

COMMERCE BANCSHARES INC /MO/  
Form DEF 14A  
March 13, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  x  
Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

Commerce Bancshares, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party

4) Date Filed:

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March 13, 2013

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of the Shareholders of Commerce Bancshares, Inc. The meeting will be held at 9:30 a.m. on April 17, 2013, in the Auditorium on the 15th Floor of the Commerce Trust Building at 922 Walnut Street, Kansas City, Missouri.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe the items to be considered and acted upon by the shareholders.

If you own shares of record, you will find enclosed a proxy card or cards and an envelope in which to return the card(s). Whether or not you plan to attend this meeting please sign, date and return your enclosed proxy card(s) or vote over the phone or Internet as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. You can revoke your proxy anytime before the Annual Meeting and issue a new proxy as you deem appropriate. You will find the procedures to follow if you wish to change or revoke your proxy on page 3 of this Proxy Statement. Your vote is very important. I look forward to seeing you at the meeting.

Sincerely,

DAVID W. KEMPER

Chairman of the Board and

Chief Executive Officer

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Notice of Annual Meeting of Shareholders of  
Commerce Bancshares, Inc.

Date: April 17, 2013

Time: 9:30 a.m., Central Daylight Time

Place: The Auditorium on the 15th Floor of the Commerce Trust Building at 922 Walnut Street,  
Kansas City, Missouri

- Purposes:
1. To elect four directors to the 2016 Class for a term of three years;
  2. To ratify the selection of KPMG LLP as the Company's independent registered public accountant for 2013;
  3. Advisory approval of the Company's executive compensation ("Say on Pay");
  4. Approval of amendment and restatement of the Commerce Bancshares, Inc. 2005 Equity Incentive Plan, including an increase in authorized shares and an extension of the term;
  5. Approval of amendment of the Stock Purchase Plan for Non-Employee Directors to increase authorized shares; and
  6. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Who Can Vote: Shareholders at the close of business February 19, 2013 are entitled to vote at the meeting. If your shares are registered in the name of a bank or brokerage firm, telephone or Internet voting will be available to you only if offered by your bank or broker and such procedures are described on the voting form sent to you.

How You Can Vote: You may vote your proxy by marking, signing and dating the enclosed proxy card and returning it as soon as possible using the enclosed envelope; or, you may vote over the telephone or the Internet as described on the enclosed proxy card.

By Authorization of the Board of Directors,  
JAMES L. SWARTS

Secretary

March 13, 2013

Important Notice regarding the availability of proxy materials for the  
Shareholder Meeting to be held on April 17, 2013

The Proxy Statement and Annual Report to Shareholders are available at [www.edocumentview.com/CBSH](http://www.edocumentview.com/CBSH)

The Proxy Statement and Annual Report to Shareholders are also available on the  
Company's website at [www.commercebank.com/ir](http://www.commercebank.com/ir)

Your Vote Is Important. Whether You Own One Share or Many, Your Prompt  
Cooperation in Voting Your Proxy Is Greatly Appreciated.

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PROXY STATEMENT

COMMERCE BANCSHARES, INC.

1000 Walnut Street

Kansas City, Missouri 64106

Annual Meeting April 17, 2013

SOLICITATION

This Proxy Statement, the accompanying proxy card and the 2012 Annual Report to Shareholders of Commerce Bancshares, Inc. (the "Company" or "Commerce"), are first being sent to security holders on or about March 13, 2013. The Board of Directors of the Company (the "Board" or "Board of Directors") is soliciting your proxy to vote your shares at the Annual Meeting of Shareholders (the "Meeting") on April 17, 2013. The Board is soliciting your proxy to give all shareholders of record the opportunity to vote on matters that will be presented at the Meeting. This Proxy Statement provides you with information on these matters to assist you in voting your shares.

What is a Proxy?

A proxy is your legal designation of another person (the "proxy") to vote on your behalf. By completing and returning the enclosed proxy card, you are giving David W. Kemper and Jonathan M. Kemper, who were appointed by the Board, the authority to vote your shares in the manner you indicate on your proxy card.

Why did I receive more than one proxy card?

You will receive multiple proxy cards if you hold your shares in different ways (e.g., joint tenancy, trusts, custodial accounts) or in multiple accounts. If your shares are held by a broker, banker, trustee or nominee (i.e., in "street name"), you will receive your proxy card or other voting information from your brokerage firm or bank, and you will return your proxy card or cards to your broker, banker, trustee or nominee. You should vote on and sign each proxy card you receive.

VOTING INFORMATION

Who is qualified to vote?

You are qualified to receive notice of and to vote at the Meeting if you owned shares of common stock, \$5.00 par value, of the Company ("Common Stock") at the close of business on our record date of Tuesday, February 19, 2013.

How many shares of Common Stock may vote at the Meeting?

As of February 19, 2013, there were 90,819,015 shares of Common Stock outstanding and entitled to vote. Each share of Common Stock is entitled to one vote on each matter presented.

What is the difference between a "shareholder of record" and a "street name" holder?

These terms describe how your shares are held. If your shares are registered directly in your name with Computershare Trust Company, N.A., the Company's transfer agent, you are a "shareholder of record." If your shares are held in the name of a brokerage, bank, trust or other nominee as a custodian, you are a "street name" holder.

How do I vote my shares?

If you are a "shareholder of record," you have several choices. You can vote your proxy:

by mailing the enclosed proxy card,

over the telephone, or

via the Internet.

Please refer to the specific instructions set forth on the enclosed proxy card. For security reasons, our electronic voting system has been designed to authenticate your identity as a Shareholder.

If you hold your shares in "street name," your broker, bank, trustee, or nominee will provide you with materials and instructions for voting your shares.

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Can I vote my shares in person at the Meeting?

If you are a “shareholder of record,” you may vote your shares in person at the Meeting. If you hold your shares in “street name,” you must return the original proxy received from your broker, banker, trustee or nominee and obtain a new proxy from your broker, banker, trustee or nominee, specifically giving you the right to vote the shares at the Meeting.

What are the Board’s recommendations on how I should vote my shares?

The Board recommends that you vote your shares as follows:

Proposal One FOR the election of all four nominees for the 2016 Class of Directors with terms expiring at the 2016 Annual Meeting of Shareholders.

Proposal Two FOR the ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm (independent auditors) for the fiscal year ending December 31, 2013.

Proposal Three (Say on Pay) FOR the approval of the Company's executive compensation.

Proposal Four FOR approval of amendment and restatement of the Commerce Bancshares, Inc. 2005 Equity Incentive Plan.

Proposal Five FOR approval of amendment of the Stock Purchase Plan for Non-Employee Directors to increase authorized shares.

What are my choices when voting?

Proposal One You may cast your vote in favor of electing the nominees as Directors or withhold your vote on one or more nominees.

Proposal Two You may cast your vote in favor of, or against, the proposal, or you may elect to abstain from voting your shares.

Proposal Three You may cast your vote in favor of, or against, the proposal, or you may elect to abstain from voting your shares.

Proposal Four You may cast your vote in favor of, or against, the proposal, or you may elect to abstain from voting your shares.

Proposal Five You may cast your vote in favor of, or against, the proposal, or you may elect to abstain from voting your shares.

How would my shares be voted if I do not specify how they should be voted?

If you sign and return your proxy card without indicating how you want your shares to be voted, the proxies will vote your shares as follows:

Proposal One FOR the election of all four nominees for the 2016 Class of Directors with terms expiring at the 2016 Annual Meeting of Shareholders.

Proposal Two FOR the ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm (independent auditors) for the fiscal year ending December 31, 2013.

Proposal Three FOR the approval of the Company's executive compensation.

Proposal Four FOR approval of amendment and restatement of the Commerce Bancshares, Inc. 2005 Equity Incentive Plan.

Proposal Five FOR approval of amendment of the Stock Purchase Plan for Non-Employee Directors to increase authorized shares.



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How are votes withheld, abstentions and broker non-votes treated?

If your shares are held in street name, unless you provide voting instructions to your broker, bank, trustee, or other nominee, your shares will not be voted on Proposals One, Three, Four, or Five, and those unvoted shares are referred to as broker non-votes. In the election of directors, broker non-votes will be considered solely for quorum purposes and are not counted for the election of directors; withheld votes will be treated as votes against a director. On Proposal Two (ratification of the appointment of KPMG LLP), your broker, bank, trustee, or other nominee may exercise its discretion and vote on Proposal Two. On all other matters presented for shareholder vote, abstentions will be treated as votes against such matters and broker non-votes will be treated as not entitled to vote and have no effect on the outcome.

Can I change my vote after I have mailed in my proxy card?

You may revoke your proxy by doing one of the following:

• by sending a written notice of revocation to the Secretary of the Company that is received prior to the Meeting, stating that you revoke your proxy;

• by delivery of a later-dated proxy (including a telephone or Internet vote) and submitting it so that it is received prior to the Meeting in accordance with the instructions included on the proxy card(s); or

• by attending the Annual Meeting and voting your shares in person. If your shares are held in street name and you want to vote your shares at the Annual Meeting, you must obtain a legal proxy in your name from the broker, bank, trustee, or other nominee that holds your shares as of the record date, which is February 19, 2013.

What vote is required to approve each proposal?

Proposal One requires the affirmative vote of a majority of those shares present in person or represented by proxy and entitled to vote thereon at the Meeting.

Proposal Two requires the affirmative vote of a majority of those shares present in person or represented by proxy and entitled to vote thereon at the Meeting.

Proposal Three requires the affirmative vote of a majority of those shares present in person or represented by proxy and entitled to vote thereon at the Meeting. The vote on Proposal Three is a non-binding advisory vote.

Proposal Four requires the affirmative vote of a majority of those shares present in person or represented by proxy and entitled to vote thereon at the Meeting.

Proposal Five requires the affirmative vote of a majority of those shares present in person or represented by proxy and entitled to vote thereon at the Meeting.

Who will count the votes?

Representatives from Computershare Trust Company, N.A., our transfer agent, will count the votes and provide the results to the Inspectors of Election who will then tabulate the votes at the meeting.

Who pays the cost of a proxy solicitation?

The cost of solicitation of proxies will be borne by the Company. In addition to solicitation by mail, proxies may be solicited personally or by telephone, facsimile transmission or via email by regular employees of the Company. Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902, has been retained by the Company, at an estimated cost of \$8,000 plus reasonable out-of-pocket expenses, to aid in the solicitation of proxies. Brokerage houses and other custodians, nominees and fiduciaries may be requested to forward soliciting material to their principals and the Company will reimburse them for the expense of doing so. This Proxy Statement and proxy will be first sent to security holders on or about March 13, 2013.

Is this Proxy Statement the only way that proxies are being solicited?

No. As stated above, the Company has retained Morrow & Co., LLC to aid in the solicitation of proxy materials. In addition to mailing these proxy materials, certain directors, officers or employees of the Company may solicit proxies by telephone, facsimile transmission, e-mail or personal contact. They will not be compensated for doing so.

If you have any further questions about voting your shares or attending the Meeting, please call the Company's Secretary, James L. Swarts, at 816-234-2685.



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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

## Security ownership of certain beneficial owners:

This table includes each person known to be the beneficial owner of 5% or more of the Company's outstanding Common Stock as of December 31, 2012. Under applicable Securities and Exchange Commission Rules, beneficial ownership of shares includes shares as to which a person has or shares voting power and/or investment power.

Name and Address of Beneficial Owner	Number of shares		Percent of Class
Commerce Bank 1000 Walnut Street Kansas City, Missouri 64106	9,799,932	(1)(2)	10.7
State Street Corporation One Lincoln Street Boston, MA 02111	6,479,202	(3)	7.1
American Century Investment Management, Inc. 4500 Main Street Kansas City, MO 64111	5,282,031	(4)	5.8

These shares represent the beneficial ownership of the Company's Common Stock held in various trust capacities.

Of those shares Commerce Bank had (i) sole voting power over 5,021,869 shares; (ii) shared voting power over (1) 4,489,435 shares; (iii) sole investment power over 3,617,665 shares; and (iv) shared investment power over 1,289,228 shares. The Company has been advised by Commerce Bank that those shares for which it has sole voting authority will be voted at the Meeting FOR Proposals One, Two, Three, Four and Five.

Those shares for which Commerce Bank has shared voting power include 3,759,234 shares held as Trustee for the Commerce Bancshares, Inc. Participating Investment Plan (the "Plan"), a 401(k) plan established for the benefit of (2) the Company's employees. Pursuant to the Plan, participants are entitled to direct the Trustee with regard to the voting of each participant's shares held in the Plan. As to any shares for which no timely directions are received, the Trustee will vote such shares in accordance with the direction of the Company.

(3) This information is based solely on a Schedule 13G filed with the Securities and Exchange Commission (the "SEC") on February 11, 2013. Based upon the information contained in the filing, State Street Corporation has shared voting and dispositive power with respect to, and beneficially owns, 6,479,202 shares of the Company's Common Stock.

(4) This information is based solely on a Schedule 13G filed with the SEC on February 11, 2013 filed by American Century Investment Management, Inc., American Century Companies, Inc. and Stowers Institute for Medical Research. Based upon the information contained in the filing, American Century Investment Management, Inc., American Century Companies, Inc. and Stowers Institute for Medical Research each have sole voting power and dispositive power with respect to 5,137,563 and 5,282,031 shares, respectively, and beneficially own, 5,282,031 shares of the Company's Common Stock.

## Security ownership of management:

The following information pertains to the Common Stock of the Company beneficially owned, directly or indirectly, by all directors and nominees for director, the executive officers named in the Summary Compensation Table, and by all directors, nominees and executive officers of the Company as a group as of December 31, 2012.

