Commerce Bank

FINANCIAL LITERACY EFFORTS – COMMERCE BANK

- Commerce is an original member in the Bank On Save Up program, addressing the unbanked and underbanked community in St. Louis.
- Commerce participated in the City of St. Louis Treasurer's Office effort to move staff to direct deposit of their paychecks.
- Commerce is a member of the Greater St. Louis Financial Education Collaborative, facilitated by United Way, which has worked diligently to review and offer widely ,effective financial literacy curriculum for all ages in our community.
- Commerce has participated annually in the Junior Achievement classroom program including JA in a Day.
- Commerce is an annual participant in Money Smart Week in April of each year.
- Over 25 Commerce bankers participate annually in Teach Children to Save Day, an effort of the American Bankers' Association and facilitated locally by the Federal Reserve Bank
- Commerce Bankers assist in the presentation of the Get Checking program for individuals who need to re-enter the banking system after having accounts closed. This remedial program helps those individuals to learn better habits, understand how to manage an account, and requires the individuals to make restitution for prior charges.

Some additional examples are listed below:

Date	Organization	Name	# of attendees	Description
4/20/2013	Beyond Housing	Loura Gilbert		Money Smart Week sessions on basic banking at CRA Assn book end events
4/27/2013	Harris Stowe	Loura Gilbert, Jeannine Murphy, Vivian Carbin		Money smart Week -- general banking info at CRA Assn book end events
6/3/2013	Aim High Career Day	Anthony Clarkson		Described the financial services system and how banks work
6/26/2013	STL Youth Jobs Partnership	Loura Gilbert		Basics of banking, goal setting, budgeting, credit for youth in summer jobs program
6/27/2013	STL Youth Jobs Partnership	Loura Gilbert		Basics of banking, goal setting, budgeting, credit for youth in summer jobs program
7/1/2013	STL Youth Jobs Partnership	Loura Gilbert		Basics of banking, goal setting, budgeting, credit for youth in summer jobs program
8/10/2013	MO Black Expo	Loura Gilbert & Jeannine Murphy		Financial health check with other bankers from the Metropolitan St. Louis CRA Assn. Created a next steps individualized plan.

Non-Employee Directors

	Total	Male				Female			
	Number	White	Black	Hispanic	Other Minority*	White	Black	Hispanic	Other Minority*
Metro	18	15	1	0		2	0	0	0
% of Total	100%	83%	6%	0%	0%	11%	0%	0%	0%

*Other minority includes Asian, Native American, Native Hawaiian, and other non-white

All Employees

	Total	Male (33%)				Female (67%)			
	Number	White	Black	Hispanic	Other Minority*	White	Black	Hispanic	Other Minority*
	1134	308	49	6	9	570	156	15	21
%	100%	27%	4%	1%	1%	50%	14%	1%	2%

*Other minority includes Asian, Native American, Native Hawaiian, and other non-white

Senior Management **

	Total	Male (39%)				Female (61%)			
	Number	White	Black	Hispanic	Other Minority*	White	Black	Hispanic	Other Minority*
TOTAL	258	96	5	1	0	128	25	3	0
%	100.0%	37%	2%	0%	0%	50%	10%	1%	0%

*Other minority includes Asian, Native American, Native Hawaiian, and other non-white

** Executives, officers, and those with decision-making authority.

St. Louis MSA

		Male	Female	White	Black	Hispanic	Other	
%	100%	48.3%	51.7%	76.9%	18.1%	2.7%	5.0%	

Commerce Bank 12/31/13

Consumer Loan Data

Commerce Bank does not collect Consumer Loan Data for federal reporting for CRA purposes.

PUBLIC DISCLOSURE

JANUARY 9, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

COMMERCE BANK

RSSD # 601050

1000 WALNUT STREET
KANSAS CITY, MISSOURI 64199

Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution Rating
- Institution's Community Reinvestment Act Rating 1
- Table of Performance Test Ratings 1
- Summary of Major Factors Supporting Rating 1

Overall Institution
- Description of Institution 1
- Scope of Examination 3
- Conclusions With Respect to Performance Tests 4

Kansas City MO-KS Multistate Metropolitan Statistical Area
- Multistate Metropolitan Statistical Area Rating 12
- Scope of Examination 12
- Description of Bank's Operations in the Kansas City MSA AA 13
- Description of Assessment Area 13
- Conclusions With Respect to Performance Tests in Kansas City MSA 15

St. Louis MO-IL Multistate Metropolitan Statistical Area
- Multistate Metropolitan Statistical Area Rating 25
- Scope of Examination 25
- Description of Bank's Operations in the St. Louis MSA AA 26
- Description of Assessment Area 26
- Conclusions With Respect to Performance Tests in St. Louis MSA 28

State of Missouri
- State Rating 37
- Scope of Examination 37
- Description of Bank's Operations in Missouri 38
- Conclusions With Respect to Performance Tests in Missouri 38

Springfield MO Metropolitan Statistical Area (Full Review)
- Description of Bank's Operations in the Springfield MSA AA 41
- Description of Assessment Area 41
- Conclusions With Respect to Performance Tests in Springfield MSA 43

Columbia MO Metropolitan Statistical Area (Full Review)
- Description of Bank's Operations in the Columbia MSA AA 50
- Description of Assessment Area 50
- Conclusions With Respect to Performance Tests in Columbia MSA 52

Other Missouri Metropolitan Statistical Areas (Limited Reviews)
- Description of Bank's Operations in Limited Review Missouri MSA AAs 60
- Conclusions With Respect to Performance Tests in Limited Review MO MSA AAs 60

Missouri NonMetropolitan Areas (Limited Reviews)
Description of Bank's Operations in Nonmetropolitan Missouri AAs 62
Conclusions With Respect to Performance Tests in Nonmetropolitan Missouri AAs 62

State of Kansas
State Rating 63
Scope of Examination 63
Description of Bank's Operations in Kansas 63
Conclusions With Respect to Performance Tests in Kansas 64

Wichita KS Metropolitan Statistical Area (Full Review)
Description of Bank's Operations in the Wichita MSA AA 67
Description of Assessment Area 67
Conclusions With Respect to Performance Tests in Wichita MSA 69

Other Kansas Metropolitan Statistical Areas (Limited Reviews)
Description of Bank's Operations in Limited Review Kansas MSA AAs 76
Conclusions With Respect to Performance Tests in Limited Review Kansas MSA AAs 76

Nonmetropolitan Statewide Kansas (Limited Reviews)
Description of Bank's Operations in Nonmetropolitan Kansas AAs 77
Conclusions With Respect to Performance Tests in Nonmetropolitan Kansas AAs 77

State of Illinois
State Rating 78
Scope of Examination 78
Description of Bank's Operations in Illinois 79
Conclusions With Respect to Performance Tests in Illinois 79

Bloomington IL Metropolitan Statistical Area (Full Review)
Description of Bank's Operations in the Bloomington MSA AA 82
Description of Assessment Area 82
Conclusions With Respect to Performance Tests in Bloomington MSA 84

Other Illinois Metropolitan Statistical Areas (Limited Reviews)
Description of Bank's Operations in Limited Review Illinois MSA AAs 91
Conclusions With Respect to Performance Tests in Limited Review Illinois MSA AAs 91

State of Colorado/Denver-Aurora-Broomfield Metropolitan Statistical Area (Full Review)
State Rating 92
Scope of Examination 92
Description of Bank's Operations in the Denver MSA AA 92
Description of Assessment Area 93
Conclusions With Respect to Performance Tests in Denver MSA 95

State of Oklahoma/Tulsa OK Metropolitan Statistical Area (Full Review)
State Rating 103
Scope of Examination 103
Description of Bank's Operations in the Tulsa MSA AA 103
Description of Assessment Area 104
Conclusions With Respect to Performance Tests in Tulsa MSA 106

Appendices
CRA Appendix A: Scope of Examination Table A-1
CRA Appendix B: Summary of State and Multistate MSA Ratings B-1
CRA Appendix C: Glossary C-1
CRA Appendix D: Assessment Area Maps D-1

INSTITUTION COMMUNITY REINVESTMENT ACT RATING

Community Reinvestment Act (CRA) Rating: ***Commerce Bank*** *is rated* ***"Outstanding"***

The following table indicates the performance level of Commerce Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily in determining the overall rating.

