

COMMERCE BANCSHARES INC /MO/
Form DEF 14A
March 12, 2014

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
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Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- 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):

- No fee required.
- 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:

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- Fee paid previously with preliminary materials.
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3) Filing Party

4) Date Filed:

SEC 1913 (02-02)

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March 12, 2014

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 16, 2014, in the Amphitheater on level two of the Ritz-Carlton, St. Louis, 100 Carondelet Plaza, Clayton, 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

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

Date: April 16, 2014

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

Place: The Amphitheater on level two of the Ritz-Carlton, St. Louis, 100 Carondelet Plaza,
Clayton, Missouri

- Purposes:
1. To elect four directors to the 2017 Class for a term of three years;
 2. To ratify the selection of KPMG LLP as the Company's independent registered public accountant for 2014;
 3. Advisory approval of the Company's executive compensation ("Say on Pay");
 4. To approve the amendment of the Company's Articles of Incorporation to increase the number of shares of authorized common stock; and
 5. 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 18, 2014 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,

THOMAS J. NOACK

Secretary

March 12, 2014

Important Notice regarding the availability of proxy materials for the
Shareholder Meeting to be held on April 16, 2014

The Proxy Statement and Annual Report to Shareholders are available at 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

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
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ELECTRONIC ACCESS TO PROXY STATEMENT AND ANNUAL REPORT

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APPENDIX A -- PROPOSED AMENDMENT TO OUR ARTICLES OF INCORPORATION TO INCREASE
THE NUMBER OF SHARES OF AUTHORIZED COMMON STOCK - ARTICLE III

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PROXY STATEMENT

COMMERCE BANCSHARES, INC.

1000 Walnut Street

Kansas City, Missouri 64106

Annual Meeting April 16, 2014

SOLICITATION

This Proxy Statement, the accompanying proxy card and the 2013 Annual Report to Shareholders of Commerce Bancshares, Inc. (the "Company" or "Commerce"), are first being sent to security holders on or about March 12, 2014. 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 16, 2014. 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 broker, firm or bank, trustee, or nominee, and you will return your proxy card or cards to your broker, bank, 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 18, 2014.

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

As of February 18, 2014, there were 95,960,776 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 2017 Class of Directors with terms expiring at the 2017 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, 2014.

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

Proposal Four FOR the approval of the amendment of the Company's Articles of Incorporation to increase the number of shares of authorized common stock.

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.

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 2017 Class of Directors with terms expiring at the 2017 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, 2014.

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

Proposal Four FOR the approval of the amendment of the Company's Articles of Incorporation to increase the number of shares of authorized common stock.

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, or Four, 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 Proposal Three (approval of the Company's executive compensation), abstentions will be treated as votes against such matters and broker non-

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votes will be treated as not entitled to vote and have no effect on the outcome. On Proposal Four (approval of the amendment of the Company's Articles of Incorporation) abstentions and broker non-votes will have the effect of a vote against the proposal.

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 18, 2014.

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 the outstanding shares entitled to vote thereon.

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 \$9,000 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 12, 2014.

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, Thomas J. Noack, at 314-746-7352.

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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, 2013. 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	9,635,679	(1)(2)	10.0
State Street Corporation One Lincoln Street Boston, MA 02111	6,322,501	(3)	6.6
American Century Investment Management, Inc., American Century Companies, Inc. and Stowers Institute for Medical Research 4500 Main Street Kansas City, MO 64111	5,640,056	(4)	5.9
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	5,220,888	(5)	5.4
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	5,216,409	(6)	5.4

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

(1) Of those shares Commerce Bank had (i) sole voting power over 4,951,252 shares; (ii) shared voting power over 4,410,270 shares; (iii) sole investment power over 3,631,420 shares; and (iv) shared investment power over 1,281,470 shares.

Those shares for which Commerce Bank has shared voting power include 3,645,260 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.