Name of Beneficial Owner	Number of shares		Percent of Class
Kevin G. Barth	136,452	(2)	*
Terry D. Bassham	—		*
John R. Capps	14,379		*
Earl H. Devanny, III	2,993		*
W. Thomas Grant, II	14,719		*
James B. Hebenstreit	56,889		*



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Name of Beneficial Owner	Number of shares		Percent of Class
David W. Kemper	1,141,924	(2)	2.9
	114,111	(1)	
	212,060	(3)	
	1,161,458	(4)	
	366	(5)	
Jonathan M. Kemper	1,437,736	(2)(4)	2.2
	345,883	(1)	
	212,060	(3)	
Charles G. Kim	89,460	(2)	*
Seth M. Leadbeater	116,435	(2)	*
Terry O. Meek	50,574		*
Benjamin F. Rassieur, III	17,475		*
Todd R. Schnuck	2,519		*
Andrew C. Taylor	32,340		*
Kimberly G. Walker	5,295		*
All directors, nominees and executive officers as a group (including those listed above)	4,257,047	(2)	4.6

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(1) Shared voting power and investment power.

Includes shares which could be acquired within 60 days by exercise of options or stock appreciation rights (SARs).

Shares acquired by exercise of SARs were computed on a net basis, assuming the rights were exercised at a price equal to the fair market value of the Common Stock at December 31, 2012. Shares which could be acquired within

- (2) 60 days by exercise of options or SARs are as follows: Messrs. Barth — 45,423; D. Kemper — 0; J. Kemper — 109,029; Kim — 22,158; Leadbeater — 26,590; and all directors, nominees and executive officers as a group (including those listed above) — 287,354.

- (3) Owned by a corporation for which Messrs. David W. Kemper and Jonathan M. Kemper serve as directors.

Messrs. David W. Kemper and Jonathan M. Kemper disclaim beneficial ownership of such shares.

- (4) Includes 1,161,458 shares of which Mr. Jonathan M. Kemper is the beneficial owner, but shares voting power with Mr. David W. Kemper.

- (5) Shared voting power.

- (6) Owned by a corporation for which Mr. Hebenstreit serves as President. Mr. Hebenstreit disclaims beneficial ownership of these shares.

\*Less than 1%

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PROPOSAL ONE

ELECTION OF THE 2016 CLASS OF DIRECTORS

Composition of the Board

The full Board currently consists of twelve Directors. On February 8, 2013, the Board amended the Bylaws to increase the number of Directors from eleven to twelve and elected Terry Bassham as director. The Board is divided into three classes consisting of four Directors per class. The Directors in each class serve a three-year term. The term of each class expires at successive annual meetings so that the shareholders elect one class of Directors at each annual meeting. The Bylaws require an even distribution among the classes; therefore, Mr. Bassham was assigned to the Class of 2015.

The election of four Directors to the 2016 Class will take place at the Meeting. At its meeting on January 22, 2013, the Board approved the recommendation of the Committee on Governance/Directors that four 2016 Class Directors be elected for a three-year term.

If elected, the four 2016 Class Director nominees will serve on the Board until the Annual Meeting in 2016, or until their successors are duly elected and qualified in accordance with the Company's Bylaws. If any of the four nominees should become unable to accept election, the persons named on the proxy card as proxies may vote for such other person(s) recommended by the Company's Board of Directors. Management has no reason to believe that any of the four nominees for election named below will be unable to serve.

The Board of Directors Recommends that Shareholders Vote FOR All Four Nominees Listed Below

Nominees For Election of the 2016 Class of Directors:

Earl H. Devanny, III

Age:	60
Director Since:	April 2010
Committees:	Committee on Governance/Directors
Principal Occupation:	Chairman, CEO, and President of TriZetto Group (since July 2010)
Other Directorships:	None

Mr. Devanny is a former advisory director of Commerce Bank and has extensive experience with regulated industries. Mr. Devanny holds a Bachelor of Arts degree in English from the University of the South (Sewanee). In July of 2010, Mr. Devanny became the CEO of The TriZetto Group. The TriZetto Group provides core administration solutions, care and network management solutions in the healthcare field. In Mr. Devanny's current position with TriZetto, he is responsible for the overall operations and corporate functions of the company. Mr. Devanny previously was president of Cerner Corporation, a leader in healthcare technology. This experience brings a professional insight into the healthcare industry, one of the Company's most important target industries for financial services.

Discussion:

Benjamin F. Rassieur, III

Age:	58
Director Since:	August 1997
Committees:	Audit Committee (Chairman); Committee on Governance/Directors; and Executive Committee
Principal Occupation:	President of Paulo Products Company (since August 1987)
Other Directorships:	None

Discussion:

Mr. Rassieur is president of a successful, private company that performs heat treating and metal finishing at five plants in three states. His business provides a leading indicator of general economic conditions. Mr. Rassieur graduated cum laude from Amherst College with a degree in economics. He has been a director of Commerce Bank and has been a long time member of the Company's Audit Committee, and is the current Chairman of the Audit Committee. His community involvement includes being a founding member of the Corporate Committee of the Juvenile Diabetes Foundation.

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Todd R. Schnuck

Age: 54  
 Director Since: April 2010  
 Committees: Audit Committee  
 Principal Occupation: President (since 2006) and Chief Operating Officer (since 2009) of Schnuck Markets, Inc. (prior to 2006 served as Chief Financial Officer)  
 Other Directorships: None  
 As President and Chief Operating Officer of Schnuck Markets, Inc., Mr. Schnuck brings to the Board a unique perspective from a consumer driven industry that faces many of the same issues that we face, such as selection of retail locations, geographic expansion, and customer loyalty. With stores in Missouri, Illinois, Indiana, Iowa and Wisconsin, Schnuck Markets, Inc. operates in much of the same footprint as the Company. A graduate of the University of Virginia with an M.B.A. from Cornell, Mr. Schnuck had several years' experience in the investment banking profession before joining the family-owned business and serving as its Chief Financial Officer prior to his current position. Mr. Schnuck has previously served as an advisory director of Commerce Bank.

Discussion:

Andrew C. Taylor

Age: 65  
 Director Since: February 1990  
 Committees: Committee on Governance/Directors and Executive Committee  
 Chairman (since 2001) and Chief Executive Officer (since 1990) of Enterprise Holdings, Inc. (formerly known as Enterprise Rent-A-Car)  
 Principal Occupation: None  
 Other Directorships: None  
 Mr. Taylor has led Enterprise Holdings and its operating subsidiaries (collectively "Enterprise"), to the position of the largest rental car provider in America. He has public company board experience and is actively engaged in community service and philanthropic activities in the St. Louis area. His company is ranked high in customer satisfaction and as a place to work and start a career. Mr. Taylor is also the Chairman and CEO of Enterprise Fleet Management, Inc., which leases almost 200,000 vehicles to small and medium sized business. Managing credit risk is an important component of this business. Mr. Taylor is a graduate of the University of Denver with a degree in business administration.

Discussion:



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The following information is provided with respect to the directors who are continuing in office for the respective periods and until their successors are elected and qualified.

2015 Class of Directors

Terry D. Bassham

Age: 52  
 Director Since: February 2013  
 Committees: Audit Committee  
 Principal Occupation: Chief Executive Officer and President of Great Plains Energy, KCP&L and Greater Missouri Operations (since June 2012)  
 Other Directorships: None  
 Discussion: Prior to his election as its CEO, Mr. Bassham served as President and Chief Operating Officer of Great Plains Energy, KCP&L, and Greater Missouri Operations from 2011-2012. Mr. Bassham originally served as KCP&L Executive Vice President of Finance and Strategic Development and more recently as Executive Vice President of Utility Operations. He graduated from the University of Texas-Arlington and earned a Juris Doctor degree from St. Mary's University Law School in San Antonio, Texas. Mr. Bassham previously practiced as a regulatory attorney and has served as an advisory director of the Company's banking subsidiary in Kansas City. He is active in the Kansas City area community and currently serves as a board member of the Kansas City Symphony, the Guadalupe Center, United Way of Greater Kansas City, the Greater Kansas City Chamber of Commerce, and the University of Missouri-Kansas City Bloch School of Business and Public Administration advisory council. Mr. Bassham brings to the Board an inside perspective of the energy industry, and experience in a highly regulated industry with a publicly traded company.

Jonathan M. Kemper

Age: 59  
 Director Since: February 1997  
 Committees: Executive Committee  
 Principal Occupation: Vice Chairman of the Company and Vice Chairman of Commerce Bank (subsidiary of the Company) since 1997. Jonathan M. Kemper is the brother of David W. Kemper and the uncle of John W. Kemper, President and Chief Operating Officer of the Company.  
 Other Directorships: Commerce Bank and Tower Properties Company (Non-Executive Chairman since April 2005)  
 Discussion: Mr. Kemper has executive responsibilities for the commercial and retail banking groups in the Kansas City region and responsibility for information technology. After graduating from Harvard, Mr. Kemper remained to receive an M.B.A. from Harvard University's Graduate School of Business. Prior to working for the Company, Mr. Kemper held various positions in the financial industry in New York and Chicago,

including positions with Citicorp, the Federal Reserve Bank of New York, and M. A. Schapiro and Company. Mr. Kemper currently serves on the Federal Advisory Council of the Federal Reserve. Mr. Kemper is involved in several community and business organizations in addition to his responsibilities at the Company. Mr Kemper is a recognized community leader in one of the Company's largest markets and also brings expertise in current and emerging technologies to the Board.

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Terry O. Meek

Age: 69  
 Director Since: April 1989  
 Committees: Compensation and Human Resources Committee (Chairman)  
 Principal Occupation: President of Meek Lumber Yard, Inc. (since March 1975)  
 Other Directorships: None

Discussion:

Mr. Meek is a University of Notre Dame graduate with a degree in finance. As a resident of Springfield, Missouri, Mr. Meek brings a perspective from one of the Company's mid-sized markets. Mr. Meek's business experience includes responsibility for thirty retail lumber yards in Missouri and northwestern Arkansas, and includes operating lumber yards in northern California and Nevada. Mr. Meek's business experience also offers a unique perspective of the housing industry.

Kimberly G. Walker

Age: 54  
 Director Since: February 2007  
 Committees: Audit Committee  
 Principal Occupation: Chief Investment Officer, Washington University in St. Louis (since November 2006)  
 Other Directorships: None

Discussion:

Ms. Walker holds an M.B.A. in finance, with distinction, from the University of Michigan, an M.A. in economics from Washington University in St. Louis, and a B.A. in economics and public administration from Miami University of Ohio, where she graduated magna cum laude. Ms. Walker also holds the Chartered Financial Analyst designation. She has extensive experience in institutional asset management and has knowledge of internal controls and audit committee functions.

2014 Class of Directors

John R. Capps

Age: 62  
 Director Since: January 2000  
 Committees: Audit Committee  
 Principal Occupation: Vice President of BCJ Motors, Inc. (since 2011)  
 Other Directorships: None

Discussion:

Mr. Capps, a graduate of Stanford University, created a group of automobile dealership franchises in St. Louis County, Missouri that was acquired by Asbury Automotive Group in 1997. Mr. Capps stayed active in the acquiring company through its initial public offering. In 2011, Mr. Capps left Asbury Automotive Group to operate a new automotive dealership under BCJ Motors, Inc. Mr. Capps gives the Board a direct insight into a major line of business for the Company. He is active in the community and currently serves as a board member of St. Louis Priory School, St. Louis Children's Hospital Foundation, the

St. Louis Zoo, and Backstopper's.

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W. Thomas Grant, II

Age: 62  
 Director Since: June 1983  
 Committees: Compensation and Human Resources Committee; and Committee on Governance/Directors  
 Principal Occupation: President of SelectQuote Senior Insurance Services (since January 2011)  
 Other Directorships: SelectQuote Senior Insurance Services (since November 2009)  
 Mr. Grant served as a Consultant of Quest Diagnostics from 2007-2010, Chief Executive Officer of LabOne, Inc. from 1995 through the sale of the company to Quest Diagnostics in 2005, where he served as Senior Vice President until 2007. During his tenure, the company grew from a market capitalization of less than \$80 million to \$934 million at the time of sale. Prior to LabOne, Mr. Grant was the Chairman, President and Chief Executive Officer at Seafield Capital Corporation, a healthcare holding company, from 1990 to 1995. From 1986 to 1990, he served as Chief Executive Officer of Business Men's Assurance Company, an insurance company. Mr. Grant received a Bachelor's degree in History from the University of Kansas and a Master's degree in Business Administration from the Wharton School of Finance, University of Pennsylvania, and brings to the Board an insight into the insurance and healthcare industries.

Discussion:

James B. Hebenstreit

Age: 66  
 Director Since: October 1987  
 Committees: Audit Committee; Committee on Governance/Directors (Chairman); and Executive Committee  
 Principal Occupation: President of Bartlett and Company (since January 1992)  
 Other Directorships: None  
 Mr. Hebenstreit graduated from Harvard College and has an M.B.A. from Harvard University. Mr. Hebenstreit has a wealth of experience in the financial industry, having served as chief financial officer of the Company and as president of the Company's venture capital firm in the 1980's. As president of Bartlett and Company, Mr. Hebenstreit provides insight to the agricultural industry that has long been a major focus of business for the Company.

Discussion:

David W. Kemper

Age: 62  
 Director Since: February 1982  
 Committees: Executive Committee (Chairman)  
 Principal Occupation: Chairman of the Board and Chief Executive Officer of the Company; and Chairman of the Board and Chief Executive Officer of Commerce Bank - David W. Kemper is the brother of Jonathan M. Kemper and the father of John W. Kemper, President and Chief Operating Officer of the

Other Directorships: Company.  
Commerce Bank; Ralcorp Holdings, Inc.; Tower Properties Company;  
The Crawford Group, Inc.; and Advisory Director of Bunge North  
America

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Discussion:

Mr. Kemper has been the CEO of the Company since 1991 and was President of the Company from 1982 until February, 2013. He graduated cum laude from Harvard College, earned a masters degree in English literature from Oxford University, and an M.B.A. from the Stanford Graduate School of Business. He is the Past President of the Federal Advisory Council of the Federal Reserve. Mr. Kemper is active in the St. Louis community, serving as a board member of Washington University in St. Louis, the Missouri Botanical Garden, the St. Louis Art Museum, the Donald Danforth Plant Science Center, and a member of Civic Progress in St. Louis. Mr. Kemper brings to the Board a thorough understanding of the financial industry and an appreciation of the values upon which the Company was founded.

