009	$43,018	$65,850	$12,112,300	$12,178,150

The Company sold residential real estate loans with proceeds of $21.3 million and $9.7 million in the secondary market without recourse during the three months ended March 31, 2019 and March 31, 2018, respectively.

The Company has ceased the recognition of interest on loans with a carrying value of $63.3 million and $43.0 million at March 31, 2019 and December 31, 2018, respectively. Restructured loans totaled $20.7 million and $21.1 million at March 31, 2019 and December 31, 2018, respectively. Loans 90 days past due and still accruing interest amounted to $1.9 million and $6.0 million at March 31, 2019 and December 31, 2018, respectively. There was an insignificant amount of interest recognized on impaired loans during 2019 and 2018.

Credit Quality Indicators

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

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

- Watch – This rating represents credit exposure that presents higher than average risk and warrants greater than routine attention by Company personnel due to conditions affecting the borrower, the borrower’s industry or the economic environment. These conditions have resulted in some degree of uncertainty that results in higher than average credit risk.
- Special Mention – This rating reflects a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or the borrower’s credit position at some future date. The rating

is not adversely classified and does not expose an institution to sufficient risk to warrant adverse classification.

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

All other classes of loans are generally evaluated and monitored based on payment activity. Non-performing loans include restructured loans on non-accrual and all other non-accrual loans.

This table provides an analysis of the credit risk profile of each loan class at March 31, 2019 and December 31, 2018 (in thousands):

Credit Exposure

Credit Risk Profile by Risk Rating

	Commercial		Asset-based		Factoring	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Non-watch list	$4,908,422	$ 4,788,234	$323,576	$ 296,719	$233,762	$ 260,727
Watch	219,601	192,653	—	—	—	—
Special Mention	104,104	55,927	63,094	84,019	19,410	864
Substandard	187,432	191,588	—	—	5,747	—
Total	$5,419,559	$ 5,228,402	$386,670	$ 380,738	$258,919	$ 261,591

	Real estate – construction		Real estate – commercial	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Non-watch list	$791,302	$ 792,256	$3,698,013	$ 3,551,537
Watch	512	204	68,279	64,998
Special Mention	—	—	49,810	32,826
Substandard	105	105	78,908	64,919
Total	$791,919	$ 792,565	$3,895,010	$ 3,714,280

Credit Exposure

Credit Risk Profile Based on Payment Activity

	Commercial – credit card		Real estate – residential		Real estate – HELOC	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Performing	$196,096	$ 166,334	$719,299	$ 706,697	$517,985	$ 542,945

Non-performing	—	—	1,196	807	2,730	2,776
Total	$196,096	$ 166,334	$720,495	$ 707,504	$520,715	$ 545,721

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	Consumer – credit card		Consumer – other		Leases	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Performing	$220,088	$ 230,334	$134,287	$ 144,720	$4,811	$ 5,248
Non-performing	744	648	419	65	—	—
Total	$220,832	$ 230,982	$134,706	$ 144,785	$4,811	$ 5,248

Allowance for Loan Losses

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

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

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

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

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

Generally, the unsecured portion of a commercial or commercial real estate loan is charged off when, after analyzing the borrower's financial condition, it is determined that the borrower is incapable of servicing the debt, little or no prospect for near term improvement exists, and no realistic and significant strengthening action is pending. For collateral dependent commercial or commercial real estate loans, an analysis is completed regarding the Company's collateral position to determine if the amounts due from the borrower are in excess of the calculated current fair value of the collateral. Specific allocations of the allowance for loan losses are made for any collateral deficiency. If a collateral deficiency is ultimately deemed to be uncollectible, the amount is charged off. Revolving commercial loans (such as commercial credit cards) which are past due 90 cumulative days are classified as a loss and charged off.

Generally, a consumer loan, or a portion thereof, is charged off in accordance with regulatory guidelines which provide that such loans be charged off when the Company becomes aware of the loss, such as from a triggering event that may include, but is not limited to, new information about a borrower's intent and ability to repay the loan, bankruptcy, fraud, or death. However, the charge-off timeframe should not exceed the specified delinquency time frames, which state that closed-end retail loans (such as real estate mortgages, home equity loans and consumer installment loans) that become past due 120 cumulative days and open-end retail loans (such as home equity lines of credit and consumer credit cards) that become past due 180 cumulative days are classified as a loss and charged off.