Major factors supporting the institution's rating include:

- The bank is a leader in community development lending in most areas served.
- The level of qualified community development investments is excellent.
- The bank is a leader in providing community development services in most areas served.
- Adequate responsiveness to assessment area (AA) credit needs.
- A high percentage of loans originated within the bank's designated AAs.
- The geographic distribution of home mortgage, business, and farm loans considered adequate or good in most all AAs.
- The distribution of loans among individuals of different income levels and businesses and farms of different revenue sizes considered adequate or good in most all AAs.
- Delivery systems are reasonably accessible to geographies and individuals of different income levels.
- Products, services, and hours do not vary significantly by branch location and do not hinder access in certain geographies or by individuals of different income levels.

DESCRIPTION OF INSTITUTION

Commerce Bank is a full-service interstate financial institution offering a wide variety of commercial and retail products and services. The bank became a Federal Reserve member bank on June 29, 2011. The bank is a wholly-owned subsidiary of Commerce Bancshares, Inc. (CBI). Both have their headquarters in Kansas City, Missouri. As of September 30, 2011, the bank's total assets equaled $20.5 billion. The last examination was conducted by the

Office of the Comptroller of the Currency (OCC) on August 3, 2009. The bank's AAs have remained unchanged since the prior examination, though two nonmetropolitan areas, Cape Girardeau, Missouri, and Manhattan, Kansas, became Metropolitan Statistical Areas (MSAs) in 2009.

Affiliated companies included in this evaluation include Capital for Business, Inc. (CFB), and Commerce Mortgage Corporation (CMC). CFB is a venture capital subsidiary of CBI that owns two Small Business Investment Companies (SBICs) that partner with other investors to provide financing to small businesses for expansion and operating expenses. CMC, a wholly-owned subsidiary of the bank, is a mortgage loan originator and servicer. Community development investments and residential mortgage loans held by these affiliates are included in the analysis of the bank's Community Reinvestment Act (CRA) performance.

The bank's loan mix as of September 30, 2011, is demonstrated in Table 1. Commercial loans constitute the largest percentage of the bank's loan mix. Residential real estate loans constitute the second largest loan product, and the figure below is somewhat understated, as the majority of residential mortgage loans are sold into the secondary market.

Table 1
LOAN PORTFOLIO
SEPTEMBER 30, 2011
(Call Report Data)

Loan Type	$(000s)	% of Total
Commercial	4,310,582	47.3
Residential Real Estate	2,019,275	22.2
Consumer	1,662,842	18.2
Agricultural	239,429	2.6
Other	882,203	9.7
Total Loans	9,114,331	100.0

Since the last examination, total loans have declined each year, dropping 9.9 percent in 2009, 9.7 percent in 2010, and 3.8 percent for the first three quarters of 2011. The bank's total loan-to-deposit (LTD) ratio has declined from 81 percent at the last examination to 56.9 percent as of September 30, 2011. Bank management stated it has a strategy for loan growth and that the decline in the LTD ratio is a factor of strong deposit growth of 30 percent since 2008, coupled with declining loan demand over the last two years due to the overall poor national economy.

As of October 2011, the bank had 201 banking offices throughout 27 AAs in five states – Missouri, Kansas, Illinois, Colorado, and Oklahoma. For this evaluation, the bank's total AAs remained unchanged from the prior review, consisting of two multistate MSAs, Kansas City Missouri-Kansas (MO-KS) and St. Louis Missouri-Illinois (MO-IL); 14 other MSAs, with six in Missouri (Cape Girardeau, Columbia, Jefferson City, Joplin, Springfield, and St. Joseph), three

in Kansas (Lawrence, Manhattan, and Wichita), three in Illinois (Bloomington, Champaign, and Peoria), Denver, Colorado, and Tulsa, Oklahoma; and eleven nonmetropolitan AAs, with seven in Missouri and four in Kansas.

Approximately 66 percent of the bank's total deposits, as of June 30, 2011, were attributed to locations in the multistate MSAs of Kansas City and St. Louis. Adding in the rest of the State of Missouri, 82.7 percent of the bank's total deposits are accounted for. Kansas (outside the Kansas City MSA) is also a somewhat significant market area served by the bank, with 10.3 percent of total bank deposits, followed by Illinois with 5.5 percent. The Denver and Tulsa markets each have less than 1.0 percent of total bank deposits. In determining the overall examination rating, the AAs are weighted accordingly.

There are no legal or financial constraints impeding the bank's ability to help meet the credit needs in its AAs.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the lending, investment, and service tests as defined under the Federal Financial Institutions Examination Council's Interagency CRA Procedures for Large Institutions. Loan products evaluated included all residential mortgage loans reported on the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR); business loans reported on the CRA LAR, which includes all business loans in amounts less than $1 million; farm loans reported on the CRA LAR, which includes all farm loans in amounts less than $500,000; and loans qualifying as community development loans, per CRA guidelines. The bank's primary lending focus is commercial lending, with significant focus also in residential real estate lending and consumer lending. For the lending test, the greatest emphasis is placed on the bank's business lending, as these loans comprise nearly half of the bank's loan portfolio.

The evaluation period for HMDA and CRA LAR loans as well as all community development activities was January 1, 2009 through December 31, 2010. The number of reported loans for multifamily home mortgage loans in all AAs and farm loans in several AAs (St. Louis, Columbia, Denver, and Tulsa) was insufficient to conduct a meaningful lending analysis and are excluded from the review.

The geographic distribution analysis was based on the bank's penetration within different geographic income categories, particularly low- and moderate-income (LMI) geographies. Geography income classifications are based on 2000 Census data and 2008 Office of Management and Budget MSA designations. The borrower distribution analysis was based on the bank's penetration to individuals of different income categories, particularly LMI borrowers, and to businesses and farms of different sizes, particularly those with gross annual revenues under $1 million. For the evaluation of borrower characteristics, borrower income levels were based on 2009 and 2010 estimated median family income (MFI) figures from the U.S. Department of Housing and Urban Development (HUD). For evaluative purposes, the bank's

performance was compared with area demographic data, including 2000 Census data and 2010 Dun & Bradstreet (D&B) business data. Comparisons were also made with 2009 and 2010 aggregate lending data reported by all HMDA and CRA reporters with loan originations within the bank's AAs.

Under the CRA, a financial institution's performance is evaluated within the context of each delineated AA and within each state in which it operates. Each multistate MSA and each state is assigned an individual rating, and an overall rating is assigned for the bank. The bank has delineated 27 AAs, listed in Appendix A, which are discussed separately throughout this Performance Evaluation. The bank's two multistate MSA AAs and at least one MSA AA in each state will be evaluated using full-scope examination procedures. Other MSA AAs and all nonmetropolitan AAs in Missouri and Kansas will be evaluated using limited examination procedures.