“Other Directorships,” both for nominees and those continuing in office, includes directorships at any public company or registered investment company during the previous five years.

## CORPORATE GOVERNANCE

### Corporate Governance Guidelines

The Board has adopted guidelines on significant corporate governance matters that, together with the Company’s Code of Ethics and other policies, create the corporate governance standards for the Company. You may view the Corporate Governance Guidelines on the Company’s website at [www.commercebank.com/governance](http://www.commercebank.com/governance). At the same location on the website, you will find the Code of Ethics, the Code of Ethics for Senior Financial Officers, the Related Party Transaction Policy, the Corporate Social Responsibility Report, and the charters of the Audit Committee, Committee on Governance/Directors and the Compensation and Human Resources Committee.

Each Director and all executive officers are required to complete annually a Director and Executive Officer Questionnaire (“Questionnaire”). The information contained in the responses to the Questionnaire is used, in part, to determine director independence and identify material transactions with the Company in which a Director or executive officer may have a direct or indirect material interest.

### Shareholder Communications

The Board has not adopted a formal policy for shareholder communications. However, the Company has a longstanding practice that shareholders may communicate with the Board or any individual director through the Secretary of the Company. The Secretary will forward all such communications to the Board or any individual director. The Secretary will not forward any communications that: (i) constitute commercial advertising of products; (ii) contain offensive language or material; (iii) are not legible or coherent; or (iv) are in the nature of customer complaints that can be handled by Company management.

### Director Independence

In accordance with the rules of the NASDAQ Stock Market LLC (“NASDAQ”), the Board, on the recommendation of the Committee on Governance/Directors, determines the independence of each Director and nominee for election as a Director. The Committee on Governance/Directors applies the definition of “independent director” adopted by NASDAQ to information derived from responses to the Questionnaire and from research of the Company’s records provided by the General Counsel, Controller and Auditor of the Company. The Board, on the basis of the recommendation of the Committee on Governance/Directors, determined that the following non-employee Directors of the Company and Director nominees are independent:

Terry D. Bassham  
John R. Capps  
Earl H. Devanny, III  
W. Thomas Grant, II

Terry O. Meek  
Benjamin F. Rassieur, III  
Todd R. Schnuck  
Andrew C. Taylor



James B. Hebenstreit

Kimberly G. Walker

Based on the NASDAQ definition of “independent director,” the Board determined that David W. Kemper and Jonathan M. Kemper as employed executive officers of the Company are not independent.

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Board Meetings

The Board held four regularly scheduled meetings and no special meetings in 2012. In conjunction with scheduled meetings, the Board regularly meets in Executive Session without the presence of any non-independent employee directors. All Directors attended at least 75% of the Board and Committee meetings on which they served in 2012. It is the policy of the Company that Directors attend the Annual Meeting of shareholders. All the Directors attended the 2012 Annual Meeting of Shareholders on April 18, 2012.

Board Leadership Structure and Risk Oversight

David W. Kemper serves as both principal executive officer and chairman of the Board. Combining the chief executive position with the chairmanship of the board was established in the Company's original governing documents. Until February 8, 2013, under the Company's Bylaws, the Chairman of the Board was the chief executive officer of the Company by definition. The incorporators of the Company believed in establishing direct accountability to the shareholders for the chief executive who is responsible for the day to day decisions that affect the Company's value. A combined Chairman and CEO avoids potential conflicts between incumbents, establishes accountability, and has the added advantage of eliminating additional compensation expense that would result from separating these two functions. Since its incorporation, the financial strength and esteemed reputation the Company has achieved are a testament to, and a direct result of, the leadership of the two people who have held these combined positions, James M. Kemper, Jr. and current Chairman, David W. Kemper. At its meeting on February 8, 2013, the Board amended the Bylaws to permit, but not require, the separation of the positions of Chairman and CEO. At the present time the Board has determined that David Kemper should retain the positions of both Chairman and CEO.

Because the roles of Chairman and chief executive are currently combined, the Chairman of the Committee on Governance/Directors serves as the Lead Director of the Board. The purpose and effect of this designation is to establish leadership in the board room during the executive sessions of the non-employee Board members.

Non-independent directors and other officers of the Company are excused for a portion of every board meeting for the executive sessions of the independent directors.

The Company and Commerce Bank are subject to examination by the Federal Reserve and the Missouri Division of Finance (MDOF). Examinations are directed to compliance with various laws and regulations, and an assessment of how the Company, Commerce Bank and their subsidiaries manage credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputational risk. To manage these risks the Company management utilizes various risk committees including: Asset Liability Committee, Enterprise Risk Management Committee, Trust Risk Committee, Compliance Committee, Credit Policy Committee, Non-credit Risk Committee, Consumer Risk Committee, and Operation Risk Committee. As indicated below, the Audit Committee monitors the Company's risk management process.

The Board and Audit Committee regularly review the Reports of Examination from the Federal Reserve and MDOF. The Audit Committee periodically meets with officers and examiners of the Federal Reserve and MDOF. Regular presentations are made to the Board and the Audit Committee by the Chief Financial Officer, the Chief Credit Officer and Chief Risk Officer of the Company and include matters noted in the Reports of Examination.

Committees of the Board

The Board has four committees, three of which (the Audit Committee, the Compensation and Human Resources Committee, and the Committee on Governance/Directors) are standing committees that meet at least once per year. The Audit Committee, the Compensation and Human Resources Committee, and the Committee on Governance/Directors are comprised solely of non-employee, independent directors in accordance with NASDAQ listing standards. The members of the Compensation and Human Resources Committee are also "non-employee directors" under Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and "outside directors" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The charter for each committee is available online as noted above under the heading "Corporate Governance Guidelines." The charters are also available in print to any shareholder who makes a request of the Secretary of the Company. Pursuant to the Company's Bylaws, the Board has established an Executive Committee to meet as necessary. The Executive Committee does not have a charter and consists of both non-employee, independent directors and employee directors.

The Executive Committee is comprised of the Chairman and Vice Chairman of the Board and Benjamin F. Rassier, III, Andrew C. Taylor, and James B. Hebenstreit. The table below shows the current membership of the standing committees of the Board:

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Audit	Compensation and Human Resources**	Governance/Directors
Terry D. Bassham	W. Thomas Grant, II	Earl H. Devanny, III
John R. Capps	Terry O. Meek*	W. Thomas Grant, II
James B. Hebenstreit		James B. Hebenstreit*
Benjamin F. Rassieur, III*		Benjamin F. Rassieur, III
Todd R. Schnuck		Andrew C. Taylor
Kimberly G. Walker		

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\*Committee Chairman

\*\* Andrew C. Taylor also served on the Compensation and Human Resources Committee in 2012 as its Chairman.

**Audit Committee**

The Company has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. In 2012, the Audit Committee had five members and met five times. The Audit Committee is comprised solely of independent, non-employee directors, and is chaired by Mr. Rassieur. The Board has determined that Mr. Hebenstreit is an “Audit Committee Financial Expert” as required by the SEC. As a regulated financial company, risk evaluation is inherent in overseeing the Company’s financial reporting processes, and the Company’s compliance with legal and regulatory requirements. For that reason, the Audit Committee is the primary vehicle for risk oversight by the Board and reviews reports from legal, audit, compliance, loan review, corporate finance and the Enterprise Risk Management Committee at each of its meetings. The charter of the Audit Committee may be found on the Company’s website at [www.commercebank.com/governance](http://www.commercebank.com/governance).

The Audit Committee’s responsibilities, discussed in detail in the charter, include:

- Monitoring the accounting and financial reporting processes of the Company and the audits of its financial statements;
- Monitoring the performance of the Company’s internal audit function and independent registered public accountants;
- Monitoring the performance of the Company’s loan review function;
- Monitoring the performance of the Company’s risk management process;
- Providing oversight of the Company’s compliance with legal and regulatory requirements;
- Appointing and replacing the Company’s independent registered public accountant, including approving compensation, overseeing work performed and resolving any disagreements with management; and
- Pre-approving all auditing and permitted non-auditing services.

Additional information on the activities of the Audit Committee is provided in the Audit Committee Report on page 35.

**Compensation and Human Resources Committee**

The Compensation and Human Resources Committee met once in 2012. The Compensation and Human Resources Committee is comprised solely of independent, non-employee directors. The charter of the Compensation and Human Resources Committee may be found on the Company’s website at [www.commercebank.com/governance](http://www.commercebank.com/governance).

The Compensation and Human Resources Committee’s responsibilities, discussed in detail in the charter, include the following:

- Establishing the Company’s general compensation philosophy and overseeing the development and implementation of executive and senior management compensation programs;
- Reviewing and approving corporate goals and objectives relevant to the compensation of executives and senior management;
- Reviewing the performance of executives and senior management;
- Determining the appropriate compensation levels for executives and senior management; and
- Making recommendations to the Board with respect to the Company’s incentive plans and equity-based plans.

The Compensation and Human Resources Committee’s processes for considering and determining executive compensation are described under the heading “Compensation and Human Resources Committee Processes” in the section entitled Compensation Discussion and Analysis.



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Committee on Governance/Directors

The Committee on Governance/Directors met once in 2012. The Committee on Governance/Directors is comprised solely of independent, non-employee directors. The charter of the Committee on Governance/Directors may be found on the Company's website at [www.commercebank.com/governance](http://www.commercebank.com/governance).

The Committee on Governance/Directors' responsibilities, discussed in detail in the charter, include the following:

- Evaluating proposed candidates for directorship in the Company;
- Evaluating Board performance;
- Establishing the agenda for the annual meeting of shareholders;
- Evaluating the quality of the information and analysis presented to the Board and standing committees;
- Assessing the independence of directors; and
- Evaluating the performance of the Company relative to corporate governance matters.

The Chairman of the Committee on Governance/Directors serves as the Lead Director of the Board and chairs the Board's Executive Sessions.

With respect to its recommendations of prospective candidates to the Board, the Committee on Governance/Directors may establish the criteria for director service and will consider, among other things, the independence of the candidates under applicable standards and such experience and moral character as to create value to the Board, the Company and its shareholders. With respect to incumbent candidates, the Committee on Governance/Directors also considers meeting attendance, meeting participation and ownership of Company stock. The criteria and selection process are not standardized and may vary from time to time. Relevant experience in business, government, the financial industry, education and other areas are prime measures for any nominee. Board diversity is a consideration, but is not the subject of a specific Board policy. The Board has approved the Corporate Social Responsibility Report, referenced above under "Corporate Governance Guidelines," and adheres to the diversity guidelines contained in such report. The Committee on Governance/Directors will consider individuals for Board membership that are proposed by shareholders in accordance with the provisions of the Company's Bylaws. A description of those provisions can be found under "Shareholder Proposals and Nominations" below. The Committee on Governance/Directors will consider individuals proposed by shareholders under the same criteria as all other individuals.

By the end of February of each year, the Committee on Governance/Directors meets and makes its recommendations to the Board of its proposed slate of Directors for the class of directors to be elected at the next annual meeting; the date, time and place of the annual meeting; and the matters to be placed on the agenda for the annual meeting. At its meeting on January 22, 2013, the Committee on Governance/Directors determined its nominees for the Class of 2016. All of the nominees for the Class of 2016 are current directors standing for re-election.

Shareholder Proposals and Nominations

If a shareholder intends to present a proposal for consideration at the Company's annual meeting to be held on April 16, 2014 and have the proposal included in the Company's proxy statement, the proposal must be in proper form pursuant to SEC Rule 14a-8 and must be received by the Secretary of the Company at its principal offices no later than November 13, 2013.

Shareholder nominations for directors and shareholder proposals that are not presented pursuant to SEC Rule 14a-8 must comply with the Company's Bylaws. In order to be considered, shareholders must provide timely notice to the Secretary. To be timely, the notices for the April 16, 2014 annual meeting must be received by the Secretary no later than February 18, 2014 nor before January 16, 2014. The notice must contain the name and record address of the shareholder, and the class or series and the number of shares of Company capital stock owned beneficially or of record by the shareholder.

Any notice proposing to nominate a director must also provide a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) or shareholder proposal is made; and a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the person or bring the business proposal before the meeting. The notice must also set forth as to each person the shareholder proposes to nominate for election as a director the name, age, business and residence address of the nominee; the principal occupation or employment of the

nominee; the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the nominee; and any other information relating to the nominee or the nominating shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act. Lastly, the notice must also be accompanied by a written consent of each proposed nominee to be named a nominee and to serve as a director if elected.

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If the notice is for a shareholder proposal, the notice must also set forth a brief description of the business to be brought before the meeting, and the reasons for conducting such business at the meeting, and any material interest of such shareholder in such business.

Transactions with Related Persons

The Board of Directors has adopted a Related Party Transaction Policy (“Policy”). The purpose of the Policy is to establish procedures for the identification and approval, if necessary, of transactions between the Company and any director, nominee for director, beneficial owner of more than 5% of the Company’s securities, executive officer or any person or entity deemed related to any of the foregoing (“Related Party”) that are material or not in the ordinary course of business.

The Policy may be found on the Company’s website at [www.commercebank.com/governance](http://www.commercebank.com/governance). The Policy is intended to identify all transactions with Related Parties where payments are made by the Company to or for the direct or indirect benefit of a Related Party. The procedures, discussed in detail in the Policy, include the following:

- The collection and maintenance of a Related Party list derived from the records of the Company and the responses to an annual Questionnaire completed by directors and executive officers;
- The distribution of the list to the appropriate officers and employees of the Company so that transactions with Related Parties may be identified;
- A quarterly comparison of the list to payments made by the Company;
- Preparation and delivery of a report to the General Counsel of the Company for review, analysis and an initial determination of whether the transaction is material and falls within the Policy; and
- Referral to the Company’s Disclosure Committee, which consists of the Company’s Chief Risk Officer, Controller, Auditor and General Counsel, of any transaction that may be considered material and require approval or ratification by the Board of Directors or Audit Committee or disclosure in a proxy statement.

