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UMB Financial Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. Ladies and gentlemen, we will now begin the question and answer session. (Operator instructions). And our first question comes from Chris McGratty with KBW. Go ahead please.

Chris McGratty – KBW

Good morning.

Mariner Kemper

Good morning.

Chris McGratty – KBW

You indicated in your prepared remarks that you pre-bought some securities in the quarter. I guess how should I think about the size of the balance sheet, I guess, in the first and second quarter? Was fourth quarter the peak in size of the investment portfolio, and will the public funds run out of the bank I guess typically as they do in the first half of the year, and just trying to get a sense of the size of the balance sheet going forward?

Mike Hagedorn

Sure. This is Mike. I'll take a stab at that one. You should expect the normal public fund accounts to leave the bank as they do in the first quarter of any following year. It is no different right now, at least from an expectation standpoint that that won't happen again. The portfolio holdings and the pre-buy that we're talking about, those are core portfolio holdings. So we do separate our portfolio between core and non-core, and clearly we don't buy core portfolio holdings with public funds. So the assets that we do buy with those non-core funds or public funds are very short term in nature.

Chris McGratty – KBW

Okay.

Peter deSilva

I might add that our balance sheet has grown related to both the inflow of public funds as well as the flight to safety and quality through our deposit growth in general.

Chris McGratty – KBW

Okay. So the \$700 million that you alluded to, that will run out in the first quarter. You added about a little over a \$1 billion in the fourth quarter, so I should assume that you've put on a little bit of securities leverage and that is a sustainable piece of portfolio going forward, or you grow that core piece?

Mike Hagedorn

I think that is a fair estimate right now. There has been some – there has been some uptick in our deposits that are not related to public funds, and those are core holdings that are funding the core portfolio, yes.

Chris McGratty – KBW

Okay. So I guess going forward and the bigger picture, what is your comfort size with the core portfolio? Did I sense that over time given where rates are today that the size may come down?

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