Interviews with members of the communities within the bank's AAs were conducted during the examination to ascertain the credit needs of the communities, the responsiveness of area banks to those credit needs, the availability of community development opportunities, and local economic conditions. Additional community contacts previously conducted within the bank's AAs during the previous two years were also referenced.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's overall rating and conclusions were based on its performance in each individual AA, with the greatest weight placed on the bank's Kansas City and St. Louis multistate MSA AAs, followed by the overall state of Missouri and the overall state of Kansas. Business loans were generally given greater weight, followed by residential mortgage loans, with agricultural loans given far less weight in most AAs. The bank's performance is discussed more in-depth within each AA analysis in this Performance Evaluation, and includes figures to demonstrate the bank's lending performance as well as comparison with aggregate figures and demographic data.

LENDING TEST

The bank's overall record of meeting its AAs' credit needs through its lending activities is rated "high satisfactory". Overall, the bank is a leader in community development lending. The excellent level of community development lending boosted the bank's overall lending performance rating.

The borrower distribution analysis reflected good performance in the Kansas City and St. Louis MSA AAs, while this test was considered poor in the Champaign, Illinois, and Tulsa, Oklahoma AAs, and was generally considered adequate in the other AAs.

The bank's geographic distribution was adequate in the Kansas City and St. Louis MSA AAs, excellent in the Denver market, generally adequate or good in most other AAs, but poor in the Champaign, Illinois market and very poor in the Tulsa, Oklahoma, market.

Lending Activity:

Table 2
SUMMARY OF LOANS REVIEWED

Loan Type	#	%	$(000s)	%
Total Home Purchase	1,314	19.1 (a)	183,510	21.2 (a)
Conventional Home Purchase	1,101	83.8 (b)	159,376	86.8 (b)
FHA Home Purchase	193	14.7 (b)	21,678	11.8 (b)
VA Home Purchase	20	1.5 (b)	2,456	1.3 (b)
Refinancing	4,277	62.2 (a)	614,168	70.9 (a)
Home Improvement	1,216	17.7 (a)	35,562	4.1 (a)
Multifamily Housing	64	0.9 (a)	32,976	3.8 (a)
Total HMDA LAR Loans	**6,871**	**30.5 (c)**	**866,216**	**32.7** (c)
Total CRA LAR Business Loans	**12,196**	**54.1 (c)**	**1,491,364**	**56.3** (c)
Total CRA LAR Farm Loans	**3,458**	**15.4 (c)**	**292,651**	**11.0** (c)
TOTAL LOANS	**22,525**		**2,650,231**	

(a) Percent of Total HMDA Loans; (b) Percent of Total Home Purchase Loans; (c) Percent of Total Loans

Based on a review of loan products, including mix and volume, the bank's residential home mortgage and commercial lending activities reflect adequate responsiveness to AA credit needs. The bank's overall loan volume, as reflected by the LTD ratio, has declined significantly over the last four years, from 87.5 percent to 53.7 percent. During our review period, the LTD ratio equaled 72.4 percent at year-end 2009 and 62.4 percent at year-end 2010. The decline is primarily due to the national recession and the resulting decrease in loan demand coupled with a 30 percent growth in deposits since 2008.

The bank made use of some innovative and flexible lending practices during the review period, including Federal Housing Administration (FHA), Veterans Administration (VA), and Small Business Administration (SBA) guaranteed loans, Missouri Linked Deposit Loans, a secured credit card program, and other affordable housing down payment assistance programs. The bank's volume of SBA and Missouri Linked Deposit Loans was notable, while use of the other flexible lending programs was minimal.

The bank is considered a leader in the Missouri Linked Deposit Program. This program was developed by the state of Missouri to create and retain jobs, expand the economy, and strengthen communities statewide by providing below-market-rate business loans with up to five-year fixed rate terms. Participating banks obtain state funds at reduced deposit rates and

in turn make reduced-rate loans to businesses with fewer than 100 employees. Commerce Bank is the largest participant in the program, with $120.8 million in loans as of September 30, 2011, compared to less than $23 million for the next largest participant. The majority of the bank's lending occurred in 2011. During our review period, the bank's level of funding equaled $29.4 million.

The bank is a certified SBA lender, using various SBA programs, including America's Recovery Capital, SBA 504, SBA 7(a), and Patriot Express loan programs. For our review period, the bank originated 227 SBA loans totaling nearly $89 million. Over half the SBA loans were originated in the Kansas City and St. Louis MSAs (26 percent in each). Approximately 20 percent were originated outside the bank's AAs, though generally near AAs. Per a St. Louis Business Journal article, the bank was the largest SBA lender in St. Louis for the first eight months of 2011. Per the SBA's website, the bank was the second largest SBA 7(a) lender in 2009 in the state of Missouri (with 57 originations), and ninth in Kansas (with only seven originations).

The bank's HMDA LAR for 2009 and 2010 shows 230 FHA loans, averaging $114,000 per loan. The volume by number represented only 3.3 percent of total bank HMDA originations. The HMDA LAR also shows 24 VA loans, averaging $126,000 per loan. This volume represented only 0.3 percent of total bank HMDA originations.

Commerce Bank has a special secured credit card product that was offered during the review period, and restructured in 2011. The product is offered as a means to help customers establish or reestablish credit. The credit cards must be secured by certificates of deposit and come with a low interest rate. The bank originated seventy cards under this program during the review period, with the majority to LMI borrowers.

The bank's affordable home mortgage products offered during the review period included first-time home buyer programs with grants for down payments and lower required down payments. The bank had an adjustable rate product that was discontinued in 2009 and two fixed-rate products that were discontinued in 2010. These products had very low volume during our review period.

Assessment Area Concentration:

As demonstrated in Table 3, the bank originated a high percentage of its loans within its delineated AAs. Only loans within the bank's AAs are considered for the remaining loan distribution tests discussed within this Performance Evaluation. Furthermore, the continuing analyses and tables focus primarily on the number of originations as opposed to dollar volume, as this better represents the number of affected applicants.

Table 3 LENDING WITHIN THE ASSESSMENT AREAS								
	Inside				Outside			
Loan Type	#	%	$(000s)	%	#	%	$(000s)	%
Home Purchase	1,152	87.7	150,582	82.1	162	12.3	32,928	17.9
Home Refinance	3,939	92.1	554,311	90.3	338	7.9	59,857	9.7
Home Improvement	1,126	92.6	33,192	93.3	90	7.4	2,370	6.7
Multifamily Housing	53	82.8	30,730	93.2	11	17.2	2,246	6.8
Total HMDA Loans	**6,270**	**91.3**	**768,815**	**88.8**	**601**	**8.7**	**97,401**	**11.2**
Total Business Loans	**9,515**	**78.0**	**1,292,023**	**86.6**	**2,681**	**22.0**	**199,341**	**13.4**
Total Farm Loans	**2,674**	**77.3**	**219,831**	**75.1**	**784**	**22.7**	**72,820**	**24.9**
TOTAL LOANS	**18,459**	**81.9**	**2,280,669**	**86.1**	**4,066**	**18.1**	**369,562**	**13.9**

Geographic and Borrower Distribution:

The overall geographic distribution of residential mortgage, business, and farm loans each generally reflected adequate penetration in LMI tracts throughout the bank's AAs. Additional details will be portrayed in the analysis for each individual AA.

The overall distribution of HMDA lending among borrowers of different income levels and to businesses of different revenue sizes was adequate. The bank's lending performance to small businesses, defined for CRA purposes as those with gross revenues less than $1 million, was typically well below demographic figures in most AAs, though above aggregate figures. A more detailed analysis of the geographic distribution and borrower income distribution is provided with the analysis of each AA.