The Policy provides guidance for determination of materiality. The amount of the transaction, the application of any exemption or exclusion, the provisions of the Company’s Code of Ethics, and general principles of corporate transparency may be considered. The Policy deems certain transactions exempt and pre-approved, including compensation paid for service as a director or executive officer, transactions involving depositary or similar payment services, transactions that are the result of a competitive bidding process, and transactions arising solely from the ownership of the Company’s equity securities. The Policy provides further guidance to the Board or Audit Committee in regard to the approval or ratification of the transaction and prohibits the participation by a Related Party in the discussion, approval or ratification of a transaction.

Pursuant to the application of the Policy, the following transactions were identified:

It was determined that Messrs. David W. Kemper, Jonathan M. Kemper and John W. Kemper are directors of Tower Properties Company (“Tower”), and Mr. Jonathan M. Kemper is the non-compensated Chairman of the Board of Tower. Tower is primarily engaged in the business of owning, developing, leasing and managing real property. At December 31, 2012, Messrs. David W. Kemper, Jonathan M. Kemper and John W. Kemper together with members of their immediate families beneficially own approximately 74% of Tower. During 2012, the Company, or its subsidiaries, paid Tower \$294,000 for rent on leased properties, \$63,000 for leasing fees, \$75,000 for operation of parking garages, \$231,000 for property construction management fees and \$1,774,000 for building management fees. The terms of the current contract under which Tower is currently retained was reviewed and approved by the Audit Committee at its meeting on October 28, 2010 in accordance with the Policy.

Tower leases office space in the Kansas City bank headquarters building owned by a subsidiary of the Company. Rent paid to the subsidiary in 2012 totaled \$66,000, at \$15.08 per square foot.

In the fourth quarter of 2012, the Company purchased various surface parking lots from Tower for \$7.1 million. The lots are located in downtown Kansas City and to be used for employee parking.

During 2012, Commerce Bank paid a salary and other compensation of \$131,936 to Michael Fields, executive director of the Commerce Bancshares, Inc. Foundation and the brother-in-law of Messrs. David W. Kemper and Jonathan M. Kemper. Mr. Fields retired from his position as executive director of the Foundation in August 2012. During 2012, the Company paid a salary and other compensation of \$276,413, bonus of \$123,410, and equity awards of \$116,406 to John W. Kemper, President of the Company, son of David W. Kemper, and nephew of Jonathan M.



Kemper.

During 2012, the Company paid \$201,000 to a design company primarily owned by the spouse of V. Raymond Stranghoener for a remodeling project in the Company's Clayton, Missouri office building.

Various Related Parties have deposit accounts with Commerce Bank and some Related Parties also have other transactions with Commerce Bank, including loans in the ordinary course of business, all of which were made on substantially the

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same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to the Company, and did not involve more than normal risk of collectibility or present other unfavorable features. Additionally, David W. Kemper purchased Missouri state tax credits from Commerce Bank in a face amount of \$500,000 for a price of 93% of par, or \$465,000. The terms of the sales and the amounts paid by Mr. David W. Kemper were the same as the terms of the sales and the amounts paid for similar tax credits by persons not related to the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16 of the Exchange Act, the Company's directors and certain executive officers are required to report, within specified due dates, their initial ownership of the Company's Common Stock and all subsequent acquisitions, dispositions or other transfers of interest in such securities, if and to the extent reportable events occur which require reporting by such due dates. The Company is required to identify in its proxy statement whether it has knowledge that any person required to file such a report may have failed to do so in a timely manner. Based on that review, all of the Company's directors and all executive officers subject to the reporting requirements satisfied such requirements in full.

Director Compensation

An employee of the Company or a subsidiary of the Company receives no additional compensation for serving as a director. Non-employee directors of the Company are required to participate in the Stock Purchase Plan for Non-Employee Directors (the "Director Plan"). Under the Director Plan, all compensation payable to a non-employee director is credited to an account in the name of such director as earned and the Company contributes to the account of such director an additional amount equal to 25% of the compensation credited to the director's account. As of the last business day of each month, the cash balance in a director's account is converted to whole shares of Common Stock of the Company based on the last sale price of the Company's Common Stock as reported by the National Market System of NASDAQ on such date, or if no sale price is reported on such date, the next preceding day for which a sale price is reported. Any balance remaining in a director's account is carried forward for investment in the next month.

As soon as practicable after the end of each year, the Company issues each non-employee director the number of shares of Company Common Stock credited to the director's account and any cash balance in the account is carried forward for investment in the next year. If a director dies or ceases to be a non-employee director during the year, the Company will distribute to the director (or his or her beneficiary), as soon as reasonably practicable, the number of shares of Company Common Stock credited to the director's account, along with any cash credited to the account. A participant in the Director Plan has no right to vote or receive cash dividends or any other rights as a shareholder with respect to shares credited to the participant's account until such shares are actually issued.

Each non-employee director of the Company is paid the following amounts, as applicable (each adjusted to include the additional 25% contribution by the Company): an annual retainer of \$20,000 (paid on a quarterly basis); a fee of \$4,000 for attendance (in person or by phone) at each meeting of the Board of Directors; a fee of \$750 for attendance (in person or by phone) at each meeting of a committee of which the director is a member; and an annual fee of \$5,000 for service as a committee chair. On April 10, 2012, the annual retainer and fee for each meeting of the Board of Directors increased from \$15,000 and \$3,000, respectively. Changes to directors' compensation are initiated by our CEO and presented to the Committee on Governance/Directors. The Chairman of the Committee on Governance/Directors then presents any changes to the full Board of Directors for its approval.

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Compensation earned during 2012 by the non-employee directors of the Company for their service as directors is listed in the table below.

Name	Fees Earned or Paid in Cash (1)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and NQDC Earnings	All Other Compensation	Total
John R. Capps	\$ 36,750	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 36,750
Earl H. Devanny, III	34,500	—	—	—	—	—	34,500
W. Thomas Grant, II	35,250	—	—	—	—	—	35,250
James B. Hebenstreit	43,250	—	—	—	—	—	43,250
Terry O. Meek	34,500	—	—	—	—	—	34,500
Benjamin F. Rassieur, III	43,250	—	—	—	—	—	43,250
Todd R. Schnuck	33,500	—	—	—	—	—	33,500
Dan C. Simons*	7,500	—	—	—	—	—	7,500
Andrew C. Taylor	36,250	—	—	—	—	—	36,250
Kimberly G. Walker	37,500	—	—	—	—	—	37,500

Fees earned were credited to the Director Plan and converted to shares of the Company's Common Stock during 2012. In January 2013, the following number of shares were issued to the non-employee directors: Mr. Capps — (1)989 shares; Mr. Devanny — 929 shares; Mr. Grant — 949 shares; Mr. Hebenstreit — 1,164 shares; Mr. Meek — 928 shares; Mr. Rassieur — 1,164 shares; Mr. Schnuck — 897 shares; Mr. Simons — 202 shares; Mr. Taylor — 972 shares; and Ms. Walker — 1,009 shares. \*Mr. Simons was a director during the first quarter of 2012.

## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

This section provides information regarding the compensation programs for our chief executive officer ("CEO"), chief financial officer ("CFO"), and three most highly compensated other executives (collectively, our "Named Executive Officers" or "NEOs"), including the overall objectives of our compensation program and what it is designed to reward, each element of compensation that we provide, and an explanation of the reasons for the compensation decisions we have made regarding these individuals with respect to 2012. Our NEOs for 2012 were as follows:

Name	Title
David W. Kemper	Chairman, President and CEO (President position relinquished February 8, 2013)
Charles G. Kim	Executive Vice President and CFO
Jonathan M. Kemper	Vice Chairman
Seth M. Leadbeater	Vice Chairman
Kevin G. Barth	Executive Vice President

### Our Compensation Philosophy

The Company's compensation philosophy is to provide a total compensation program that is competitive with the market for bank holding companies in geographic proximity, of a comparable asset size, or those financial institutions considered to be a direct competitor for any of our lines of business in order to attract and retain top performers. In doing so we strive to:

- Align interests of our executive officers with the long-term interests of our shareholders;
- Provide reward systems that are credible, consistent with our core values and appropriately structured so as not to encourage undue risk; and

Reward individuals for results rather than on the basis of seniority, tenure, or other entitlement.

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### Compensation and Human Resources Committee Processes

Our Compensation and Human Resources Committee (the “Committee”) meets annually to review the performance of the Executive Management Committee (the “EMC”) and the total compensation program for this group of individuals. The NEOs are all part of the EMC. During this review process the Committee considered a number of factors and data to determine appropriate compensation for the CEO and other NEOs. The Committee noted that the advisory "Say on Pay" shareholder vote in 2011 resulted in 96% approval. The Committee considered the result of the "Say on Pay" vote and determined not to change the principles on which the Committee's compensation decisions are based.

### Benchmarks

For all NEOs, the Committee reviewed market survey data compiled by Towers Watson, an outside consulting firm. The market survey utilized in the compilation was the Towers Watson 2011 Financial Services Executive Survey. In order to get the best data match possible, three groupings of data from that survey were used: data for the total sample of financial services companies, data for a Commercial Bank grouping, and data for financial services companies with asset size from \$15-\$60 billion to more accurately compare against our bank size. Each NEO was individually compared to job descriptions in the Towers Watson Survey in order to best align overall compensation levels of our NEOs with comparable executive officer positions for the companies included in the Towers Watson Survey. The input of Towers Watson was limited to matching and supplying the survey data based upon job descriptions for each NEO. The Committee did not use any other outside compensation consultants in determining or recommending any amount or form of compensation for our NEOs. Towers Watson has also provided services to the Company separate from its service to the Committee. Those services include additional compensation market surveys for other non-executive positions at the bank, a long-term compensation market analysis, and consulting related to our annual employee engagement survey. References in this compensation discussion and analysis to the “Benchmarks” refer to the Towers Watson Survey.

### Performance Reviews

Each of our executive officers performs an annual self-evaluation of previous year performance and sets goals for the upcoming year. Our CEO conducts performance evaluations of each of our other executive officers, presents the evaluations to the Committee, and makes recommendations to the Committee as to their compensation. The Committee conducts an annual performance evaluation of our CEO and evaluates the recommendations of our CEO as to other executive officers. The performance review of our CEO is based on the financial performance of the Company, the increase in the franchise value of the Company, growth in the human capital of the organization, and the Company's overall management of risk.

The CEO and all NEOs are evaluated against the measurements within our annual bonus formula, which include net income, pre-tax profit, revenue and relative performance to peers, as well as objectives outlined in their performance reviews. The targets and results of the measurements (excluding the individual objectives) are based on corporate-wide results. The CEO and all other NEOs have the same corporate goals and all are measured against the final results. In addition to the corporate-wide measures, each executive is evaluated on his or her individual areas of responsibility and against the objectives outlined in his or her performance review. The individual performance and contribution criteria may include:

- overall job knowledge and technical skills;
- alignment of personal behavior with our company core values;
- achievement of financial metrics related to a specific line of business;
- achievement of defined operational goals;
- contribution to special projects;
- management of risk;
- development of people within their respective team;
- effective communication practices;
- ability to solve problems effectively; and
- assumption of new responsibilities.

The Committee discusses the CEO evaluation without our CEO being present and a Committee member presents the Committee's approvals for executive officer compensation to the full Board of Directors.

### Setting Compensation

Based on the performance evaluations, an analysis of total compensation against the Benchmarks data, and a review of the Company's goals and objectives, the Committee approves, and reports to the Board of Directors its decisions regarding the base salary (effective April 1), annual cash incentive compensation targets and long-term equity awards for our executive officers for

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the current year, as well as cash incentive compensation earned for the prior year. The Committee's decisions generally occur during January and the Committee presents their approvals to the Board of Directors at the next regularly scheduled meeting, which generally occurs in late January or early February. All equity award agreements were granted as of the date of the Board meeting at which the Committee communicated its approval of the awards using the fair market value of the Company's stock at the close of that business day.

The process includes a review by the CEO of the outside Benchmarks for the other NEOs prior to the Committee meeting. The outside Benchmarks for the other NEOs are reviewed to assess current market data on base salary, annual cash incentives and long-term equity awards. The Benchmark information is compared to each of the other NEO's current compensation as detailed on the tally sheets described below. The CEO details the compensation data and discusses the reasons for his recommendations for the other NEOs during the committee meeting.

The timing of compensation decisions is driven by a variety of tax considerations. To the extent the Committee determines that an award is intended to satisfy the deductibility requirements under Section 162(m) of the Code, performance objectives must be established in the first 90 days of the performance period. For annual incentive awards, this means performance objectives must be established no later than the end of March.

There is no policy for the allocation between cash and non-cash or annual and long-term compensation. Instead, the Committee determines the allocation of each component of compensation based on the role of each executive officer in the Company, performance evaluations, the Benchmarks, and knowledge of our local markets. Generally, the percentage of compensation consisting of the annual cash incentive and long-term equity awards increases as the responsibilities of the executive officer and the executive officer's ability to affect Company performance increase. The compensation elements for our CEO for 2012 were allocated as follows: 24% base salary, 39% annual cash incentive, and 37% long-term equity awards. The Committee feels that a greater percentage of the CEO's compensation should be based on the long-term performance of the Company than the percentage used for the other NEOs, but has not identified a specific target. On average, the compensation elements for our other NEOs for 2012 were allocated as follows: 33% base salary, 32% annual cash incentive, and 35% long-term equity awards. For purposes of the above calculations, the long-term equity awards (Restricted Stock Grants) were valued as of the grant date based on the fair market value of the underlying stock. Other benefits, including Company allocations and contributions to benefit plans and perquisites, while not considered in determining these allocations, are provided to our executive officers in order to offer a total compensation package that is competitive in the marketplace.