This information is based solely on a Schedule 13G filed with the Securities and Exchange Commission (the "SEC") on February 3, 2014. Based upon the information contained in the filing, State Street Corporation has (3) shared voting and dispositive power with respect to, and beneficially owns, 6,322,501 shares of the Company's Common Stock.

This information is based solely on an amended Schedule 13G filed with the SEC on February 13, 2014. Based upon the information contained in the filing, American Century Investment Management, Inc., American Century (4) Companies, Inc. and Stowers Institute for Medical Research each have sole voting power and dispositive power with respect to 5,532,320 and 5,640,056 shares, respectively, and beneficially own 5,640,056 shares of the Company's Common Stock.

This information is based solely on a Schedule 13G filed with the SEC on February 12, 2014. Based upon the information contained in the filing, The Vanguard Group has sole voting and dispositive power with respect to (5) 49,250 and 5,176,617 shares, respectively, shared dispositive power with respect to 44,271 shares, and beneficially owns 5,220,888 shares of the Company's Common Stock.

(6) This information is based solely on a Schedule 13G filed with the SEC on January 28, 2014. Based upon the information contained in the filing, BlackRock, Inc. has sole voting and dispositive power with respect to

4,831,306 and 5,216,409 shares, respectively, and beneficially owns 5,216,409 shares of the Company's Common Stock.

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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, 2013.

Name of Beneficial Owner	Number of shares		Percent of Class
Kevin G. Barth	154,619	(2)	*
Terry D. Bassham	808		*
John R. Capps	16,063		*
Earl H. Devanny, III	4,061		*
W. Thomas Grant, II	16,283		*
James B. Hebenstreit	60,878		*
	128,658	(6)	
David W. Kemper	1,280,814	(2)	2.9
	119,811	(1)	
	222,663	(3)	
	1,213,825	(4)	
	384	(5)	
John W. Kemper	30,833		*
	31,279	(1)	
	222,663	(3)	
Jonathan M. Kemper	1,555,705	(2)(4)	2.2
	363,174	(1)	
	222,663	(3)	
Charles G. Kim	105,945	(2)	*
Terry O. Meek	53,987		*
Benjamin F. Rassieur, III	19,496		*
Todd R. Schnuck	3,593		*
Andrew C. Taylor	35,035		*
Kimberly G. Walker	6,525		*
All directors, nominees and executive officers as a group (including those listed above)	4,715,666	(2)	4.9

(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).

- (2) 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, 2013. Shares which could be acquired within 60 days by exercise of options or SARs are as follows: Messrs. Kevin G. Barth — 39,303; David W. Kemper — 57,658; Jonathan M. Kemper — 150,443; Charles G. Kim — 16,038; and all directors, nominees and executive officers as a group (including those listed above) — 408,107.

- (3) Owned by a corporation for which Messrs. David W. Kemper, John W. Kemper and Jonathan M. Kemper are shareholders and serve as directors. Messrs. David W. Kemper, John W. Kemper and Jonathan M. Kemper disclaim beneficial ownership of such shares, other than to the extent of their pecuniary interests.

- (4) Includes 1,213,825 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, other than to the extent of his pecuniary interest.

*Less than 1%

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PROPOSAL ONE

ELECTION OF THE 2017 CLASS OF DIRECTORS

Composition of the Board

The full Board consists of twelve Directors. 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 election of four Directors to the 2017 Class will take place at the Meeting. At its meeting on January 31, 2014, the Board approved the recommendation of the Committee on Governance/Directors that four 2017 Class Directors be elected for a three-year term.

If elected, the four 2017 Class Director nominees will serve on the Board until the Annual Meeting in 2017, 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 2017 Class of Directors:

John R. Capps

Age:	63
Director Since:	January 2000
Committees:	Audit Committee
Principal Occupation:	Vice President of BCJ Motors, Inc. (since 2011)
Other Directorships:	None

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.

Discussion:

W. Thomas Grant, II

Age:	63
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)

Discussion: 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.