Loan demand by small businesses has been down the last two years. A 2011 survey and study by the National Federation of Independent Business (NFIB) found that approximately 24 percent of small businesses use credit cards to meet funding needs. In addition, only 48 percent of very small businesses (those with less than 10 employees) applied for bank credit in 2010, which was a decline from 55 percent in 2009. The study stated that poor or weak sales were the primary hindrance to obtaining credit, rather than access to credit. This provides some context to explain the lower levels of lending to small businesses by all CRA filers nationwide.

Community Development Lending:

Overall, the bank is considered a leader in originating community development loans, with excellent levels of community development lending throughout most AAs. The high level of activity had a positive impact on the lending test rating. The bank has a good process for capturing supporting documentation of normal business loan activity to qualify them for community development consideration.

The majority of community development loans were for economic development, which were originated to small businesses per CRA or SBA guidelines and employed LMI individuals or were located in Enterprise Zones. The next largest dollar volume of community development loans was for revitalization and stabilization. These loans were generally to businesses located in LMI tracts that were part of state-designated Enterprise Zones.

Table 4
QUALIFIED COMMUNITY DEVELOPMENT LOANS
ALL AAS

Purpose	#	$(000s)
Affordable Housing	28	8,366
Revitalization and Stabilization	45	168,335
Community Services	106	30,644
Economic Development	135	463,093
Totals	**314**	**670,438**

Some examples of community development loans were to Big Brothers Big Sisters of Greater Kansas City, Catholic Social Services of Southern Illinois, Community Services League, Developmental Services of Northwest Kansas, Family Care Health Centers, First Chance for Children, Job Point, Operation Breakthrough, St. Clair County Housing Authority, and United Way of Greater St. Louis.

INVESTMENT TEST

The bank had an excellent level of community development investments and its overall investment test rating is considered “outstanding”. Prior period investments totaled $41.7 million, current period investments totaled $136.6 million, and qualified donations totaled $2.2 million. The bank’s $180 million in investments, grants, and donations during the two-year evaluation period surpassed the $160 million noted in the prior CRA examination, which covered a four-year evaluation period. There were also seven matured bonds not included in these totals that were on the books an average of 13 months of the 24-month review period and totaled $11 million.

The bank presented 2,375 donations totaling $3.3 million for consideration during the review period. However, due to small dollar amounts, additional bank research required for documentation to qualify all donations, and the fact that these additional donations would not impact the overall investment test rating considering the high level of equity investments that were qualified, our review did not include 100 percent of the bank’s donations. However, the overall large volume of donations does speak to the bank’s community involvement within its designated AAs. Total volumes presented, as well as the portions qualified during this review, will be detailed for each AA.

Examples of the bank's qualified community development investments include the following:

- $885M in Fannie Mae Mortgage Backed Securities
- $3.8MM in Oklahoma Housing and Finance Agency bonds
- $3.9MM in Missouri State Housing Development Commission bonds
- $5MM in a HUD bond
- $5.8MM in five Housing Equity Funds
- $11.1MM in Denver Colorado Convention Center bonds located in an Enterprise Zone
- $15.5MM in six SBICs funding 21 total economic development investments
- $22.5MM in St. Louis Municipal Library funds, located in state designated tracts for revitalization
- $66.8MM in 217 tax credits that generally funded affordable housing or revitalization/stabilization of LMI tracts located in or near designated Enterprise Zones

The bank's equity investments reflected good responsiveness to credit and community development needs throughout the bank's AAs. The bank occasionally used innovative investments to support community development initiatives, such as SBIC investments made by the affiliate CFB, which totaled nearly $14 million during the review period.

Table 5
QUALIFIED COMMUNITY DEVELOPMENT INVESTMENTS
ALL AAS

	Debt/Equity Investments		Grants/ Donations	
Purpose	**#**	**$(000s)**	**#**	**$(000s)**
Affordable Housing	76	48,240	83	182
Revitalization and Stabilization	207	114,465	19	42
Community Services	-	-	597	1,592
Economic Development	21	15,587	403	339
Totals	**304**	**178,292**	**1,102**	**2,155**

SERVICE TEST

The bank's overall rating under the service test is considered "outstanding". The bank's commitment to CRA and providing community development services is reflected in its culture and structure, ensuring LMI geographies and individuals are served throughout its AAs. Several retail products and delivery systems are offered that benefit LMI individuals. Bank branches are accessible to various geographies in most all AAs, including LMI tracts, and branch business hours and products do not vary in a way that would inconvenience LMI geographies or individuals.

The bank has established CRA Market Contact Representatives for the Kansas City and St. Louis markets. Their sole duties include meeting with community organizations that target LMI areas and individuals. The contacts promote bank products and services within these areas. Certain bank products are specifically targeted to LMI or unbanked populations by making presentations to large employers of LMI or unbanked individuals. CRA contacts also exist in the bank's other markets, though these individuals maintain other bank duties as well.

The bank facilitates Community Advisory Boards in all AA markets. These advisory boards are comprised of local community leaders and bank officers. Commerce Bank uses these boards to seek input regarding community development and financial needs, donation opportunities, customer service performance, and marketing.

The bank has a Small Business Group, which focuses on developing loan and deposit relationships with small business customers. The group provides deposit packages to small businesses, offers reduced pricing on loan products, and provides SBA loans, bankcards, and other small dollar business loans.

The bank's mortgage department has two individuals, one in Kansas City and one in St. Louis, who specifically target home loan products to LMI individuals.

The bank has a Public Assistance Payment Program that allows the use of automated teller machines (ATMs) and debit cards for customers to access their public assistance payments. These programs are targeted to LMI individuals through various outreach opportunities by the CRA Market Contacts.

The bank's brochures and disclosures are available in Spanish and the bank has an internal program to increase the number of bilingual tellers and banking representatives located in various branch offices. These programs are used heavily in offices located in LMI tracts with high Hispanic populations and are promoted by the CRA Market Contacts during outreach opportunities that target LMI individuals or the unbanked population.

As of our review, the bank had 201 total banking offices, of which 8 were located in low-income tracts, 40 in moderate-income, 84 in middle-income, and 69 in upper-income tracts. Since January 1, 2009, the bank has opened five branches, closed 16, and relocated two. There was one net branch closure in the low-income tract category and one net opened branch in the moderate-income tract category. Overall, 23.9 percent of bank branches are located in LMI tracts, while 32.4 percent of total tracts in all AAs are LMI, as of 2000 Census data. The bank also had 69 full-service and 28 cash-dispensing-only ATMs in LMI tracts.

The bank is a leader in the provision of community development services within most of its designated AAs, particularly the Kansas City and St. Louis MSA AAs, as well as the other medium to larger sized MSAs. In smaller MSA and rural AAs, the bank provides a level of community services commensurate with the bank's presence in the area. Overall, the bank provided 446 community development services to 291 different organizations.

A substantial majority of the qualified services for the review period were for community services targeted to LMI individuals. Examples of service activities included providing financial expertise through board, advisory, or audit committee participation and providing financial educational sessions for school children as part of Teach Children to Save and Money Smart programs sponsored by the Federal Reserve Bank of Kansas City and the Federal Deposit Insurance Corporation (FDIC), as well as through Junior Achievement. Table 6 illustrates the breakdown of total community development services by type for the entire bank in all AAs.

Table 6
QUALIFIED COMMUNITY DEVELOPMENT SERVICES
ALL AAS

Purpose	#
Affordable Housing	39
Revitalization and Stabilization	11
Community Services	325
Economic Development	71
Totals	**446**

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

A review was performed of the most recent consumer examination reports conducted by the bank's previous federal regulator and internal audit reports to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the FHA. The review found no evidence of discrimination or other illegal credit practices inconsistent with helping to meet the credit needs of the community.