In setting the 2012 salary and 2012 bonus opportunity, and awarding the Current Year Stock (defined below) award in 2012 and the Long Term Restricted Stock (defined below) award in 2012, the Committee compared the annualized rate of salary in effect on December 31, 2011, annual cash incentive paid in 2011, and long-term equity awards made in 2011 (based on date of grant value) individually and in the aggregate (the "Benchmarked Compensation) to the average compensation level of the Benchmarks for the applicable position. Elements of compensation are not designed to be at the same Benchmark percentile for each NEO, and are not intended to equal any particular percentile of the applicable Benchmarks. The Committee then considers each individual's performance, experience, specific job requirements and the contribution of that job to the Company's success, and then makes subjective adjustments as appropriate. The Towers Watson Survey mentioned on page 18 was used for all NEOs, as a comparison for each component of compensation and for the aggregate of all such components. The Committee determined that all NEO's compensation components, both at the individual and aggregate levels, were appropriate compared to the applicable Benchmarks for each respective NEO's position. Realized and unrealized equity compensation gains and vesting of prior equity grants are not considered by the Committee when establishing compensation. The factors used to determine base salary, annual cash incentives, and long-term equity awards are discussed in more detail under the heading "Elements of Compensation" below. The Committee reviewed tally sheets during the process to set compensation for our executive officers for 2013. The tally sheets were included in the packet of data that was sent to the Committee for review prior to the meeting and used during the meeting for discussion purposes. The tally sheets were used as tools for review of total compensation comparison of the NEOs and included information such as:

• Base salary for 2011 and 2012;

• Bonus information for 2011 and 2012;

• Stock awards with specific grant amortization expense for 2011 and 2012;



Stock option information with specific grant amortization expense for 2011 and 2012;

Change in pension value; and

- Details on all other compensation by category.

If our financial statements were to be restated or adjusted in a manner that would have reduced the size of a prior incentive award, the Committee will consider that information when determining future compensation.

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## Elements of Compensation

## Base Salary

Base salary is a fixed element of annual compensation on which our executive officers may rely. Base salary reflects the external market value of a particular position based on the experiences and qualifications that an individual brings to the position. Base salary levels for our NEOs were compared against the average base salary of the Benchmarks to determine whether salary levels are appropriate. Factors included in the comparison of base salaries of our NEOs to those in the Benchmarks included the relative size of companies, financial performance (both currently and over a period of time), and the experience and responsibility of the individuals. The Committee does not assign a weight to any particular factor.

## Annual Cash Incentive Compensation

In furtherance of the Company's pay for performance philosophy, the Company's Executive Incentive Compensation Plan ("EICP") is a short-term cash incentive plan to reward our executive officers for the achievement of Company annual performance goals. There were no changes made to the factors included in the formula for the calculation of cash incentives for the NEO's. Therefore, in awarding 2012 annual cash incentives, the factors considered by the Committee were net income, adjusted return on equity, revenue, and pre-tax profit.

Our NEOs are eligible to receive an annual cash incentive equal to a percentage of their base salary. The target annual cash incentive percentage for each NEO is compared each year by the Compensation Committee to the percentage level of the annual cash incentive component of the Benchmarks mentioned previously paid for the applicable NEO. The Committee then determines the appropriateness of the target annual cash incentive percentages based on individual performance, experience, specific job requirements and contribution of the job to the Company's success to arrive at a target percentage. The target annual cash incentive percentages for 2012 were the same as they were in 2011.

The target annual cash incentives as percentages of base salary for our NEOs in 2012 were as follows:

Name	Target Percentage
David W. Kemper	100%
Jonathan M. Kemper	65%
Seth M. Leadbeater	60%
Kevin G. Barth	60%
Charles G. Kim	60%

In determining the amount of annual cash incentives to be paid under the EICP in 2013 for 2012 performance, the Committee weighted the components of the Company Performance Factor as follows:

60% based on actual net income of \$269 million with the payout percent determined on a scale which targeted \$241 million as the 100% payout level. For the net income component there is a 1% decrease in payment for each \$1 million below target down to \$216 million and a 1.3% decrease in payment for each \$1 million below \$216 million. There is no net income component allocation for net income below \$178 million. For net income exceeding the 100% level there is a 2.5% increase for each \$1 million above \$241 million up to \$253 million; a 5% increase for each million above \$253 million up to \$265 million; and a 10% increase above \$265 million up to a maximum of \$266 million;

20% based on a comparison of adjusted return on equity measured against 19 pre-established peer banks. If the Company's adjusted ROE is at or above the 75<sup>th</sup> percentile, 100% is credited for this factor; if the Company's adjusted ROE is above the 50<sup>th</sup> percentile but below the 75<sup>th</sup> percentile, 75% is credited for this factor; if the Company's adjusted ROE is above the 25<sup>th</sup> percentile but below the 50<sup>th</sup> percentile, 50% is credited for this factor; and if the Company's adjusted ROE is below the 25<sup>th</sup> percentile, 25% is credited for this factor. For 2012 the Company's adjusted ROE exceeded the 75<sup>th</sup> percentile compared to the peer banks;

10% based on actual revenue results of \$1.04 billion versus a target of \$1.03 billion; and

10% based on actual pre-tax net income of \$396 million versus a target of \$355 million.



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The 19 peer banks for the return on the equity element were:

First National of Nebraska, Inc.	Webster Financial Corporation
First Republic Bank	City National Corporation
BOK Financial Corporation	TCF Financial Corporation
Cullen/Frost Bankers, Inc.	Associated Banc-Corp
East West Bancorp, Inc.	First Niagara Financial Group, Inc.
First Citizens BancShares, Inc.	Astoria Financial Corporation
Valley National Bancorp	First Horizon National Corporation
SVB Financial Group	Synovus Financial Corp.
Fulton Financial Corporation	First BanCorp.
People's United Financial, Inc.	

For the revenue and pre-tax net income components, for every 1% above/below target, the eligible incentive tied to that component increases/decreases by 5% up to a maximum increase of 120%.

For purposes of the EICP:

Net income means the amount of money the Company made for the year as set forth in our Income Statement;

Revenue means the Company's net interest income and non-interest income;

Pre-tax net income means the Company's pre-tax net income excluding securities gains;

Adjusted return on equity means year to date net income divided by (year to date average assets multiplied by 8%); and

The Committee retains discretion to reduce any annual cash incentive prior to payment.

For example: Assume for 2012 that an NEO's base salary was \$200,000; target annual cash incentive percentage was 50%; actual net income was \$269 million; adjusted ROE was above the 75th percentile compared to the peer banks; actual revenue was 1.6% above target; and actual pre-tax net income was 11.7% above target. The net income percentage would be 200%, the calculation for the performance relative to peers factor would be 100%, the revenue percentage would be 107.5%, and the pre-tax net income percentage would be 120%. Therefore, the annual incentive compensation for the officer would be:

$$\$100,000 * [(60% * 200%) + (20% * 100%) + (10% * 107.5%) + (10% * 120%)] = \$162,800$$

For 2012 performance, the calculated payout was 162.8% of target for all NEOs. In addition, the Committee has reserved discretion to declare additional compensation to the NEOs which does not qualify as "performance based" under Internal Revenue Code Section 162(m). The Committee did not exercise this discretion for 2012 performance.

**Long-Term Equity Awards**

Stock option and restricted stock grants have historically been awarded in two separate ways described below to provide our executive officers with long-term equity awards that more closely align their interests with the interests of our shareholders, and for retention purposes. The 2005 Equity Incentive Plan, which was approved at the 2005 Annual Meeting of Shareholders, provides for the issuance of equity-based awards, including stock options, stock appreciation rights ("SARs"), restricted stock and restricted stock units, and performance shares and performance units. Commencing in 2009, the Company began issuing Restricted Stock awards in lieu of SARs. Both the Long-Term Restricted Stock and Current Year Restricted Stock (as defined below) are listed in the Grants of Plan-Based Awards in 2012 on page 26 and were granted on the same date. The number of shares listed on page 26 is the result of restating the grants to include the 2012 5% stock dividend thereon. The number of shares listed below is the number approved by the Committee without any restatement for stock dividends.

First, there is an annual equity award consisting of restricted stock, for longer-term profit growth (the "Long Term Restricted Stock"), given to NEOs and other Company officers and senior employees each year using the following formula: 35% of the average annual cash incentive target for the officer for the three prior years, multiplied by the average Company Performance Factor for the three prior years. This formula was determined by the Committee in past years for long-term performance and the formula did not change in 2012. The Long Term Restricted Stock award

vests at the end of five years from the date of grant, except that in the case of the NEOs and other members of the Company's executive management committee, if and only if the Company has cumulative positive net income for the period beginning on January 1 of the year of the grant and ending on the December 31 that next precedes the date the award would otherwise vest. For example: the Company Performance Factors for 2011, 2010 and 2009 were 164.0%, 101.8%, and 60.0% respectively. Therefore, the three-year average Company Performance Factor in 2012 was 108.6%. If the NEO's three-year average annual cash incentive target was \$100,000, the officer would receive

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restricted stock in 2012 equal to \$38,010 ( $\$100,000 * 35\% * 108.6\% = \$38,010$ ). The Long Term Restricted Stock awards made to our NEOs during 2012 based on this formula were: David Kemper: 8,053 shares; Charles Kim: 2,251 shares; Jonathan Kemper: 2,891 shares; Seth Leadbeater: 2,116 shares; and Kevin Barth: 2,142 shares. The Committee retains discretion to reduce any such award until it is actually granted.

Second, the Committee also issues to our NEOs equity-based awards on an annual basis, and current practice is for these awards to be in the form of restricted stock (the "Current Year Restricted Stock"). These awards are not based on any set formula and are treated as being part of base compensation, although the Committee has full discretion to reduce or eliminate any such award and vesting may be conditioned upon Company performance, as well as other factors. These awards are in the form of stock in order to align our NEOs' interest with those of our shareholders. These shares reflect the performance of the Company's stock because their value is based on the stock's fair market value. The number of shares granted for the Current Year Restricted Stock award is generally intended to remain fairly constant from year-to-year, but is adjusted as a result of the process described in the following paragraph. In order to provide a retention incentive, each Current Year Restricted Stock award contains vesting periods such that one third of the awards vests on the fifth, sixth and seventh year anniversaries of the grant date, but each third will vest if and only if the Company has cumulative positive net income for the period beginning on January 1 of the year of grant and ending on the December 31 that precedes the date such one third of the award would otherwise fully vest. The Current Year Restricted Stock awards made to our NEOs in 2012 were: David Kemper: 27,000 shares; Charles Kim: 8,000 shares; Jonathan Kemper: 13,000 shares; Seth Leadbeater: 6,500 shares; and Kevin Barth: 8,000 shares. The Committee retains discretion to reduce any such award until it is actually granted.

The starting point for determining the number of shares of Current Year Restricted Stock is the number awarded for the prior year. The Committee then considers whether subjective adjustments are appropriate based on: subjective evaluation of the NEO's overall individual performance and experience, specific requirements of the NEO's job and the contribution of the NEO's job to the Company's success; and based on a comparison to the Benchmarks. The Benchmark comparison is performed by comparing the sum of the targeted Long Term Restricted Stock award (based on an assumed average 100% Company Performance Factor for the three years) for the current year and the number of shares of Current Year Restricted Stock that were awarded for the prior year for each person (which sum is the "Possible Award") to current market data for the average equity portion of the Benchmark compensation for that person's position. The value of both awards was determined based on the Company's current stock price at grant date multiplied by the number of assumed shares. The Current Year Restricted Stock awarded to each NEO was not changed for 2012 in comparison to 2011. The awards are not designed to be at the same Benchmark percentile for each NEO, and are not designed to equal any particular percentile of the applicable Benchmark. The Committee also considered stock/SAR grant practices of the companies used in the Benchmarks, the level of FASB ASC Topic 718 expense that the Company will incur, and expected long-term Company performance. The holders of restricted stock will receive cash dividends declared by the Company prior to the vesting date. Stock dividends will accrue and vest according to the terms of the award. The award agreements include provisions to contractually prohibit a recipient of an equity award from short selling Company stock or engaging in any derivative transaction with respect to Company stock for purpose of hedging or otherwise.

**Other Benefits****Restated Retirement Plan**

The Company maintains the Commerce Bancshares Restated Retirement Plan (the "Retirement Plan"). The Retirement Plan provides benefits based upon earnings, age and years of participation. Our NEOs were participants in the Retirement Plan during 2012. See "Executive Compensation — Pension Benefits Narrative" of this Proxy Statement for a description of the Retirement Plan and our NEOs' benefits under the plan.

**Executive Retirement Plan**

Effective January 1, 1995, the Company maintains the Commerce Executive Retirement Plan ("CERP"), a nonqualified plan established to provide benefits to a select group of executives on compensation in excess of the allowable amount under the Company's Retirement Plan and 401(k) plan. See "Executive Compensation — Pension Benefits Narrative" of this Proxy Statement for a description of the CERP, including a discussion of the 2010 amendment that eliminated any

future cost of living increases.

If a participant has no CERP benefit other than a grandfathered Pre-2005 CERP Benefit, then such benefit is paid in the same form as payments are made from the Retirement Plan and will commence within one year following commencement of distributions from the Retirement Plan. Otherwise, the Pre-2005 benefit is paid in the same form and at the same time as the Post-2004 CERP benefit is paid. The Post-2004 CERP Benefit is payable either during the calendar year following the year separation from service occurs, or within 90 days following separation from service or disability, at the participant's election. However, if the participant's CERP benefits exceed \$1,000,000, then the participant may receive payment within 90 days following the earlier of death or the year elected by the participant. Participants may elect to receive payment in a lump sum or over a period of up to 10 years.

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The CERP is intended to be a part of participating executive officers' total compensation. The CERP also provides equitable treatment to participants because it provides retirement benefits which are, as a percentage of total compensation, commensurate with the benefits provided to other employees of the Company.

### Deferred Compensation

Our NEOs are eligible to participate in a nonqualified deferred compensation plan that is a part of the EICP. The EICP allows the officers to contribute a percentage of their annual cash incentive award under this plan and, therefore, defer income tax on these amounts. See "Executive Compensation — Nonqualified Deferred Compensation Narrative" of this Proxy Statement for a description of the deferred compensation plan. This benefit is not considered by the Committee in setting other compensation for our NEOs.