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James B. Hebenstreit

Age: 67
 Director Since: October 1987
 Committees: Audit Committee; Committee on Governance/Directors (Chairman); and Executive Committee
 Principal Occupation: Chief Executive Office (since 2005) and President (since 1992) of Bartlett and Company
 Other Directorships: None
 Discussion: Mr. Hebenstreit graduated from Harvard College and has an M.B.A. from Harvard University. Mr. Hebnstreit 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 into the agricultural industry that has long been a major focus of business for the Company.

David W. Kemper

Age: 63
 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, Vice Chairman of the Company and the father of John W. Kemper, President and Chief Operating Officer of the Company.
 Other Directorships: Commerce Bank; Tower Properties Company; The Crawford Group, Inc.; and Advisory Director of Bunge North America

Discussion: Mr. Kemper has been the Chairman and 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 to the Federal Reserve Board. 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.

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.

2016 Class of Directors

Earl H. Devanny, III

Age: 61
Director Since: April 2010
Committees: Compensation and Human Resources Committee (Chairman); and
Committee on Governance/Directors
Principal Occupation: Retired (since May 2013) Chairman, CEO, and President of TriZetto
Group
Other Directorships: None
Discussion: 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). Mr. Devanny served as the CEO of The TriZetto Group
from July 2010 to May 2013. Prior to The TriZetto, Mr. Devanny was
President of Cerner Corporation from August 1999 to July 2010. This
experience brings a professional insight into the healthcare industry, one
of the Company's most important target industries for financial services.

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Benjamin F. Rassieur, III

Age: 59
 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.

Todd R. Schnuck

Age: 55
 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
 Discussion: 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.

Andrew C. Taylor

Age: 66
 Director Since: February 1990
 Committees: Committee on Governance/Directors; and Executive Committee
 Principal Occupation: Executive Chairman (since 2001) of Enterprise Holdings, Inc. (formerly known as Enterprise Rent-A-Car)
 Other Directorships: None
 Discussion: 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 Executive Chairman of Enterprise Fleet Management, Inc., which leases over 260,000 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.

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2015 Class of Directors

Terry D. Bassham

Age: 53
 Director Since: February 2013
 Committees: Audit Committee
 Chairman of the Board, Chief Executive Officer and President of Great Plains Energy, KCP&L and Greater Missouri Operations (since June 2012)
 Principal Occupation: Chairman of the Board, Chief Executive Officer and President of Great Plains Energy, KCP&L and Greater Missouri Operations (since June 2012)
 Other Directorships: Great Plains Energy, Inc. (since June 2012)
 Prior to his election as its Chairman of the Board, Mr. Bassham served as CEO (since June 2012), 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, Urban Neighborhood Initiative, Linda Hall Library, Civic Council of the Greater Kansas City, Win/Win and the Electric Industry Group. 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.

Discussion:

Jonathan M. Kemper

Age: 60
 Director Since: February 1997
 Committees: Executive Committee
 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, Chairman of the Board and Chief Executive Officer of the Company and the uncle of John W. Kemper, President and Chief Operating Officer of the Company.
 Principal Occupation: Commerce Bank; and Tower Properties Company (Non-Executive Chairman since April 2005)
 Other Directorships: Commerce Bank; and Tower Properties Company (Non-Executive Chairman since April 2005)
 Discussion: Mr. Kemper has executive responsibilities for the Capital Markets Group business lines, and for Company operations and 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 to the Federal Reserve Board. 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.

Terry O. Meek

Age:

70

Director Since:

April 1989

Committees:

Compensation and Human Resources Committee

Principal Occupation:

President of Meek Lumber Yard, Inc. (since March 1975)

Other Directorships:

None

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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 on the housing industry.

Kimberly G. Walker

Age: 55
 Director Since: February 2007
 Committees: Audit Committee
 Principal Occupation: Chief Investment Officer, Washington University in St. Louis (since November 2006)
 Other Directorships: None

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.