ALLOWANCE FOR LOAN LOSSES AND RECORDED INVESTMENT IN LOANS

This table provides a rollforward of the allowance for loan losses by portfolio segment for the three months ended March 31, 2019 (in thousands):

	Three Months Ended March 31, 2019				
	Commercial	Real estate	Consumer	Leases	Total
Allowance for loan losses:					
Beginning balance	$80,888	$13,664	$9,071	$12	$103,635
Charge-offs	(11,163)	(114)	(2,467)	—	(13,744)
Recoveries	626	73	721	—	1,420
Provision	9,981	767	1,603	(1)	12,350
Ending balance	$80,332	$14,390	$8,928	$11	$103,661
Ending balance: individually evaluated for impairment	$5,547	$101	$—	$—	$5,648
Ending balance: collectively evaluated for impairment	74,785	14,289	8,928	11	98,013
Loans:					
Ending balance: loans	$6,261,244	$5,928,139	$355,538	$4,811	$12,549,732
Ending balance: individually evaluated for impairment	37,493	21,197	349	—	59,039
Ending balance: collectively evaluated for impairment	6,223,751	5,906,942	355,189	4,811	12,490,693

This table provides a rollforward of the allowance for loan losses by portfolio segment for the three months ended March 31, 2018 (in thousands):

	Three Months Ended March 31, 2018				
	Commercial	Real estate	Consumer	Leases	Total
Allowance for loan losses:					
Beginning balance	$81,156	$9,312	$10,083	$53	$100,604
Charge-offs	(7,318)	(1,742)	(2,700)	—	(11,760)
Recoveries	471	230	757	—	1,458
Provision	6,748	1,938	1,320	(6)	10,000
Ending balance	$81,057	$9,738	$9,460	$47	$100,302
Ending balance: individually evaluated for impairment	$4,986	$127	$—	$—	5,113
Ending balance: collectively evaluated for impairment	76,071	9,611	9,460	47	95,189
Loans:					
Ending balance: loans	$5,242,307	$5,764,398	$428,938	$23,151	$11,458,794
Ending balance: individually evaluated for impairment	48,190	15,344	—	—	63,534
Ending balance: collectively evaluated for impairment	5,194,117	5,749,054	428,938	23,151	11,395,260

Impaired Loans

This table provides an analysis of impaired loans by class at March 31, 2019 and December 31, 2018 (in thousands):

	As of March 31, 2019					
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial:						
Commercial	$38,722	$ 10,154	$ 21,592	$ 31,746	$ 5,547	$ 31,377
Asset-based	—	—	—	—	—	—
Factoring	5,747	5,747	—	5,747	—	2,873
Commercial – credit card	—	—	—	—	—	—
Real estate:						
Real estate – construction	—	—	—	—	—	—
Real estate – commercial	26,887	20,750	159	20,909	23	14,425
Real estate – residential	301	193	95	288	78	290

Real estate – HELOC	—	—	—	—	—	—
Consumer:						
Consumer – credit card	—	—	—	—	—	—
Consumer – other	350	349	—	349	—	174
Leases	—	—	—	—	—	—
Total	$72,007	$ 37,193	$ 21,846	$ 59,039	$ 5,648	$ 49,139

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	As of December 31, 2018					
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Commercial:						
Commercial	$40,402	$ 16,470	$ 14,536	$ 31,006	$ 4,605	$ 43,335
Asset-based	—	—	—	—	—	—
Factoring	—	—	—	—	—	275
Commercial – credit card	—	—	—	—	—	—
Real estate:						
Real estate – construction	—	—	—	—	—	55
Real estate – commercial	10,856	7,776	165	7,941	28	11,279
Real estate – residential	304	197	95	292	78	303
Real estate – HELOC	—	—	—	—	—	—
Consumer:						
Consumer – credit card	—	—	—	—	—	—
Consumer – other	—	—	—	—	—	—
Leases	—	—	—	—	—	—
Total	$51,562	$ 24,443	$ 14,796	$ 39,239	$ 4,711	$ 55,247

Troubled Debt Restructurings

A loan modification is considered a troubled debt restructuring (TDR) when a concession has been granted to a debtor experiencing financial difficulties. The Company's modifications generally include interest rate adjustments, principal reductions, and amortization and maturity date extensions. These modifications allow the debtor short-term cash relief to allow them to improve their financial condition. The Company's restructured loans are individually evaluated for impairment and evaluated as part of the allowance for loan loss as described above in the Allowance for Loan Losses section of this note.