KANSAS CITY, MO-KS MULTISTATE METROPOLITAN STATISTICAL AREA

CRA RATING FOR KANSAS CITY MSA: [1] ***"Satisfactory"***

The lending test is rated:	***"High Satisfactory"***
The investment test is rated:	***"High Satisfactory"***
The service test is rated:	***"Outstanding"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans that are responsive to meeting affordable housing needs, sustaining jobs in LMI areas, and providing financing to small businesses.
- The bank provided a significant level of community development investments and grants in the AA that were responsive to meeting affordable housing needs, revitalizing and stabilizing LMI areas, and supporting organizations that provide essential services to LMI individuals. The bank employs occasional use of innovative or complex qualified investments.
- The bank is considered a leader in providing community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and to businesses of different revenue sizes was good.
- The geographic distribution of home mortgage and business loans was adequate.

SCOPE OF EXAMINATION

Each multistate MSA AA with branches in more than one state is required to have a full-scope review. The scope of the Kansas City MSA AA was consistent with the overall scope for the institution, including evaluations under the lending, investment, and service tests. Due to the significant bank presence, the two multistate MSA AAs will receive the greatest weight in the overall rating.

Three community contact interviews were conducted in the AA and eight prior community contacts conducted within the MSA during the previous two years were referenced.

[1] This rating reflects performance within the multistate MSA. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained in the multistate MSA.

DESCRIPTION OF BANK'S OPERATIONS IN THE KANSAS CITY MSA AA

The bank's headquarters plus 48 branches are located in the AA. The Kansas City market represents the bank's largest presence, with 34.8 percent of total bank deposits as of June 30, 2011. As of that date, the bank had a deposit market share within the MSA of 12.5 percent; making it the second largest of 150 FDIC-insured financial institutions in the MSA. Loan products offered in the market mirror those discussed in the overall institution section of this report, with an emphasis on commercial loans and residential mortgages.

DESCRIPTION OF ASSESSMENT AREA

The bank's Kansas City MSA AA includes 7 of the 15 total MSA counties. The AA's 2000 population equaled 1,672,418, or 91.1 percent of the entire MSA population of 1,836,038. Since the AA comprises such a high percentage of the total MSA population as of 2000 Census data, AA demographics such as the concentration of families and age distribution did not differ significantly from overall MSA figures.

The largest industry sectors in the Kansas City MSA are government (16.0 percent), professional and business services (14.6 percent), educational and health services (13.4 percent), and retail trade (10.6 percent). (Source: FDIC Regional Economics [RECON]/Moody's Analytics and Bureau of Labor Statistics [BLS], 2010)

Several health-related companies were in the top 20 MSA employers, including HCA Midwest Health System (8,127 employees), Saint Luke's Health System (6,622), Cerner Corporation (4,980), Children's Mercy Hospital and Clinics (4,812), Truman Medical Center (4,081), University of Kansas Hospital (3,880), Sisters of Charity of Leavenworth Health System (3,091), and Kansas Medical Center (2,780). Other large MSA employers include Wal-Mart (7,400), Sprint Corporation (7,300, down from 14,500 in 2007), McDonald's USA, L.L.C. (5,700), DST Systems, Inc. (4,425), AT&T Corporation (3,710), General Motors Corporation (3,706), Hallmark Cards, Inc. (3,700), Ford Motor Company (3,600), and Black & Veatch, L.L.P. (3,200). (Source: FDIC RECON/The Business Journal, April 2010)

Table 7
UNEMPLOYMENT RATES

Area	2009	2010	11Q2
KC MSA	8.8	9.1	8.3
State of Missouri	9.3	9.6	8.7
State of Kansas	7.1	7.0	6.4
U.S.	9.3	9.6	8.9

The Kansas City MSA unemployment figures have fared slightly better than U.S. figures. In Jackson County, Missouri, the largest MSA county, unemployment figures have exceeded statewide figures; while unemployment in Johnson County, Kansas, the second largest MSA county has been favorable when compared to state of Kansas figures. Unemployment figures for the state of Kansas have been significantly lower than U.S. figures the last three years, while Missouri's unemployment figures have mirrored national figures. (Source: FDIC RECON, BLS)

The Kansas City MSA recovery gained strength in 2010, with construction and professional services the best performing industries through the year. However, the MSA's expansion has

been confined to relatively few industries, such as retail and manufacturing. Home prices continued to slide, and construction remained depressed. Kansas City's position as a leading transportation and logistics hub has been considered a key advantage during the recovery. The MSA's geographically central location and well-developed transportation infrastructure have made it an ideal location for logistics and freight businesses.

The percentage of families in the AA that are considered low-, moderate-, middle-, and upper-income mirror the overall MSA figures, and generally mirror the overall state figures for Missouri and Kansas. However, these figures vary widely by county within the AA. Wyandotte (31.1 percent) and Jackson (23.7 percent) Counties have the highest concentrations of low-income families in the AA, based on 2000 Census data. Johnson County (8.3 percent) has the lowest concentration. Total LMI families combined equal 54.9 percent for Wyandotte and 44.6 percent for Jackson, compared to only 21.0 percent for Johnson. The percentage of AA families below the poverty level (6.1 percent) also mirrored the entire MSA, as of 2000 Census data. Wyandotte County (12.5 percent) and Jackson County (9.0 percent) were the highest in the AA, while Johnson County was the lowest (2.1 percent). These income demographics indicate there may be additional lending challenges in Jackson and Wyandotte Counties.

Based on 2000 Census data, the concentration of owner-occupied housing units is lowest in Wyandotte County (57.0 percent) and Jackson County (58.1 percent), where most AA LMI tracts are located. These figures are below the AA average of 63.2 percent, which mirrors the overall MSA. Owner-occupied units have the highest concentrations in Cass County (75.8 percent) and Johnson County (69.5 percent). The majority of the bank's AA branches are in Jackson County and Johnson County. There are higher concentrations of rental units in Jackson and Wyandotte Counties, which may create more nonowner-occupied lending opportunities in these counties, especially in the LMI tracts. However, the bank's level of lending on nonowner-occupied units on the HMDA LAR was not high in this AA.

The 2000 median housing value equaled $84,900 in Jackson County, $149,300 in Johnson County, and only $53,400 in Wyandotte County. Johnson County contains relatively wealthy middle- and upper-income neighborhoods. The median household income is higher in Johnson County, but housing is less affordable due to the higher housing prices. The housing affordability ratio[2] in Johnson County equaled 41.2 percent, the lowest in the AA, while Jackson County's equaled 46.3 percent. The most affordable county in the AA was Wyandotte County, with an affordability ratio of 63.3 percent. The overall AA housing affordability ratio equaled 44.0 percent as of 2000 Census data; well below the Kansas statewide ratio of 50.2 percent, and just below the Missouri figure of 43.7 percent.

Table 8 shows income, housing, and general demographic characteristics of the AA.

[2] The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.