### Perquisites

Our NEOs are eligible for personal use of the Company airplane (in accordance with our corporate airplane policy) and long-term care insurance, the premiums for which are paid by the Company. Our NEOs are also reimbursed for club dues as necessary for business purposes. All employees, including the NEOs, are covered under our health and welfare plans and the Company pays the premiums for basic life and long-term disability coverage and subsidizes the cost of other coverages. The value of all perquisites is determined and included as additional compensation to the NEOs without any gross up to compensate for accompanying taxes. Our use of perquisites as an element of compensation is limited and is largely based on our historical practices and policies. We do not view perquisites as a significant element of our comprehensive compensation structure, but do believe that they can be used in conjunction with base salary to attract, motivate and retain individuals in a competitive environment.

### Severance Agreements

We have entered into severance agreements with each of our NEOs. These agreements were originally entered into during 1996 with David Kemper, Jonathan Kemper, Seth Leadbeater and Charles Kim, and in 2003 with Kevin Barth. These agreements provide payments or benefits following the occurrence of both a change of control and a qualifying termination. Each NEO is eligible for a lump sum payment equal to three times average base salary and average annual bonus calculated over a five year period in the event of a qualifying termination. Each NEO would also be eligible for the continuation of certain benefits in the event of a qualifying termination. While the agreements provide for the gross up attributable to excise taxes, the only NEOs who would have received a gross up payment had the qualifying termination occurred in 2012 were David Kemper and Kevin Barth. The Committee believes these agreements serve the best interests of the Company and its shareholders by ensuring that, if a change of control were ever under consideration, the NEOs would be able to advise the Board of Directors dispassionately about the potential transaction and implement the decision of the Board without being unduly influenced by personal concerns such as the economic consequences of possibly losing their jobs following a change of control. These agreements also provide an incentive for our NEOs not to seek other employment due to concern over losing their positions if a change of control were ever under consideration. At its February 10, 2012 meeting, the Board, by resolution, adopted a policy not to offer a gross up for taxes related to severance payments paid in connection with a change of control of the Company to any employee to whom the Company has not made such a commitment prior to the date of the resolution. Additional information regarding these severance agreements is found under the heading "Employment Agreements and Elements of Post-Termination Compensation" of this Proxy Statement.

### Stock Ownership Guidelines

In order to continue to be eligible to receive long-term equity awards, our executive officers must meet stock ownership requirements as follows:

- Chairman 6 times base salary
- Vice Chairman 4 times base salary
- Executive Vice President 2 times base salary

Generally, an executive officer must achieve the applicable targeted ownership level within three years of being named an executive officer. As of December 31, 2012, each NEO exceeded his required share ownership level. Stock that will be considered in order to meet ownership guidelines includes all shares with respect to which the executive



officer has direct or indirect ownership or control, including restricted stock (regardless of whether vested), and shares held in the executive officer's 401(k) plan account, but does not include unexercised stock options or SARs.

**Impact of Accounting and Tax Treatment**

Section 162(m) of the Code limits our ability to deduct annual compensation in excess of \$1 million paid to our NEOs. This limitation generally does not apply to compensation based on performance goals if certain requirements are met. It is the Committee's position that in administering the "performance-based" portion of the Company's executive compensation program,

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it will generally attempt to satisfy the requirements for deductibility under Section 162(m). However, the Committee believes that it needs to retain the flexibility to exercise its judgment in assessing an executive's performance and that the total compensation system for executives should be managed in accordance with the objectives outlined in this discussion and in the overall best interests of the Company's shareholders. Should the requirements for deductibility under Section 162(m) conflict with our executive compensation philosophy and objectives or with what the Committee believes to be in the best interests of the shareholders, the Committee may authorize compensation which is not fully deductible for any given year.

The Company accounts for equity-based awards in accordance with FASB ASC Topic 718.

Recoupment Policy

In order to further align the interests of the Company's Executive Management Committee, including the NEOs, with the interests of the shareholders and support good governance practices, the Board and the Committee have adopted a recoupment policy applicable to annual cash incentive compensation and long-term equity awards. As adopted in February, 2010, the policy generally provides that if the Company is required to restate its financial results due to material noncompliance with financial reporting requirements under the securities laws as a result of misconduct or error (as determined by the Independent Directors), the Company may, in the discretion of the Independent Directors, take action for the Company to recoup from Executives all or any portion of an Incentive Award received by the Executive, the amount of which had been determined in whole or in part upon specific performance targets relating to the restated financial results, regardless of whether the Executive engaged in any misconduct or was at fault or responsible in any way for causing the need for the restatement. In such an event, the Company shall be entitled to recoup up to the amount, if any, by which the Incentive Award actually received by the Executive exceeded the payment that would have been received based on the restated financial results. The Company's right of recoupment shall apply only if demand for recoupment is made not later than three years following the payment of the applicable Incentive Award.

For purposes of the policy:

- (i) "Executive" means an individual who, during any portion of the period for which the applicable financial results are restated, was a member of the Company's Executive Management Committee.
- (ii) "Incentive Award" means any cash or stock-based award (including stock appreciation rights) under the Company's Executive Incentive Compensation Plan or Equity Incentive Plan, the amount of which is determined in whole or in part upon specific performance targets, and that was granted on or after the date of adoption of the Recoupment Policy.
- (iii) "Independent Directors" means those members of the Board of Directors who are considered independent pursuant to NASDAQ listing requirements.

The Company may also dismiss or pursue other legal remedies against any Executive.

Compensation Risk Assessment

In December 2011, the Company engaged Pay Governance LLC to conduct an independent review of the relationship between employee risk-taking and the Company's compensation programs. The Pay Governance report was presented to the Committee in January 2012. Pay Governance reviewed any compensation program (and the policies and practices behind it) that is linked to employee behaviors that may have a material impact on the Company. They reviewed Executive Compensation and Non-Executive/Group Plans. In their review, they considered program designs that can create risk for the Company through any of the following four channels: financial, operational, reputation or talent. In their independent review of the relationship between compensation and risk-taking, they did not identify any major risk concerns that warrant immediate action by the Board of Directors.

COMPENSATION AND HUMAN RESOURCES COMMITTEE REPORT

The Compensation and Human Resources Committee reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on such review and discussion, the Compensation and Human Resources Committee recommended to the Board of Directors that the Compensation Discussion and

Analysis be included in the Company's annual report on Form 10-K and this Proxy Statement for filing with the SEC.  
Submitted by the Compensation and Human Resources Committee of Commerce Bancshares, Inc. Board of Directors:  
Terry O. Meek, Chairman  
W. Thomas Grant, II  
Andrew C. Taylor\*

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\* Mr. Taylor was a member of the Compensation and Human Resources Committee in 2012, but is no longer a member of the Committee.

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## EXECUTIVE COMPENSATION

The following table summarizes the total compensation paid or earned by each of our NEOs for the fiscal years ended December 31, 2012, 2011 and 2010.

## Summary Compensation Table

Name & Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards \$(2)	Option Awards (\$)	Non-Equity Incentive Awards Plan Compensation \$(3)	Change in Pension Value and NQDC Earnings \$(4)	All Other Compensation \$(5)	Total (\$)
David W. Kemper, CEO	2012	\$882,828	\$—	\$1,337,600	\$—	\$1,436,723	\$276,671	\$235,680	\$4,169,502
	2011	878,501	—	1,281,346	—	1,447,758	189,893	121,878	3,919,376
	2010	861,278	—	982,834	—	792,554	78,075	98,151	2,812,892
Charles G. Kim, Executive Vice President and CFO	2012	406,026	—	391,159	—	398,412	86,131	56,861	1,338,589
	2011	396,271	—	376,774	—	393,600	41,971	45,476	1,254,092
	2010	375,023	—	228,718	—	235,043	30,455	37,028	906,267
Jonathan M. Kemper, Vice Chairman	2012	455,454	—	606,381	—	481,788	175,674	84,486	1,803,783
	2011	453,224	—	598,107	—	485,488	102,254	55,414	1,694,487
	2010	444,279	—	435,448	—	295,304	68,051	47,837	1,290,919
Seth M. Leadbeater, Vice Chairman	2012	367,550	—	328,758	—	360,663	83,949	54,560	1,195,480
	2011	360,348	—	313,855	—	356,306	49,610	47,201	1,127,320
	2010	352,527	—	229,371	—	205,891	43,620	38,972	870,381
Kevin G. Barth, Executive Vice President	2012	380,650	—	387,016	—	373,511	81,438	56,408	1,279,023
	2011	370,020	—	375,445	—	369,000	40,031	45,817	1,200,313
	2010	352,527	20,000	228,718	—	216,728	29,249	38,088	885,310

(1) 2010 amount reflects a discretionary bonus.

Amounts reflect the aggregate grant date fair value of restricted stock awards (both Long-Term Restricted Stock (2) and Current Year Restricted Stock) granted in fiscal years 2012, 2011, and 2010, computed in accordance with FASB ASC Topic 718.

Amounts reflect the cash incentive awards earned in fiscal years 2012, 2011, and 2010 and paid in the following year under the EICP, which is discussed in further detail under the heading “Annual Cash Incentive Compensation” (3) in the section entitled Compensation Discussion and Analysis. Incentive awards elected to be deferred for 2012, 2011, and 2010, were as follows: Mr. J. Kemper — \$481,788, \$200,000, and \$0, respectively.

Amounts reflect the actuarial increase in the present value of benefits under all pension plans established by the Company determined using interest rate and mortality rate assumptions consistent with those used in the (4) Company’s financial statements. See “Pension Benefits Narrative” for further information regarding the Company’s pension plans.

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(5) All Other Compensation is comprised of the following amounts:

Name	Year	401(k) Match	Premiums for Group Term Life Insurance	Company CERP Credits	Perquisites (a)	Total All Other Compensation
David W. Kemper	2012	\$ 17,000	\$ 3,564	\$ 209,387	\$ 5,729	\$ 235,680
	2011	16,500	3,564	100,619	1,195	121,878
	2010	16,500	3,564	77,485	602	98,151
Charles G. Kim	2012	17,000	1,242	38,561	58	56,861
	2011	16,500	1,242	27,676	58	45,476
	2010	16,500	810	19,660	58	37,028
Jonathan M. Kemper	2012	17,000	2,322	63,260	1,904	84,486
	2011	16,500	2,322	35,409	1,183	55,414
	2010	16,500	2,332	28,091	914	47,837
Seth M. Leadbeater	2012	17,000	3,564	33,900	96	54,560
	2011	16,500	3,564	23,541	3,596	47,201
	2010	16,500	3,564	18,512	396	38,972
Kevin G. Barth	2012	17,000	1,242	35,062	3,104	56,408
	2011	16,500	1,242	25,409	2,666	45,817
	2010	16,500	1,242	18,170	2,176	38,088

Perquisites include personal use related to club dues, long-term care insurance premiums paid by the Company and personal use of the Company airplane. We calculated the incremental cost of personal airplane usage based on the (a) cost of fuel, landing fees, trip-related hangar costs, and incremental crew expenses. We also include other airplane-related expenses incurred or accrued pro-rata based on actual number of miles flown because we believe, on average, it fairly approximates our incremental costs of individual trips.

## Grants of Plan-Based Awards in 2012

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		Thres-hold	Target	Maxi-mum	Thres-hold	Target	Maxi-mum				
David W. Kemper	2/10/2012	(\$)	(\$)(1)	(\$)	(#)	(#)	(#)	(#)(2)	(#)	(\$/Sh)	(\$)
Charles G. Kim	2/10/2012		\$882,779					36,805			\$1,337,600
Jonathan M. Kemper	2/10/2012		244,800					10,763			391,159
Seth M. Leadbeater	2/10/2012		296,030					16,685			606,381
	2/10/2012		221,605					9,046			328,758
	2/10/2012		229,500					10,649			387,016

Kevin G.  
Barth

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Represents the target amount payable under the EICP for 2012 performance. There was no threshold or maximum amount payable under the EICP if actual performance was less than or greater than target. For a description of the (1) EICP, see “Annual Cash Incentive Compensation” in the Compensation Discussion and Analysis. The actual amount earned is reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. Amounts represents both Long-Term Restricted Stock and Current Year Restricted Stock granted under the 2005 (2) Equity Incentive Plan, as described under “Long-Term Equity Awards” in the section entitled Compensation Discussion and Analysis.

\* All share and per share amounts in this table have been restated for the 5% stock dividend distributed in 2012.

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## Outstanding Equity Awards at Fiscal Year-End

Name	Option Awards				Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
	Number of Securities Underlying Unexercised Options (Number Exercisable)	Number of Securities Underlying Unexercised Options (Number Unexercisable)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested		
David W. Kemper	(#)(1)	(#)(1)	(#)	(\$)		(#)	(\$)	
	119,600			\$36.92	2/17/2016			
	113,905			\$37.06	2/2/2017			
	124,753			\$35.62	2/1/2018			
						136,724	(2) \$4,793,543	
Charles G. Kim	22,158			\$31.92	1/28/2015			
	21,103			\$36.92	2/17/2016			
	21,441			\$37.06	2/2/2017			
	24,949			\$35.62	2/1/2018			
						40,596	(3) \$1,423,296	
Jonathan M. Kemper	55,844			\$32.16	3/5/2014			
	53,185			\$31.92	1/28/2015			
	50,653			\$36.92	2/17/2016			
	48,241			\$37.06	2/2/2017			
	52,837			\$35.62	2/1/2018			
						60,472	(4) \$2,120,148	
Seth M. Leadbeater	26,590			\$31.92	1/28/2015			
	25,324			\$36.92	2/17/2016			
	24,119			\$37.06	2/2/2017			
	26,418			\$35.62	2/1/2018			
						37,420	(5) \$1,311,945	
Kevin G. Barth	23,265			\$32.16	3/5/2014			
	22,158			\$31.92	1/28/2015			
	21,103			\$36.92	2/17/2016			
	21,441			\$37.06	2/2/2017			
	24,949			\$35.62	2/1/2018			
						40,446	(6) \$1,418,037	

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- The amounts contain SARs granted on February 17, 2006, February 2, 2007 and February 1, 2008, with an expiration date of February 17, 2016, February 2, 2017 and February 1, 2018, respectively, in addition to
- (1) nonqualified stock options. All substantive terms of the stock options are identical — 25% are exercisable at date of grant and an additional 25% exercisable on the next three anniversary dates thereof. SARs vest 25% on the first anniversary date after the date of grant and an additional 25% exercisable on the following three anniversary dates. Represents restricted stock granted under equity compensation plans, which vests as to 5,240 shares on January 31, 2013; 13,459 shares on February 5, 2014; 12,616 shares on February 4, 2015; 8,609 shares on February 5, 2015;
- (2) 14,560 shares on January 27, 2016; 8,489 shares on February 4, 2016; 8,611 shares on February 5, 2016; 9,922 shares on January 27, 2017; 8,491 shares on February 4, 2017; 17,905 shares on February 9, 2017; 9,922 shares on January 27, 2018; 9,450 shares on February 9, 2018; 9,450 shares on February 9, 2019. Represents restricted stock granted under equity compensation plans, which vests as to 1,272 shares on January 31, 2013; 2,581 shares on November 1, 2013; 2,955 shares on February 5, 2014; 2,580 shares on November 1, 2014;
- (3) 3,025 shares on February 4, 2015; 1,721 shares on February 5, 2015; 4,236 shares on January 27, 2016; 1,929 shares on February 4, 2016; 1,723 shares on February 5, 2016; 2,940 shares on January 27, 2017; 1,931 shares on February 4, 2017; 5,163 shares on



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February 9, 2017; 2,940 shares on January 27, 2018; 2,800 shares on February 9, 2018; and 2,800 shares on February 9, 2019.