The Company had no outstanding commitments to lend to borrowers with loan modifications classified as TDRs as of March 31, 2019 and March 31, 2018. The Company monitors loan payments on an on-going basis to determine if a loan is considered to have a payment default. Determination of payment default involves analyzing the economic conditions that exist for each customer and their ability to generate positive cash flows during the loan term.

For the three-month periods ended March 31, 2019 and March 31, 2018, the Company had no new TDRs. For the three-month periods ended March 31, 2019 and March 31, 2018, the Company had no TDRs for which there was a payment default within the 12 months following the restructure date.

5. Securities

Securities Available for Sale

This table provides detailed information about securities available for sale at March 31, 2019 and December 31, 2018 (in thousands):

March 31, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$259,000	$ 595	$ (1,149)	$258,446
U.S. Agencies	90,096	1,347	(6)	91,437
Mortgage-backed	3,962,630	23,294	(67,139)	3,918,785
State and political subdivisions	2,557,727	30,622	(9,392)	2,578,957
Corporates	44,081	197	(34)	44,244
Total	$6,913,534	$ 56,055	$ (77,720)	$6,891,869

December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$248,494	$ 192	$ (1,556)	$247,130
U.S. Agencies	200	—	(1)	199
Mortgage-backed	3,914,289	6,145	(108,223)	3,812,211
State and political subdivisions	2,507,107	7,643	(31,490)	2,483,260
Total	$6,670,090	$ 13,980	$ (141,270)	$6,542,800

The following table presents contractual maturity information for securities available for sale at March 31, 2019 (in thousands):

	Amortized Cost	Fair Value
Due in 1 year or less	$528,972	$529,458
Due after 1 year through 5 years	1,011,541	1,012,797
Due after 5 years through 10 years	672,446	671,038
Due after 10 years	737,945	759,791
Total	2,950,904	2,973,084
Mortgage-backed securities	3,962,630	3,918,785

Total securities available for sale	$6,913,534	$6,891,869

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

For the three months ended March 31, 2019, proceeds from the sales of securities available for sale were $53.3 million compared to $41.3 million for the same period in 2018. Securities transactions resulted in gross realized gains of $809 thousand and $142 thousand for the three months ended March 31, 2019 and 2018, respectively. There were no gross realized losses for the three months ended March 31, 2019, and $3 thousand of gross realized losses for the three months ended March 31, 2018.

Securities available for sale with a fair value of $5.1 billion at March 31, 2019 and $5.7 billion at December 31, 2018 were pledged to secure U.S. Government deposits, other public deposits, certain trust deposits, derivative transactions, and repurchase agreements. Of this amount, securities with a market value of $1.1 billion and $1.0 billion at March 31, 2019 and December 31, 2018, respectively, were pledged at the Federal Reserve Discount Window but were unencumbered as of those dates.

The following table shows the Company's available for sale investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2019 and December 31, 2018 (in thousands):

	Less than 12 months		12 months or more		Total	
March 31, 2019	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities						
U.S. Treasury	$—	$ —	$38,957	$(1,149)	$38,957	$(1,149)
U.S. Agencies	1,936	(5)	199	(1)	2,135	(6)
Mortgage-backed	69,379	(165)	2,889,707	(66,974)	2,959,086	(67,139)
State and political subdivisions	60,689	(53)	964,006	(9,339)	1,024,695	(9,392)
Corporates	23,584	(34)	—	—	23,584	(34)
Total temporarily-impaired debt securities available for sale	$155,588	$ (257)	$3,892,869	$(77,463)	$4,048,457	$(77,720)

	Less than 12 months		12 months or more		Total	
December 31, 2018	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Securities						
U.S. Treasury	$18,775	$ (4)	$38,552	$(1,552)	$57,327	$(1,556)
U.S. Agencies	—	—	199	(1)	199	(1)
Mortgage-backed	228,406	(1,256)	3,007,233	(106,967)	3,235,639	(108,223)
State and political subdivisions	371,394	(1,490)	1,419,875	(30,000)	1,791,269	(31,490)
Total temporarily-impaired debt securities available for sale	$618,575	$ (2,750)	$4,465,859	$(138,520)	$5,084,434	$(141,270)

The unrealized losses in the Company's investments in U.S. Treasury obligations, U.S. government agencies, Government Sponsored Entity (GSE) 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 amortized cost. The Company expects to recover its cost basis in the securities and does not consider these investments to be other-than-temporarily impaired at March 31, 2019.