Table 8
ASSESSMENT AREA DEMOGRAPHICS
KC MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	46	9.6	20,107	4.6	6,132	30.5	78,221	17.8
Moderate-income	120	24.9	78,555	17.8	10,412	13.3	80,517	18.3
Middle-income	183	38.0	202,216	45.9	8,360	4.1	103,112	23.4
Upper-income	120	24.9	139,543	31.7	2,136	1.5	178,571	40.5
Unknown-income	12	2.5	0	0.0	0	0.0	0	0.0
Total AA	**481**	**100.0**	**440,421**	**100.0**	**27,040**	**6.1**	**440,421**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
	#	#	%	%	#	%	#	%
Low-income	39,000	14,418	3.3	37.0	18,546	47.6	6,036	15.5
Moderate-income	148,752	70,708	16.0	47.5	63,540	42.7	14,504	9.8
Middle-income	319,844	205,495	46.5	64.2	99,107	31.0	15,242	4.8
Upper-income	191,343	151,051	34.2	78.9	32,768	17.1	7,524	3.9
Unknown-income	6	3	0.0	50.0	3	50.0	0	0.0
Total AA	**698,945**	**441,675**	**100.0**	**63.2**	**213,964**	**30.6**	**43,306**	**6.2**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	2,990	3.9	2,494	3.7	277	5.1	219	5.1
Moderate-income	11,785	15.3	9,748	14.5	1,202	21.9	835	19.3
Middle-income	32,913	42.7	29,113	43.3	2,047	37.3	1,753	40.6
Upper-income	28,640	37.2	25,441	37.8	1,785	32.5	1,414	32.8
Unknown-income	709	0.9	441	0.7	173	3.2	95	2.2
Total AA	**77,037**	**100.0**	**67,237**	**100.0**	**5,484**	**100.0**	**4,316**	**100.0**
		Percentage of Total Businesses:		**87.3**		**7.1**		**5.6**

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KANSAS CITY MSA

LENDING TEST

The bank's performance with respect to the lending test in the Kansas City MSA AA is rated “high satisfactory”. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall, responsiveness to area credit needs is considered adequate. However, the bank's level of lending is low within the AA. The

borrower distribution analysis reflected a good performance in the MSA, while the geographic distribution was adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The bank's volume of home mortgage and business lending activity reflected adequate responsiveness to AA credit needs. This market had 1,156 HMDA loans, which represented 18.4 percent of total HMDA loans reviewed for this evaluation; and 1,374 CRA loans, which represented 14.4 percent of total CRA loans. However, the bank's level of lending is low within the AA. The bank is a certified SBA lender and originated 45 SBA loans in the MSA, totaling $23 million for our review period. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 17 percent, while the deposits in the AA equaled approximately 29 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of only 37.3 percent, representing low lending levels for the lending activity test.

Geographic Distribution:

As shown in Table 9, the bank's geographic distribution of residential mortgage loans and business and farm loans reflected an adequate loan penetration among geographies of different income levels.

The LMI tracts contain more rental units, equaling 47.6 percent in the low- and 42.7 percent in the moderate-income tracts, compared to 30.6 percent for the AA overall. This would create a larger market for nonowner-occupied residential loans in the LMI tracts; however, that is not a primary product for the bank in this market.

Home Purchase Loans

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, including LMI tracts. For 2009 and 2010, the bank's performance in LMI geographies was generally below area demographics[3] but was consistent with aggregate figures. The bank's performance in low-income geographies for 2009 (3.7 percent) exceeded area demographics (3.3 percent) and aggregate data (0.7 percent), but fell to 0.0 percent for 2010.

Lending levels below area demographics by all lenders may be a result of area economic conditions. The majority of the AA's LMI tracts are in Jackson County, Missouri, primarily in the core of the city. The LMI tracts contain much larger concentrations of families below the poverty level, equaling 30.5 percent of families in the low-income tracts and 13.3 percent in the moderate-income tracts; well above the 4.1 percent figure in the middle-income tracts and

[3] The area demographic figure used for comparison purposes for all home purchase, home improvement, and refinance loans for the *geographic* distribution test is the percentage of *owner-occupied housing units* in each tract category in the AA, based on 2000 Census data. In markets with high levels of bank lending towards nonowner-occupied housing units, *total 1- to 4-family housing units* will also be used for a more applicable comparison and better performance context.

1.5 percent in the upper-income tracts. The population below the poverty level may have difficulty qualifying for residential purchase loans.

One community contact stated that for many LMI individuals and families in Jackson County, home ownership is not attainable given the current economic conditions. Many of the homes that would be considered affordable for these families are in need of repair. Because of the dilapidated conditions of the housing stock, LMI families that may be able to afford a home purchase may not be able to afford the cost of the expenses to maintain a home (maintenance, taxes, insurance, etc.). The contact stated that there is a need for more affordable and subsidized housing in Jackson County.

Refinance Loans

Refinance lending across geographies of different income levels also reflected adequate penetration in LMI geographies. The bank's performance for 2009 and 2010 in low-income geographies (0.3 percent and 1.0 percent, respectively) was below area demographics (3.3 percent) but consistent with aggregate data (0.6 percent and 0.4 percent, respectively). The bank's performance in moderate-income geographies was slightly better (6.4 percent and 5.8 percent, respectively). While still below area demographics (16.0 percent), it was above aggregate data (5.9 percent and 4.5 percent, respectively). As with home purchase loans, the weak economy, the housing market, and area demographics contributed to lower demand for refinance lending. Community contacts also indicated that financial education appears to be a barrier for LMI individuals to actively pursue refinance loans.

Home Improvement Loans

The geographic distribution of home improvement lending reflected a good penetration across geographies of different income levels. The bank's performance for 2009 and 2010 in low-income tracts (2.8 percent and 3.7 percent, respectively) was consistent with area demographics (3.3 percent) and exceeded aggregate data (2.6 percent and 2.0 percent, respectively). The bank's lending performance in moderate-income tracts for 2009 and 2010 (14.5 percent and 12.7 percent, respectively) was slightly below area demographics (16.0 percent), but exceeded aggregate data (10.8 percent and 8.8 percent, respectively).

The median age of housing stock is considerably older in the LMI tracts, equaling 52 years in the low-income tracts and 45 years in the moderate-income tracts; compared to 30 years in middle-income tracts and 17 years in the upper-income tracts.

Community contacts in the Kansas City AA indicated that due to the age of the housing stock there has been a greater demand for home improvement lending in LMI areas. The bank has recognized this through its community outreach programs and specifically targets this product within the LMI tracts of the AA in order to improve the housing stock for LMI residents.

Business and Farm Loans

The geographic distribution of business and farm loans is adequate in LMI geographies. The bank's business lending performance for 2009 and 2010 was generally below area demographics, but consistent with aggregate data. The bank did not originate any farm loans for 2009 and 2010 in low-income tracts, but area demographics and peer lending were also minimal. In moderate-income tracts for 2009 and 2010, the bank's performance was consistent with area demographics and slightly above peer data. Little weight is given to farm loans in the evaluation due to the small number of originations and farms located in the AA.

Table 9
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
KC MO-KS MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations[2]							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/89	3.7	0.0	9.3	6.7	38.0	51.7	49.1	41.6
Home Refinance	389/308	0.3	1.0	6.4	5.8	41.9	36.7	51.4	56.5
Home Improvement	145/134	2.8	3.7	14.5	12.7	52.4	47.0	30.3	36.6
Total HMDA Loans[3]	**642/532**	**1.4**	**1.5**	**8.7**	**7.7**	**43.6**	**41.9**	**46.3**	**48.9**
Percentage of owner-occupied housing units in AA by income level of tract [4]		3.3		16.0		46.5		34.2	
Aggregate Peer Data [5]									
Home Purchase		0.7	0.6	8.7	8.5	45.7	43.6	44.9	47.2
Home Refinance		0.6	0.4	5.9	4.5	38.9	35.8	54.6	59.2
Home Improvement		2.6	2.0	10.8	8.8	44.0	41.9	42.6	47.2
Total HMDA Loans		**0.7**	**0.6**	**6.9**	**5.9**	**41.3**	**38.5**	**51.1**	**55.1**
Business Loans:									
Business Loans	910/759	3.0	2.5	14.1	14.5	41.5	35.8	39.9	44.8
Percentage of businesses in AA by income level of tract [6]		3.9	3.9	15.5	15.3	42.6	42.7	37.0	37.2
Aggregate CRA lending in AA[5]		2.8	2.8	14.2	12.9	39.6	36.7	41.1	44.6
Farm Loans:									
Farm Loans	47/31	0.0	0.0	2.1	3.2	76.6	67.7	21.3	29.0
Percentage of farms in AA by income level of tract [6]		0.4	0.3	3.0	2.8	63.3	63.7	32.8	32.8
Aggregate CRA lending in AA[5]		0.3	0.0	1.6	1.7	69.3	71.2	27.8	25.3

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 The tract category is unknown for a small number of business loans (14 in 2009; 18 in 2010), so not all tract categories add up to 100 percent.
3 Total HMDA loans include multifamily loans (0 in 2009; 1 in 2010), though these are not displayed or analyzed due to low volume.
4 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
5 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
6 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 10 and Table 11, the borrower distribution of the bank's lending reflected good distribution among individuals of different income levels and distribution among businesses of different revenue sizes.

