UMB

Mariner Kemper
Chairman and
Chief Executive Officer

October 31, 2008

Ms. Sheila Bair
Chairman
Federal Deposit Insurance Corporation
550 17th St., N.W.
Washington, DC 20429

Dear Ms. Bair:

In times like these, I recognize the need for the FDIC to propose a restoration plan to replenish the balances of the Deposit Insurance Fund (DIF). However, it is unfortunate that the government and well-run, strong financial institutions must come to the rescue to bail out those whose actions and decisions resulted in significant losses. I am writing to share my concerns about the rate of increase of insurance premiums assessed to healthy institutions such as UMB Financial Corporation.

UMB, an $8.6 billion financial services holding company headquartered in Kansas City, Missouri, is a 95-year old company that has a history of safe and sound banking practices. Currently our Tier 1 capital ratio is 13.9 percent, and our non-performing loans and net charge-offs, respectively, are 0.16 and 0.21. Our asset quality is very strong, and our average loan to deposit ratio in the third quarter 2008 was 64.5 percent. We take great pride in our strength, liquidity and flexibility.

UMB is classified as a Risk Category I institution and is currently assessed FDIC premiums at 5 basis points per $100 of assessable deposits. Effective January 1, 2009, our premiums will rise to 12 basis points. Based on our projections, we calculate this impact to our premiums using the initial proposal as follows:

- 2008 Actual FDIC Premium Expense: $5.4 million
- 2009 Estimate FDIC Premium Expense: $9.2 million

We understand that effective April 1, 2009 the minimum assessment may be adjusted down as much as two basis points, provided that the assessed institution is in the Risk Category I and issues sufficient long-term unsecured debt to "earn" the reduction in premiums. UMB does not issue long-term unsecured debt and would need to obtain board of director approval to do so. Nor does this "reduced penalty" act as an incentive for responsible banking behavior.

UMB Financial Corporation

1010 Grand Boulevard
Kansas City, Missouri 64106

816.860.4609
303.839.2251
mariner.kemper@umb.com

umb.com

UMB

In addition to these premium increases, we face no choice but to participate in the temporary unlimited insurance program for noninterest-bearing deposits, which subjects us to the 10 basis point surcharge on the applicable deposits. Opting out of this program would put UMB at a competitive disadvantage should our peers participate.

I believe these proposals miss an important opportunity to send a compelling message that there is a reward for operating a strong bank. As it stands today, the only reward is to pay a slightly reduced increased premium, but an increase nonetheless. I ask that you consider offering a true reward for strong banks by reducing the proposed insurance premiums or holding them flat at current levels. For example, car owners earn discounts on insurance for maintaining a safe driving record, using anti-theft devices, and for parking in a garage. Perhaps providing a discount for excellent behavior in the banking system would produce positive results and serve as an incentive for safe and sound practices. The current proposal to account for greater differentiation in risk does not go far enough to recognize healthy banks that pose very little risk to the insurance fund.

Lastly, on the topic of incentives, is issuing long-term unsecured debt an incentive the FDIC should promote? Despite providing a cushion for the fund should the insured institution fail, it does not encourage strong business practices.

I implore you to take my comments under serious consideration as the premium adjustments—both for base assessments and for the TLGP—are finalized. The FDIC is in an important position to send the right message to the business community. Please do not penalize those banks that have operated with ethical, safe and sound business practices.

I would be more than happy to visit with you or someone from you staff about this further. Thank you for the opportunity to comment.

Yours very sincerely,

Mariner Kemper
Chairman & Chief Executive Officer

JMK:jw