Securities Held to Maturity

The following table shows the Company's held to maturity investments' amortized cost, fair value, and gross unrealized gains and losses at March 31, 2019 and December 31, 2018, respectively (in thousands):

Amortized	Gross Unrealized	Gross Unrealized	Fair

March 31, 2019	Cost	Gains	Losses	Value
State and political subdivisions:				
Due in 1 year or less	$2,670	$ 41	$—	$2,711
Due after 1 year through 5 years	104,339	12,131	(671)	115,799
Due after 5 years through 10 years	391,045	706	(15,481)	376,270
Due after 10 years	649,893	18,122	(40,135)	627,880
Total state and political subdivisions	$1,147,947	$ 31,000	$ (56,287)	$1,122,660

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December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and political subdivisions:				
Due in 1 year or less	$3,386	$ 38	$(29)	$3,395
Due after 1 year through 5 years	115,162	467	(7,988)	107,641
Due after 5 years through 10 years	380,108	1,894	(24,621)	357,381
Due after 10 years	671,990	2,163	(72,038)	602,115
Total state and political subdivisions	$1,170,646	$ 4,562	$(104,676)	$1,070,532

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

There were no sales of securities held to maturity during the three months ended March 31, 2019 or 2018.

Trading Securities

The net unrealized gains on trading securities were $52 thousand and $123 thousand at March 31, 2019 and March 31, 2018, respectively. Net unrealized gains/losses are included in trading and investment banking income on the Company's Consolidated Statements of Income. Securities sold not yet purchased totaled $19.8 million and $27.2 million at March 31, 2019 and December 31, 2018, respectively, and are classified within the Other liabilities line of the Company's Consolidated Balance Sheets.

Other Securities

The table below provides detailed information for FRB stock and Federal Home Loan Bank (FHLB) stock and other securities at March 31, 2019 and December 31, 2018 (in thousands):

March 31, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
FRB and FHLB stock	$ 33,262	$ —	$ —	$33,262
Other securities – marketable	—	4,948	—	4,948
Other securities – non-marketable	33,165	4,009	(27)	37,147
Total Other securities	$ 66,427	$ 8,957	$ (27)	$75,357

December 31, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
FRB and FHLB stock	$ 33,262	$ —	$ —	$33,262
Other securities – marketable	—	4,385	—	4,385
Other securities – non-marketable	32,011	4,034	—	36,045
Total Other securities	$ 65,273	$ 8,419	$ —	$73,692

Investment in FRB stock is based on the capital structure of the investing bank, and investment in FHLB stock is mainly tied to the level of borrowings from the FHLB. These holdings are carried at cost. Other marketable and non-marketable securities include Prairie Capital Management (PCM) alternative investments in hedge funds and private equity funds, which are accounted for as equity-method investments. Also included in other non-marketable securities are equity investments which are held by a subsidiary qualified as a Small Business Investment Company, as well as investments in low-income housing partnerships within the areas the Company serves. The fair value of other marketable securities includes alternative investment securities of $4.9 million at March 31, 2019 and $4.4 million at December 31, 2018. The fair value of other non-marketable securities includes alternative investment securities of $5.6 million at March 31, 2019 and $5.8 million at December 31, 2018. Unrealized gains or losses on alternative investments are recognized in the Other noninterest income line on the Company's Consolidated Statements of Income.