Represents restricted stock granted under equity compensation plans, which vests as to 1,897 shares on January 31, 2013; 5,427 shares on February 5, 2014; 5,392 shares on February 4, 2015; 3,646 shares on February 5, 2015; (4) 6,504 shares on January 27, 2016; 3,859 shares on February 4, 2016; 3,646 shares on February 5, 2016; 4,777 shares on January 27, 2017; 3,861 shares on February 4, 2017; 7,585 shares on February 9, 2017; 4,778 shares on January 27, 2018; 4,550 shares on February 9, 2018; and 4,550 shares on February 9, 2019.

Represents restricted stock granted under equity compensation plans, which vests as to 1,366 shares on January 31, 2013; 2,459 shares on December 28, 2013; 3,113 shares on February 5, 2014; 2,458 shares on December 28, 2014; (5) 3,045 shares on February 4, 2015; 1,823 shares on February 5, 2015; 3,649 shares on January 27, 2016; 1,929 shares on February 4, 2016; 1,823 shares on February 5, 2016; 2,389 shares on January 27, 2017; 1,931 shares on February 4, 2017; 4,496 shares on February 9, 2017; 2,389 shares on January 27, 2018; 2,275 shares on February 9, 2018; and 2,275 shares on February 9, 2019.

Represents restricted stock granted under equity compensation plans, which vests as to 1,271 shares on January 31, 2013; 2,581 shares on November 1, 2013; 2,955 shares on February 5, 2014; 2,580 shares on November 1, 2014; (6) 3,025 shares on February 4, 2015; 1,721 shares on February 5, 2015; 4,201 shares on January 27, 2016; 1,929 shares on February 4, 2016; 1,723 shares on February 5, 2016; 2,940 shares on January 27, 2017; 1,931 shares on February 4, 2017; 5,049 shares on February 9, 2017; 2,940 shares on January 27, 2018; 2,800 shares on February 9, 2018; and 2,800 shares on February 9, 2019.

\* All share and per share amounts in this table have been restated for the 5% stock dividend distributed in 2012.

## Option Exercises and Stock Vested in 2012

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
David W. Kemper	—	\$—	5,234	\$195,652
Charles G. Kim	23,265	138,316	3,805	140,096
Jonathan M. Kemper	118,493	1,524,402	1,864	69,678
Seth M. Leadbeater	27,919	144,447	3,786	135,817
Kevin G. Barth	22,799	300,245	3,767	138,676

(1) We computed the dollar amount realized upon exercise by multiplying the number of shares times the difference between the market price of the underlying securities at exercise and the exercise price of the option.

(2) We computed the aggregate dollar amount realized upon vesting by multiplying the number of shares of stock by the market value of the underlying shares on the vesting date.

\* All share amounts in this table have been restated for the 5% stock dividend distributed in 2012.

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## Pension Benefits in 2012

The following table summarizes information for the Retirement Plan and the "Pre-2005 Benefit" portion of the CERP for each of our NEOs.

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit	Payments During Last Fiscal Year
David W. Kemper	Retirement Plan	(#)(2) 25	(\$)(3) \$1,061,660	(\$)—
	CERP(1)	25	1,258,272	—
Charles G. Kim	Retirement Plan	14	333,165	—
	CERP(1)	14	—	—
Jonathan M. Kemper	Retirement Plan	22	771,593	—
	CERP(1)	22	248,606	—
Seth M. Leadbeater	Retirement Plan	14	503,655	—
	CERP(1)	14	—	—
Kevin G. Barth	Retirement Plan	20	320,955	—
	CERP(1)	20	—	—

(1) Information presented pertains to the "Pre-2005 Benefit" portion of the CERP.

The "Number of Years of Credited Service" is less than actual years of service because service prior to membership in the plans and service after December 31, 2004 (the date the plans were frozen) is excluded from credited service.

(2) The actual years of service for Messrs. D. Kemper, Kim, J. Kemper, Leadbeater, and Barth are 35, 23, 31, 23 and 29, respectively.

(3) The present value of the benefits shown is based on a 3.65% interest rate and the RP2000 white collar mortality table projected to 2017 assuming benefits commence at normal retirement age of 65.

## Pension Benefits Narrative

The Company maintains the Retirement Plan, which is a tax-qualified defined benefit plan that provides retirement benefits to all employees who completed one year of service and attained age 21 prior to July 1, 2004. Participation in the Retirement Plan was frozen on December 31, 2004, and benefits under the Retirement Plan were partially frozen on December 31, 2004, and fully frozen on December 31, 2010, as described below.

The Retirement Plan provides benefits based upon compensation, age and years of participation. Effective January 1, 1995, benefits were provided under a cash balance formula. Under this formula, a retirement account balance is maintained for each participant. At the end of each plan year beginning after December 31, 1994 and ending December 31, 2004, the participant's account was credited with a cash balance amount equal to a percentage of compensation for the year plus the same percentage of compensation in excess of 50% of the Social Security taxable wage base for the year.

Compensation for this purpose is limited by Section 401(a)(17) of the Code (\$205,000 in 2004). The applicable percentage is determined by the sum of the participant's age and years of participation in the Retirement Plan at the beginning of the plan year, and ranged from 1% for a sum of less than 30 to 4% for a sum of 75 or more. Interest is credited to the participant's account at the end of each plan year beginning after 1995 at a rate not less than 5% of the account balance at the end of the prior plan year. For 2012, the rate of interest was 5%. Beginning January 1, 2005, no additional cash balance credits will be applied to participants' accounts. However, interest will continue to be credited to each participant's account until retirement.

Effective December 31, 2010, the retirement benefits provided from the cash balance formula were frozen. The retirement account balance will be converted to a life annuity based on actuarial factors defined in the Retirement Plan on the later of the participant's Normal Retirement Date (as defined in the Retirement Plan) or December 31, 2010.

This change only impacts benefits for participants who work past their Normal Retirement Date as the interest credit

will continue to apply until a participant's Normal Retirement Date. At retirement, a participant may select from various annual benefit options based on actuarial factors defined in the Retirement Plan.

In addition to the cash balance formula described above, a participant will receive an annual benefit equal to his annual benefit accrued through December 31, 1994 under the Retirement Plan's prior formula, adjusted for increases in the cost of living (but not in excess of 4% per year) for each year of participation after December 31, 1994. Effective December 31, 2010, the benefit under the Retirement Plan's prior formula was also frozen. The final cost of living increase was given on December 31, 2010, and

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no future cost of living increases will be provided. Certain participants of the Retirement Plan, including NEOs, will receive a special minimum benefit based on the final five-year average compensation and years of service.

This Retirement Plan is fully funded by the Company and participants become fully vested after three years of service. All of the NEOs are fully vested. The normal retirement age under the Retirement Plan is 65. Reduced benefits are available as early as age 55 with 10 years of service. Benefits are reduced based on the length of time prior to age 65 that retirement occurs. The reduction is 6.67% per year for each of the first five years of early retirement (age 60-64) plus an additional 3.33% per year for each of the next five years (ages 55-59). Of the NEOs, Messrs. D. Kemper, J. Kemper, and Leadbeater are currently eligible for early retirement.

The estimated annual accrued benefit under the Retirement Plan for Messrs. D. Kemper, Kim, J. Kemper, Leadbeater, and Barth is \$85,701, \$38,721, \$68,534, \$40,054, and \$36,530, respectively. These benefits are shown in the form of an annual life annuity commencing at age 65.

Since January 1, 1995, the Company has maintained the CERP to provide a non-tax-qualified deferred compensation plan to a select group of executives whose benefits under the Retirement Plan are limited by the Code. The CERP is unfunded and benefits are payable from the assets of the Company. The Board of Directors has designated the CEO as a participant and the CEO has designated other executives, including the NEOs, as participants. The present value of the benefits shown in the table is based on a 3.65% interest rate and the RP2000 white collar employee mortality table projected to 2017 using Scale AA, assuming benefits commence at normal retirement age.

A participant's benefit under the CERP is the sum of the "Pre-2005 Benefit" and the "Post-2004 Benefit." A participant's benefit under the Pre-2005 Benefit is the amount by which (1) exceeds (2), where (1) is the benefit that would be payable under the Retirement Plan if that benefit were calculated using the participant's compensation including any incentive compensation deferred under a nonqualified deferred compensation plan maintained by the Company and without regard to the compensation limit of Section 401(a)(17) of the Code; and (2) is the benefit actually payable under the Retirement Plan. Consistent with the Retirement Plan, cash balance formula additions under the CERP were frozen effective January 1, 2005, and cost of living increases were discontinued effective December 31, 2010.

The estimated annual accrued benefit under the Pre-2005 Benefit for Messrs. D. Kemper, Kim, J. Kemper, Leadbeater, and Barth is \$138,249, \$0, \$30,055, \$0, and \$0, respectively. The Pre-2005 Benefit is subject to the same retirement eligibility requirements and early retirement reductions as the Retirement Plan. These benefits are shown in the form of an annual life annuity commencing at age 65. Benefits are payable in the form of a lump sum or in annual installments for up to ten years at the election of the participant.

Benefits under the Post-2004 Benefit are in the form of a defined contribution plan, and are described in the narrative accompanying the Nonqualified Deferred Compensation table.

## Nonqualified Deferred Compensation in 2012

The following table summarizes the contributions and earnings during 2012 for the deferred compensation portion of the EICP and the "Post-2004 Benefit" portion of the CERP.

Name	Plan Name	Executive Contributions in 2012 (\$)	Company Credits in 2012 (\$)(2)	Aggregate Earnings in 2012 (\$)(3)	Aggregate Withdrawals / Distributions (\$)	Aggregate Balance at 12/31/12 (\$)
David W. Kemper	EICP	\$ —	\$ —	\$ 10,522	\$ —	\$ 386,857
	CERP(1)	—	209,387	32,780	—	897,263
Charles G. Kim	EICP	—	—	—	—	—
	CERP(1)	—	38,561	7,164	—	189,019
Jonathan M. Kemper	EICP	200,000	—	242,037	—	3,969,330
	CERP(1)	—	63,260	11,496	—	304,684
Seth M. Leadbeater	EICP	—	—	—	—	—

Kevin G. Barth	CERP(1)	—	33,900	7,542	—	191,804
	EICP	—	—	46,754	—	723,487
	CERP(1)	—	35,062	7,000	—	182,055

(1) Information presented pertains to the “Post-2004 Benefit” portion of the CERP.

(2) Reflects Company contribution credits to the CERP in 2012. These amounts are included in the “All Other Compensation” column of the 2012 Summary Compensation Table.

(3) No NEO received preferential or above-market earnings on deferred compensation.

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### Nonqualified Deferred Compensation Narrative

Our NEOs are eligible to participate in a deferred compensation plan that is a part of the EICP. The EICP allows the officers to contribute up to 100% of their annual cash incentive award to this plan and, therefore, defer income tax on these amounts. Participants can select from a number of investment options, which are generally available to other employees in the Company's 401(k) plan, including a Company stock alternative, to which their deferrals will be credited. Each participant's account is credited with earnings, or debited with losses, based on performance of those investment options. Benefits are payable in a lump sum or up to ten annual installments. Participants may not make withdrawals during employment.

The Post-2004 Benefit portion of the CERP provides for a Company contribution credit on the last day of each plan year beginning on and after January 1, 2005 equal to 7% of the participant's eligible compensation above the pay limit imposed under the Code for purposes of the Company's qualified 401(k) retirement plan (the "Participating Investment Plan") for the year (\$250,000 in 2012). The Company may make additional contribution credits to the extent that limitations were imposed on contributions by CERP participants to the Participating Investment Plan due to the nondiscrimination test of Code Section 401(m). Additional contributions made in 2012 were as follows: Messrs. D. Kemper \$498; Kim \$0; J. Kemper \$0; Leadbeater \$480; and Barth \$0.

Eligible compensation for the Post-2004 Benefit portion of the CERP generally includes W-2 earnings. Eligible compensation for 2012 in excess of the pay limit imposed under the Code was as follows: Messrs. D. Kemper \$2,984,119; Kim \$550,868; J. Kemper \$903,715; Leadbeater \$477,420; and Barth \$500,892.

Each year the Company will credit or debit the participant's post-2004 CERP account to reflect deemed earnings. The current rate of earnings credit is fixed at 5%, which corresponds to the rate of interest earned on the cash balance accounts of participants in the Retirement Plan. The Retirement Committee, which is an internal committee of employees, reviews this rate of interest annually. Benefits are payable in the form of a lump sum or annual installments for up to ten years pursuant to the election of the participant.