Discussion:

“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. 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:

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

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

Board Meetings

The Board held four regularly scheduled meetings and no special meetings in 2013. 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 2013. It is the policy of the Company that Directors attend the Annual Meeting of shareholders. All the Directors attended the 2013 Annual Meeting of Shareholders on April 17, 2013.

Board Leadership Structure and Risk Oversight

David W. Kemper serves as both principal executive officer and chairman of the Board. Combining the principal executive officer 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, Credit Policy Committee, Consumer Risk Committee, Information Security Strategy Board, and Operational 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

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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:

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

*Committee 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 2013, the Audit Committee had six members and met four 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.

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 section entitled Audit Committee Report.

Compensation and Human Resources Committee

The Compensation and Human Resources Committee met once in 2013. 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.

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.

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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.

Committee on Governance/Directors

The Committee on Governance/Directors met once in 2013. 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.

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 21, 2014, the Committee on Governance/Directors determined its nominees for the Class of 2017. All of the nominees for the Class of 2017 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 15, 2015 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 12, 2014.

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 15, 2015 annual meeting must be received by the Secretary no later than February 13, 2015 nor before January 15, 2015. 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

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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.

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. 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 depository 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 shareholders and directors of Tower Properties Company (“Tower”), and Mr. Jonathan M. Kemper is the Non-Executive Chairman of the Board of Tower. Tower is primarily engaged in the business of owning, developing, leasing and managing real property. At December 31, 2013, Messrs. David W. Kemper, Jonathan M. Kemper and John W. Kemper together with members of their immediate families beneficially own approximately 72% of Tower. During 2013, the Company, or its subsidiaries, paid Tower \$50,000 for leasing fees, \$84,000 for operation of parking garages, \$114,000 for property construction management fees and \$1,799,000 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 2013 totaled \$67,000, at \$14.92 per square foot.

Various Related Parties have deposit accounts with Commerce Bank and some Related Parties also have a direct or indirect interest in other transactions with Commerce Bank, including loans in the ordinary course of business, all of which were made on substantially the 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 collectability or present other unfavorable features. Additionally, David W. Kemper purchased Missouri state tax credits from Commerce Bank in a face amount of \$900,000 for a price of 94% of par, or \$846,000; Jonathan M. Kemper purchased Missouri state tax credits from Commerce Bank in a face amount of \$485,000 for a price of 94% of par, or \$455,900; James M. Kemper, Jr., father of David W. Kemper and Jonathan M. Kemper, purchased Missouri state tax credits from Commerce Bank in a face amount of \$300,000 for a price of 94% of par, or \$282,000; Benjamin F. Rassieur, III purchased

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Missouri state tax credits from Commerce Bank in a face amount of \$213,000 for a price of 94% of par, or \$200,220; and Robert T. Rassieur, brother of Benjamin F. Rassieur, III, purchased Missouri state tax credits from Commerce Bank in a face amount of \$230,000 for a price of 94% of par, or \$216,200. The terms of the sales and the amounts paid by Messrs. David W. Kemper, Jonathan M. Kemper, James M. Kemper, Jr., Benjamin F. Rassieur, III and Robert T. Rassieur 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, except for the following delinquencies which were filed on either Form 3, Form 4 or Form 5: for Terry D. Bassham, a delinquent Form 3 was filed to report the initial beneficial ownership of the Company's Common Stock; for John W. Kemper, a Form 5 was filed to report an indirect beneficial ownership of the Company's Common Stock omitted from his timely filed Form 3; and for Daniel D. Callahan, a delinquent Form 4 was filed to report the disposition of stock in an open market transaction.

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. Changes to directors' compensation are initiated by the Company's 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.

(Reminder of page intentionally left blank)

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Compensation earned during 2013 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
Terry D. Bassham	\$ 33,250	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 33,250
John R. Capps	39,000	—	—	—			