6. Goodwill and Other Intangibles

Changes in the carrying amount of goodwill for the periods ended March 31, 2019 and December 31, 2018 by reportable segment are as follows (in thousands):

	Commercial Banking	Institutional Banking	Personal Banking	Healthcare Services	Total
Balances as of January 1, 2019	$ 59,419	$ 51,332	$ 70,116	$ —	$ 180,867
Balances as of March 31, 2019	$ 59,419	$ 51,332	$ 70,116	$ —	$ 180,867
Balances as of January 1, 2018	$ 59,419	$ 51,332	$ 70,116	$ —	$ 180,867
Balances as of December 31, 2018	$ 59,419	$ 51,332	$ 70,116	$ —	$ 180,867

The following table lists the finite-lived intangible assets that continue to be subject to amortization as of March 31, 2019 and December 31, 2018 (in thousands):

	As of March 31, 2019		
	Core Deposit Intangible Assets	Customer Relationships	Total
Gross carrying amount	$ 50,059	$ 71,852	$ 121,911
Accumulated amortization	45,615	62,620	108,235
Net carrying amount	$ 4,444	$ 9,232	$ 13,676

	As of December 31, 2018		
	Core Deposit Intangible Assets	Customer Relationships	Total
Gross carrying amount	$ 50,059	$ 71,852	$ 121,911
Accumulated amortization	44,998	61,910	106,908
Net carrying amount	$ 5,061	$ 9,942	$ 15,003

The following table has the aggregate amortization expense recognized in each period (in thousands):

	Three Months Ended March 31,	
	2019	2018
Aggregate amortization expense	$1,327	$1,562

The following table lists estimated amortization expense of intangible assets in future periods (in thousands):

For the nine months ending December 31, 2019	$3,457
For the year ending December 31, 2020	3,830
For the year ending December 31, 2021	2,825
For the year ending December 31, 2022	1,886
For the year ending December 31, 2023	1,167
For the year ending December 31, 2024	383

7. Securities Sold Under Agreements to Repurchase

The Company utilizes repurchase agreements to facilitate the needs of customers and to facilitate secured short-term funding needs. Repurchase agreements are stated at the amount of cash received in connection with the transaction. The Company monitors collateral levels on a continuous basis and may be required to provide additional collateral based on the fair value of the underlying securities. Securities pledged as collateral under repurchase agreements are maintained with the Company’s safekeeping agents.

The table below presents the remaining contractual maturities of repurchase agreements outstanding at March 31, 2019, in addition to the various types of marketable securities that have been pledged as collateral for these borrowings (in thousands):

	As of March 31, 2019			
	Remaining Contractual Maturities of the Agreements			
Repurchase agreements, secured by:	2-29 Days	30-90 Days	Over 90 Days	Total
U.S. Treasury	$186,661	$—	$ —	$186,661
U.S. Agencies	1,241,665	41,279,502	750	42,521,917
Total repurchase agreements	$1,428,326	$41,279,502	$ 750	$42,708,578

8. Business Segment Reporting

The Company has strategically aligned its operations into the following four reportable segments: Commercial Banking, Institutional Banking, Personal Banking, and Healthcare Services (collectively, the Business Segments). Senior executive officers regularly evaluate Business Segment financial results produced by the Company’s internal reporting system in deciding how to allocate resources and assess performance for individual Business Segments. For comparability purposes, amounts in all periods are based on methodologies in effect at March 31, 2019. Previously reported results have been reclassified in this filing to conform to the current organizational structure.

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

Commercial Banking serves the commercial lending and leasing, capital markets, and treasury management needs of the Company’s mid-market businesses and governmental entities by offering various products and services. Such services include commercial loans, commercial credit cards, letters of credit, loan syndication services, consultative services, and a variety of financial options for companies that need non-traditional banking services. Capital markets services include asset-based financing, asset securitization, equity and mezzanine financing, factoring, private and public placement of senior debt, as well as merger and acquisition consulting. Treasury management services include depository services, account reconciliation services, electronic fund transfer services, controlled disbursements, lockbox services, and remote deposit capture services.

Institutional Banking is a combination of banking services, fund services, and asset management services provided to institutional clients. This segment also provides mutual fund cash management, international payments, corporate trust and escrow services, as well as correspondent banking and investment banking. Products and services include bond trading transactions, cash letter collections, investment portfolio accounting and safekeeping, reporting for asset/liability management, and Federal funds transactions. Institutional Banking also includes UMB Fund Services, which provides fund administration and accounting, investor services and transfer agency, marketing and distribution, custody, and alternative investment services.

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

Healthcare Services provides healthcare payment solutions including custodial services for health savings accounts (HSAs) and private label, multipurpose debit cards to insurance carriers, third-party administrators, software companies, employers, and financial institutions.