### Employment Agreements and Elements of Post-Termination Compensation

We do not have employment agreements with our NEOs. However, there are several arrangements that provide post-termination benefits.

#### Change of Control Severance Agreements

The Company has in place a severance agreement with each NEO ("Severance Agreement") which provides for payments and certain benefits (which payments and benefits shall be referred to as the "Severance Benefits") in the event of a "Qualifying Termination" in connection with a "Change of Control."

For purposes of the Severance Agreement, "Change of Control" means:

Any Person (as defined in Section 3(a)(9) of the Exchange Act, with certain exclusions provided for in the Severance Agreement) who becomes the "beneficial owner," directly or indirectly, of 20% of the Company's outstanding shares or the combined voting power of the then outstanding shares of the Company; or

Individuals who on the date of the Severance Agreement constituted the Board or any new director whose appointment or election by the Board or nomination for election by the Company's shareholders was approved by at least two-thirds of the directors then still in office who were either directors on the date of the Severance Agreement or whose appointment, election or nomination was previously approved, shall fail to constitute the majority of the Board of Directors; or

There is consummated a merger or consolidation of the Company with any other corporation other than (i) a merger or consolidation in which the combined voting power immediately after the merger or consolidation was at least 80% of the same combined voting power immediately prior to the merger or consolidation or (ii) the merger or consolidation was for the purpose of the recapitalization of the Company in which no person is or becomes the beneficial owner of 20% or more of the outstanding shares of the Company or the combined voting power of the Company's outstanding securities; or

The shareholders approve a plan of complete liquidation or dissolution of the Company or there is a sale or disposition of substantially all of the Company's assets, other than a sale or disposition to an entity that has at least

80% of the combined voting securities owned by persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

“Qualifying Termination” means:

Within twelve months prior to a Change of Control, the NEO’s employment is terminated by the Company under circumstances not constituting Cause and in contemplation of, or caused by, the Change of Control, such Change of Control is pending at the time of termination, and the Change of Control actually occurs; or

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Within three years following a Change of Control, the NEO's employment is involuntarily terminated by the Company under circumstances not constituting Cause, the successor company fails or refuses to assume the obligations of the Company under the Severance Agreement, or the Company or any successor company breaches any provisions of the Severance Agreement; or

A voluntary termination of employment by the NEO under circumstances constituting "Good Reason" within three years following a Change of Control; or

A voluntary termination of employment by an NEO for any reason within the period beginning on the first anniversary of the Change of Control and ending thirty days after such date.

"Cause" means willful misconduct or conduct by the NEO that was knowingly fraudulent or deliberately dishonest.

"Good Reason" means (i) the NEO, in his reasonable judgment, determines that his duties have been materially reduced in terms of authority and responsibility from those existing immediately prior to the Change of Control; or (ii) the NEO is required to be based at a location that is thirty-five or more miles farther from his primary residence at the time of the requirement than it was prior thereto; or (iii) there is a reduction in the NEO's base salary to an amount that is less than the base salary in effect twelve months prior to the Change of Control; or (iv) there is a material reduction in the NEO's level of participation in any of the Company's incentive compensation plans, benefit plans, policies, practices or arrangements in which the NEO participated immediately prior to the Change of Control and such reduction is not consistent with the average level of participation by other executives who have a similar position.

"Severance Period" means a number of whole and fractional years equal to the lesser of: (a) three or (b) the quotient of the number of months following termination until the NEO attains age 65, divided by twelve.

In the event that an NEO becomes entitled to Severance Benefits, the Company shall pay to or provide the NEO with the following:

A lump sum payment equal to the product of: (i) the Severance Period, multiplied by (ii) the sum of the NEO's base salary in effect 12 months prior to the Change of Control and the NEO's average bonus for the three completed fiscal years of the Company preceding the fiscal year in which the Change of Control occurs;

A lump sum payment equal to the greater of the NEO's actual bonus for the fiscal year of the Company preceding the fiscal year in which the Change of Control occurs or the NEO's target bonus for the fiscal year of the Company in which a Qualifying Termination occurs, calculated with the assumption that both the Company and the NEO achieved all performance objectives required to earn the target bonus, and prorated based on the number of days elapsed in the Company's fiscal year during which employment terminates;

Continuation of health, life and disability insurance to the NEO during the Severance Period at a cost to the NEO equal to the amount paid by similarly situated active employees at the time of the earliest event that could constitute "Good Reason." To the extent such benefits are taxable, there is a gross up for taxes;

The opportunity to borrow, to the extent permitted by applicable law, from the Company or an affiliate thereof, for an interest rate set by the NEO (which may be zero), an amount equal to the sum of the NEO's outstanding stock options and taxes resulting from the exercise and the vesting of the NEO's restricted stock, with repayment required upon the passage of 180 consecutive days of the NEO being able to sell stock acquired by the exercise and being able to sell vested, restricted stock without restriction; and

Reimbursement for the costs, if any, of outplacement services obtained by the NEO following a Qualifying Termination.

In the event that any payments are subject to the application of any tax pursuant to Section 4999 the Code (an "Excise Tax"), the Company shall also pay to the NEO an additional amount sufficient to make the net amount payable to the NEO the same as the NEO would have received had the Excise Tax not been imposed. The Company will reimburse the NEO for all fees, expenses and costs incurred in connection with any Excise Tax; however, at its February 10, 2012 meeting, the Board, by resolution, adopted a policy not to offer a gross up for taxes related to severance payments paid in connection with a change of control of the Company to any employee to whom the Company has not made such a commitment prior to the date of the resolution.

The Severance Benefits are reduced by any other severance benefits or damages for termination paid or owed to the NEO, if such offset would not result in additional tax, interest or penalties pursuant to Section 409A of the Code.



The Company is obligated to pay any attorneys' fees and costs incurred in connection with any dispute concerning the Severance Agreement unless the dispute by the NEO is frivolous.

**Restricted Stock, Stock Options and Stock Appreciation Rights**

Our outstanding unvested restricted stock grants are normally forfeited upon termination of employment; however, there are special vesting rules in the case of death, disability or retirement. In the case of death or disability, outstanding unvested restricted stock immediately vests in the same proportion that the number of full and partial months from the date of grant to the date of death or disability bears to the total restriction period applicable to the award. In the case of "retirement," the same pro

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rata vesting provision applies, except the vesting is not effective until the last day of the restriction period applicable to the award and vesting remains subject to the Company satisfying any Company performance condition on vesting. For grants issued before April 20, 2005, “retirement” means termination of employment after attaining age 60 and agreeing to certain non-competition provisions. In the case of restricted stock issued after April 20, 2005, “retirement” means termination of employment after attaining age 60 and having at least ten years of service (non-competition agreements are no longer included in the definition of “retirement” in the plan document, but signing a non-competition agreement has been a condition precedent to restricted stock grants awarded after April 20, 2005). In addition, otherwise unvested outstanding restricted stock, stock appreciation rights and options immediately vest upon the occurrence of a change of control. For this purpose “change of control” has the same meaning as applies for purposes of the Change of Control Severance Agreements (see “Change of Control Severance Agreements” under “Employment Agreements and Elements of Post-Termination Compensation”), except different dates are used for determining the incumbent board of directors.

**Deferred Compensation**

The CERP and EICP provide for payments of nonqualified deferred compensation after termination of employment. See “Pension Benefits Narrative” and “Nonqualified Deferred Compensation Narrative” for a description of those arrangements.

**Long-Term Disability**

The NEOs generally have the same long-term disability benefit as all salaried employees, except that the definition of “disability” for the NEOs is more favorable because the benefit after the first 36 months of disability for salaried employees who are not vice presidents or above is based on a more restrictive definition of disability than the one that applies to vice presidents and above.

**Commerce Retirement Plan**

The qualified defined benefit pension plan was frozen and closed to new participants January 1, 2004, so not all salaried employees participate. The named executives participate in this plan and receive earnings credits to their cash balance accounts. See “Pension Benefits Narrative” for a description of this arrangement.

**Potential Payments upon Termination or Change of Control**

The following table assumes the relevant triggering event occurred on December 31, 2012.

Executive Benefits and Payments upon Termination	Voluntary Termination	Normal Retirement	Death	Disability	Qualified Termination After a Change of Control	
David W. Kemper						
Compensation:						
Salary	\$—	\$—	\$—	\$—	\$5,198,093	(1)
Bonus	—	—	—	—	1,447,758	(2)
Restricted stock awards	—	2,043,647	2,043,647	2,043,647	4,793,543	(3)
EICP/CERP	1,284,120	1,284,120	1,284,120	1,284,120	1,284,120	(4)
Excise tax reimbursement	—	—	—	—	3,383,510	(5)
Benefits:						
Retirement plan	2,319,932	2,319,932	1,078,188	2,319,932	2,319,932	(6)
Post-termination insurance premiums	—	—	—	—	48,230	(7)
Total	\$3,604,052	\$5,647,699	\$4,405,955	\$5,647,699	\$18,475,186	
Charles G. Kim						
Compensation:						
Salary	\$—	\$—	\$—	\$—	\$1,952,781	(1)
Bonus	—	—	—	—	393,600	(2)
Restricted stock awards	—	653,518	653,518	653,518	1,423,296	(3)

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EICP/CERP	189,019	189,019	189,019	189,019	189,019	(4)
Excise tax reimbursement	—	—	—	—	—	(5)
Benefits:						
Retirement plan	333,165	333,165	154,838	333,165	333,165	(6)
Post-termination insurance premiums	—	—	—	—	49,534	(7)
Total	\$522,184	\$1,175,702	\$997,375	\$1,175,702	\$4,341,395	

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Executive Benefits and Payments upon Termination	Voluntary Termination	Normal Retirement	Death	Disability	Qualified Termination After a Change of Control	
Jonathan M. Kemper						
Compensation:						
Salary	\$—	\$—	\$—	\$—	\$2,317,622	(1)
Bonus	—	—	—	—	485,488	(2)
Restricted stock awards	—	878,148	878,148	878,148	2,120,148	(3)
EICP/CERP	4,274,014	4,274,014	4,274,014	4,274,014	4,274,014	(4)
Excise tax reimbursement	—	—	—	—	—	(5)
Benefits:						
Retirement plan	1,020,199	1,020,199	474,137	1,020,199	1,020,199	(6)
Post-termination insurance premiums	—	—	—	—	50,410	(7)
Total	\$5,294,213	\$6,172,361	\$5,626,299	\$6,172,361	\$10,267,881	
Seth M. Leadbeater						
Compensation:						
Salary	\$—	\$—	\$—	\$—	\$1,477,196	(1)
Bonus	—	—	—	—	356,306	(2)
Restricted stock awards	—	626,908	626,908	626,908	1,311,945	(3)
EICP/CERP	191,804	191,804	191,804	191,804	191,804	(4)
Excise tax reimbursement	—	—	—	—	—	(5)
Benefits:						
Retirement plan	503,655	503,655	234,074	503,655	503,655	(6)
Post-termination insurance premiums	—	—	—	—	41,650	(7)
Total	\$695,459	\$1,322,367	\$1,052,786	\$1,322,367	\$3,882,556	
Kevin G. Barth						
Compensation:						
Salary	\$—	\$—	\$—	\$—	\$1,854,866	(1)
Bonus	—	—	—	—	369,000	(2)
Restricted stock awards	—	652,291	652,291	652,291	1,418,037	(3)
EICP/CERP	905,542	905,542	905,542	905,542	905,542	(4)
Excise tax reimbursement	—	—	—	—	1,160,313	(5)
Benefits:						
Retirement plan	320,955	320,955	149,164	320,955	320,955	(6)
Post-termination insurance premiums	—	—	—	—	50,410	(7)
Total	\$1,226,497	\$1,878,788	\$1,706,997	\$1,878,788	\$6,079,123	

Salary is calculated as the sum of the prior year base salary plus the average bonus for the prior 3 years, times the (1) "Severance Period" which means the lesser of: (a) three or (b) the quotient of the number of months following termination until the NEO attains age 65, divided by twelve, and is payable upon a qualifying termination.

Bonus amount is the greater of (a) the 2011 annual cash incentive paid in 2012, or (b) the 2012 target annual cash (2) incentive under the EICP, not prorated. In all cases the bonus amount is the 2011 annual cash incentive paid in 2012.

It is assumed that all NEOs are eligible for the special vesting rules as of December 31, 2012. Amounts are based (3) on the prorated vested shares at market price at December 31, 2012.

The payment under the EICP/CERP is the aggregate balance in their deferred compensation plan that is assumed to (4) be paid upon either voluntary termination, retirement, death, disability or a Change of Control.

Under a Change of Control, the Company is required to reimburse the NEO for any excise taxes that may be  
(5) imposed and any other fees and expenses. It was determined that Mr. D. Kemper and Mr. Barth would be eligible for such payments.

(6) Benefits payable under the Retirement Plan are assumed to commence at age 65. The benefit upon death is calculated as a portion of the normal benefit.

(7) This amount reflects the net present value of estimated insurance payments to be made by the Company for the NEOs, plus a gross up for taxes, during the Severance Period.

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## Equity Compensation Plan Information

The following table provides information as of December 31, 2012, with respect to compensation plans under which common shares of Commerce Bancshares, Inc. are authorized for issuance to certain officers in exchange for services provided. These compensation plans include: (1) the Commerce Bancshares, Inc. 2005 Equity Incentive Plan, (2) the Commerce Bancshares, Inc. 1996 Incentive Stock Option Plan, (3) the Commerce Bancshares, Inc. Restricted Stock Plan, (4) the Commerce Bancshares, Inc. Stock Purchase Plan for Non-Employee Directors (“Director Plan”) and (5) the Commerce Bancshares, Inc. Executive Incentive Compensation Plan (“EICP”). As of January 1, 2006, all equity based awards granted to the executive officers were granted pursuant to the 2005 Equity Incentive Plan. All of these compensation plans were approved by the Company’s shareholders.

Plan Category	(a) Number of Common Shares to be Issued upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in Column (a))
Equity compensation plans approved by shareholders	899,335	(1) \$31.55	(2) 3,228,499 (3)
Equity compensation plans not approved by shareholders	—		