Business Segment Information

Business Segment financial results for the three months ended March 31, 2019 and March 31, 2018 were as follows (in thousands):

	Three Months Ended March 31, 2019				
	Commercial Banking	Institutional Banking	Personal Banking	Healthcare Services	Total
Net interest income	$99,814	$20,709	$32,302	$11,043	$163,868
Provision for loan losses	10,329	286	1,735	—	12,350
Noninterest income	23,181	45,787	28,351	10,063	107,382
Noninterest expense	66,820	52,613	58,408	12,785	190,626
Income before taxes	45,846	13,597	510	8,321	68,274
Income tax expense	7,071	2,097	79	1,283	10,530
Income from continuing operations	$38,775	$11,500	$431	$7,038	$57,744
Average assets	$10,446,000	$4,555,000	$5,394,000	$2,459,000	$22,854,000

	Three Months Ended March 31, 2018				
	Commercial Banking	Institutional Banking	Personal Banking	Healthcare Services	Total
Net interest income	$91,917	$15,763	$30,944	$9,298	$147,922
Provision for loan losses	7,978	350	1,672	—	10,000
Noninterest income	20,596	45,419	30,715	8,795	105,525
Noninterest expense	62,125	46,879	55,054	11,818	175,876
Income before taxes	42,410	13,953	4,933	6,275	67,571
Income tax expense	6,300	2,073	733	932	10,038
Income from continuing operations	$36,110	$11,880	$4,200	$5,343	$57,533
Average assets	$9,790,000	$3,828,000	$4,974,000	$2,155,000	$20,747,000

9. Revenue Recognition

The following is a description of the principal activities from which the Company generates revenue that are within the scope of ASC 606:

Trust and securities processing – Trust and securities processing income consists of fees earned on personal and corporate trust accounts, custody of securities services, trust investments and wealth management services, and mutual fund and alternative asset servicing. The performance obligations related to this revenue include items such as performing full bond trustee service administration, investment advisory services, custody and record-keeping services, and fund administrative and accounting services. These fees are part of long-term contractual agreements and the performance obligations are satisfied upon completion of service and fees are generally a fixed flat monthly rate or based on a percentage of the account's market value per the contract with the customer. These fees are primarily recorded within the Company's Institutional and Personal Banking segments.

Trading and investment banking – Trading and investment banking income consists of income earned related to the Company's trading securities portfolio, including futures hedging, dividends, bond underwriting, and other securities incomes. The vast majority of this revenue is recognized in accordance with ASC 320, Debt and Equity Securities, and is out of the scope of ASC 606. A portion of trading and investment banking represents fees earned for management fees, commissions, and underwriting of corporate bond issuances. The performance obligations related to these fees include reviewing the credit worthiness of the customer, ensuring appropriate regulatory approval and participating in due diligence. The fees are fixed per the bond prospectus and the performance obligations are satisfied upon registration approval of the bonds by the applicable regulatory agencies. Revenue is recognized at the point in time upon completion of service and when approval is granted by the regulators.

Service charges on deposits – Service charges on deposit accounts represent monthly analysis fees recognized for the services related to customer deposit accounts, including account maintenance and depository transactions processing fees. Commercial Banking and Institutional Banking depository accounts charge fees in accordance with the customer's pricing schedule while Personal Banking account holders are generally charged a flat service fee per month. Deposit service charges for the Healthcare Services segment are priced according to either standard pricing schedules with individual account holders or according to service agreements between the Company and employer groups or third party administrators. The Company satisfies the performance obligation related to providing depository accounts monthly as transactions are processed and deposit service charge revenue is recorded monthly. These fees are recognized within all Business Segments.

Insurance fees and commissions – Insurance fees and commissions includes all insurance-related fees earned, including commissions for individual life, variable life, group life, health, group health, fixed annuity, and variable annuity insurance contracts. The performance obligations related to these revenues primarily represent the placement of insurance policies with the insurance company partners. The fees are based on the contracts with insurance company partners and the performance obligations are satisfied when the terms of the policy have been agreed to and the insurance policy becomes effective.

Brokerage fees – Brokerage fees represent income earned related to providing brokerage transaction services, including commissions on equity and commodity trades, and fees for investment management, advisory and administration. The performance obligations related to transaction services are executing the specified trade and are priced according to the customer's fee schedule. Such income is recognized at a point in time as the trade occurs and the performance obligation is fulfilled. The performance obligations related to investment management, advisory and administration include allocating customer assets across a wide range of mutual funds and other investments, on-going account monitoring and re-balancing of the portfolio. These performance obligations are satisfied over time and the related revenue is calculated monthly based on the assets under management of each customer. All material performance obligations are satisfied as of the end of each accounting period.

Bankcard fees – Bankcard fees primarily represent income earned from interchange revenue from MasterCard and Visa for the Company's processing of debit, credit, HSA, and flexible spending account transactions. Additionally, the Company earns income and incentives related to various referrals of customers to card programs. The performance obligation for interchange revenue is the processing of each transaction through the Company's access to the banking system. This performance obligation is completed for each individual transaction and income is recognized per transaction in accordance with interchange rates established by MasterCard and Visa. The performance obligations for various referral and incentive programs include either referring customers to certain card products or issuing exclusively branded cards for certain customer segments. The pricing of these incentive and referral programs are in accordance with the agreement with the individual card partner. These performance obligations are completed as the referrals are made or over a period of time when the Company is exclusively issuing branded cards. For the three months ended March 31, 2019 and March 31, 2018, the Company also has approximately $8.3 million and $8.1 million of expense, respectively, recorded within the Bankcard fees line on the Company's Consolidated Income Statements related to rebates and rewards programs that are outside of the scope of ASC 606. All material performance obligations are satisfied as of the end of each accounting period.

Gains on sales of securities available for sale, net – In the regular course of business, the Company recognizes gains on the sale of available for sale securities. These gains are recognized in accordance with ASC 320, Debt and Equity Securities, and are outside of the scope of ASC 606.

Other income – The Company recognizes other miscellaneous income through a variety of other revenue streams, the most material of which include letter of credit fees, certain loan origination fees, gains on the sale of assets, gains and losses on equity-method investments, derivative income, and bank-owned and company-owned life insurance income. These revenue streams are outside of the scope of ASC 606 and are recognized in accordance with the applicable U.S. GAAP. The remainder of Other income is primarily earned through transactions with personal banking customers, including wire transfer service charges, stop payment charges, and fees for items like money orders and cashier's checks. The performance obligations of these types of fees are satisfied as transactions are completed and revenue is recognized upon transaction execution according to established fee schedules with the customers.

The Company had no material contract assets, contract liabilities, or remaining performance obligations as of March 31, 2019. Total receivables from revenue recognized under the scope of ASC 606 were $50.7 million and $52.2 million as of March 31, 2019 and December 31, 2018, respectively. These receivables are included as part of the Other assets line on the Company's Consolidated Balance Sheets.

The following table depicts the disaggregation of revenue according to revenue stream and Business Segment for the three months ended March 31, 2019 and March 31, 2018. As stated in Note 8, "Business Segment Reporting," for comparability purposes, amounts in all periods are based on methodologies in effect at March 31, 2019 and previously reported results have been reclassified in this filing to conform to the current organizational structure. Disaggregated revenue is as follows (in thousands):

	Three Months Ended March 31, 2019					
NONINTEREST INCOME	Commercial Banking	Institutional Banking	Personal Banking	Healthcare Services	Revenue (Expense) out of Scope of ASC 606	Total
Trust and securities processing	$—	$ 26,689	$ 15,268	$ —	$ —	$ 41,957
Trading and investment banking	—	128	—	—	5,453	5,581
Service charges on deposit accounts	7,461	6,189	2,708	4,888	35	21,281
Insurance fees and commissions	—	—	338	—	—	338
Brokerage fees	48	5,422	1,773	—	—	7,243
Bankcard fees	14,488	1,185	5,115	4,340	(8,061)	17,067
Gains on sales of securities available for sale, net	—	—	—	—	809	809
Other	469	131	933	185	11,388	13,106
Total Noninterest income	$ 22,466	$ 39,744	$ 26,135	$ 9,413	$ 9,624	$ 107,382

	Three Months Ended March 31, 2018					
NONINTEREST INCOME	Commercial Banking	Institutional Banking	Personal Banking	Healthcare Services	Revenue (Expense) out of Scope of ASC 606	Total
Trust and securities processing	$—	$ 27,696	$ 16,306	$ —	$ —	$ 44,002
Trading and investment banking	—	—	—	—	4,101	4,101
Service charges on deposit accounts	7,791	7,230	2,812	4,038	34	21,905
Insurance fees and commissions	—	—				