Home Purchase Loans

The bank's distribution to low-income borrowers for 2009 (15.7 percent) and 2010 (14.6 percent) was slightly below area demographics[4] (17.8 percent) but above aggregate data (12.2 percent and 13.1 percent, respectively). The bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (28.7 percent and 16.9 percent, respectively). This level was above or consistent with area demographics (18.3 percent) and was above aggregate data for 2009 (24.4 percent) but below aggregate data for 2010 (22.5 percent).

Refinance Loans

The bank's distribution to low-income borrowers for 2009 (7.7 percent) and 2010 (8.4 percent) was well below area demographics (17.8 percent) but was above aggregate data (5.2 percent and 4.6 percent, respectively). The bank's distribution to moderate-income borrowers was adequate for both 2009 and 2010 (14.9 percent and 12.3 percent, respectively). This level was below area demographics (18.3 percent) and consistent with aggregate data (13.9 percent and 13.4 percent, respectively).

Community contacts indicated that LMI borrowers are less likely to refinance their residences. The contacts indicated that many LMI residents typically have credit history issues; but primarily attributed low refinances to the lack of financial education regarding the benefits of home mortgage refinance. In addition, the decline in overall home values in the market has hindered the ability to seek refinance loans.

Home Improvement Loans

The bank's distribution to low-income borrowers for 2009 (15.9 percent) and 2010 (19.4 percent) compared favorably with area demographics (17.8 percent) and was well above the aggregate data (11.9 percent and 11.1 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 and 2010 (22.1 percent and 20.9 percent, respectively) was higher than the area demographic (18.3 percent) and aggregate (19.0 percent and 18.8 percent, respectively). The bank has made significant efforts to market its home improvement lending program, especially targeting areas that include LMI borrowers.

Home improvement lending was identified as a need for LMI borrowers by community contacts, as the age of affordable housing stock is typically older and in need of repair. A

[4] The area demographic figure used for comparison purposes for all home purchase, home improvement, and refinance loans for the *borrower* distribution test is the percentage of *families* in the AA in each income category, based on 2000 Census data.

contact further stated that most LMI borrowers discover that potential homes for purchase in their price range are in need of repair, so many may decide to commit funds towards improving their current homes instead of purchasing.

Table 10
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
KC MO-KS MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/89	15.7	14.6	28.7	16.9	18.5	23.6	35.2	36.0
Home Refinance	389/308	7.7	8.4	14.9	12.3	23.1	18.5	45.8	57.1
Home Improvement	145/134	15.9	19.4	22.1	20.9	22.1	18.7	39.3	40.3
Total HMDA Loans[1]	**642/532**	**10.9**	**12.2**	**18.8**	**15.2**	**22.1**	**19.4**	**42.5**	**49.2**
Percentage of families in AA by income level[2]		17.8		18.3		23.4		40.5	
Aggregate Peer Data[3]									
Home Purchase		12.2	13.1	24.4	22.5	20.3	20.0	24.1	26.9
Home Refinance		5.2	4.6	13.9	13.4	20.1	19.4	35.4	39.4
Home Improvement		11.9	11.1	19.0	18.8	24.1	21.0	35.4	35.7
Total HMDA Loans[1]		**7.7**	**7.5**	**17.5**	**16.4**	**20.2**	**19.6**	**31.7**	**35.3**

1 Borrower annual incomes reported as 'NA' for some bank (36 in 2009; 21 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (0 in 2009; 1 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business and Farm Loans

The bank's distribution of loans to small businesses, those businesses with gross annual revenues of $1 million or less, is considered adequate. The bank's penetration was well below the demographic figure of small businesses in the AA for 2009 (49.7 percent vs. 87.2 percent) and 2010 (51.6 percent vs. 87.3 percent). The bank has a large percentage of loans where revenue information was not reported. If both the bank and demographic figures were adjusted to consider only those with known revenues, the comparison improves somewhat (59.7 percent vs. 92.5 percent for 2009; 63.5 percent vs. 92.5 percent for 2010), as the demographic figures did not have as many unreported revenues. D&B demographic figures are gathered using a self-reported survey method, and there will typically be companies in the AA that do not participate in the survey. Therefore, comparison to aggregate data may be a better comparative.

Aggregate data includes all CRA LAR-filing banks with business and farm loan originations in the AA. The bank's performance was favorable compared to aggregate data, equaling approximately 21 to 27 percentage points above the aggregate data. (Note: Insufficient data was available to adjust the aggregate for 'NA' revenue codes.) Aggregate data is typically

skewed downward by large credit card lenders that may have many credit card issuances to larger corporations for employee use for business expenses. To eliminate the effect of large credit card banks, a custom peer of three local/regional community institutions selected by the bank as primary area competitors was utilized. Using this custom peer, the comparative peer figures increased to 44.2 percent for 2010. The bank's performance remained above this peer group.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The distribution of loans to farms of different sizes is good. The bank's lending performance was below area demographics, but consistent with aggregate data. Again, there are a relatively large number of lines with 'NA' reported for revenues. Adjusted figures place the bank's performance near the demographic figure. As previously mentioned, little weight is given to farm loans in the evaluation due to the small number of originations and farms within the Kansas City MSA AA.

Table 11
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
KC MO-KS MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	452	305	153	392	225	142
Bank - Percentage of loans by size of business	49.7	33.5	16.8	51.6	29.6	18.7
Demographic - Percentage of businesses in the AA[2]	87.2	7.1	5.7	87.3	7.1	5.6
Aggregate CRA lending to small businesses in AA[3]	22.3			30.1		
Farm Loans						
Bank - Number of farm loans	36.0	1.0	10.0	26.0	1.0	4.0
Bank - Percentage of loans by size of farm	76.6	2.1	21.3	83.9	3.2	12.9
Demographic - Percentage of farms in the AA[2]	97.5	1.1	1.4	97.7	1.0	1.3
Aggregate CRA lending to small farms in AA[3]	78.4			79.2		

1 Small businesses or farms, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses or in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Kansas City MSA AA, where it originated 72 loans for $234.9 million during the evaluation period. The distribution of community development lending included 2 for affordable housing, 43 for economic development, 15 for revitalization or stabilization of LMI geographies, and 12 for community services targeted towards LMI families or individuals. Some of the loans for economic development were SBA 504 loans greater than $1 million (so they were not

reportable on the CRA LAR as business loans). Other examples of community development lending included:

- A $4.4 million loan to finance the rehabilitation of a multifamily housing complex located in a moderate-income tract. The area is part of the Unified Government of Wyandotte County's designated redevelopment area and is consistent with the citywide master plan to revitalize and stabilize blighted areas of Wyandotte County.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank's performance with respect to the investment test in the Kansas City MSA AA is rated "high satisfactory". The bank had a significant level of qualified community development investments and donations in the Kansas City MSA AA. Investments in the area totaled $32.5 million and included 88 investments in bonds, SBICs, equity funds, and tax credits. Five SBIC bonds had investments in the bank's Kansas City market. Three of the SBIC bonds are considered complex and innovative, as they were underwritten by an affiliate of the bank. Most of the qualified investments were current period investments, as only four investments totaling $746,628 were made prior to the evaluation period and remained on the bank's books. Examples of current period investments included:

- $2.1 million in two Missouri State Development Finance Board bonds that provided improvements to the water treatment facilities for Independence, Missouri. The city of Independence, Missouri, primarily contains LMI tracts; the enhanced water treatment facilities are part of the Independence Enhanced Enterprise Zone, which plans to attract more economic development opportunities with updated infrastructure, while also providing better facilities to attract and retain residents.
- $5.7 million in state of Kansas Rehabilitation Tax Credits that support the renovation of a 48-building complex of multifamily units located in a moderate-income tract. The complex was renovated to provide affordable housing to workers employed at various industrial plants in the Fairfax Industrial District of Kansas City, Kansas.

The bank has shown good responsiveness to area community development needs through its donation activities. The bank submitted 456 donations within the AA during the review period totaling $768,082. Of the donations reviewed, 232 were qualified for community development purposes totaling $522,482, which represented 21.1 percent of the bank's total qualified donations by number and 24.2 percent of the total qualified dollars.

SERVICE TEST

The bank's performance under the service test in the Kansas City MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services. Kansas City is one of two markets where Commerce Bank has established a full-time CRA Market Contact whose primary duties involve meeting with community organizations that target LMI areas and LMI individuals. The contact promotes bank products and services within these areas, with certain products specifically targeted to LMI and unbanked individuals.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is adequate. Two of the bank's 49 Kansas City MSA AA branches are located in low-income tracts and nine are in moderate-income tracts. This represents 22.4 percent of AA branches located in LMI tracts, compared to 34.5 percent of total AA tracts that are LMI. Four additional branches are very near LMI tracts. Since the last examination, the bank closed two branch locations and opened one new branch office, all in middle- and upper-income geographies. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary from branch to branch in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank is a leader in the provision of community development services in the Kansas City MSA AA, with 80 qualified services provided during the review period. Approximately 65 percent of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include providing financial educational sessions for school children as part of Junior Achievement and Money Smart programs, as well as services provided to the Boys and Girls Club of Greater Kansas City, Clay County Economic Development Council, Cristo Rey High School, and the Hispanic Chamber of Commerce.

One community contact interviewed for the examination and one prior community contact reviewed stressed a need for financial literacy classes for LMI individuals in the Kansas City MSA. The bank's CRA Market Contact indicated that bank staff is actively involved in several financial literacy efforts, including partnering with the Federal Reserve Bank of Kansas City and the FDIC for Money Smart Week, which the bank has expanded to an entire month, and Bank On/Save Up KC.

ST. LOUIS, MO-IL MULTISTATE METROPOLITAN STATISTICAL AREA

CRA RATING FOR ST. LOUIS MSA: [5] ***"OUTSTANDING"***
The lending test is rated: ***"High Satisfactory"***
The investment test is rated: ***"Outstanding"***
The service test is rated: ***"Outstanding"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans that are responsive to meeting affordable housing needs, sustaining jobs in LMI areas, and providing financing to small businesses.
- The bank provided an excellent level of community development investments and grants in the AA that were responsive to meeting affordable housing needs, revitalizing and stabilizing LMI areas, and supporting organizations that provide essential services to LMI individuals. The bank employs occasional use of innovative or complex qualified investments.
- The bank is considered a leader in providing community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels was good and the distribution to businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage and business loans was adequate.

SCOPE OF EXAMINATION

Each multistate MSA AA with branches in more than one state is required to have a full-scope review. The scope of the St. Louis MSA AA was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. Due to the significant bank presence, the two multistate MSA AAs will receive the greatest weight in the overall rating.

One community contact interview was conducted in the AA and two prior community contacts conducted during the previous two years were referenced.

[5] This rating reflects performance within the multistate MSA. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained in the multistate MSA.

DESCRIPTION OF BANK'S OPERATIONS IN THE ST. LOUIS MSA AA

The bank has 50 branches located in the AA and has closed five branches since the last evaluation. All branch closings were located in middle- and upper-income tracts. The St. Louis market represents the bank's second largest presence, with 31.2 percent of total bank deposits as of June 30, 2011. As of that date, the bank had a deposit market share within the MSA of 6.9 percent, making it the fourth largest of 145 FDIC-insured financial institutions in the MSA. Loan products offered in the market mirror those discussed in the overall institution section of this report, with an emphasis on commercial loans and residential mortgages.

DESCRIPTION OF ASSESSMENT AREA

The AA consists of the City of St. Louis, plus six of 15 counties in the MSA (St. Louis City is not in a county). The 2000 AA population equaled 2.4 million, or 88.5 percent of the entire MSA population of 2.7 million. Since the AA comprises such a high percentage of the total MSA population, AA demographics, such as the concentration of families and age distribution, mirror MSA figures. Demographic characteristics do vary by county. St. Louis County, where the majority of the bank's branches are located, has a relatively high level of elderly residents (greater than age 65), while St. Charles County and Jefferson County have lower concentrations of elderly and higher concentrations of working age adults (25 to 64). St. Louis County had 42.5 percent of the total AA population as of 2000 Census data, dropping slightly as of 2010 data, to 40.4 percent. The county that has grown the most is St. Charles County, increasing from 11.9 percent of the total AA in 2000 to 14.6 percent as of 2010.

The largest industry sectors in the St. Louis MSA are educational and health services (17.3 percent), professional and business services (14.3 percent), government (13.3 percent), retail trade (10.7 percent), and leisure and hospitality (10.7 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010; U.S. Bureau of Economic Analysis [BEA], 2009)

The MSA's largest nongovernment employers are BJC Healthcare (23,380 employees), Boeing Integrated Defense Systems (16,400), Scott Air Force Base (14,150), Schnuck Markets, Inc. (12,393), Wal-Mart Stores, Inc. (12,137), SSM Health Care System (10,700), Washington University in St. Louis (10,300), St. John's Mercy Health Care (10,100), McDonald's Corporation (9,000), and AT&T (8,800). (Source: FDIC RECON/St. Louis Regional Chamber and Growth Association, September 2009)

The St. Louis MSA economy was mired in a severe recession marked by massive manufacturing job losses and the highest unemployment rate in the region, averaging 10.0 percent for 2009 and 2010. However, the area has begun to turn around for the first half of 2011, as job growth in the MSA outpaced that of the state and nation, led by manufacturing, trade, and transportation. Manufacturers are beginning to show confidence in the economic recovery, as gains in production and profits over the last two years have finally led to hiring.

The percentage of families in the AA that are considered low- (19.1 percent), moderate- (17.8 percent), middle- (22.2 percent), and upper-income (40.9) mirror the overall MSA figures, and generally mirror the overall state figures for Missouri and Illinois. However, these figures vary widely by county within the AA. St. Louis County has a relatively low level of LMI families (combined LMI, 30.7 percent vs. the AA figure of 36.9 percent). St. Louis City has a very high level of LMI families (62.1 percent), as does St. Clair County, Illinois (44.5 percent). The county with the lowest level is St. Charles County (24.4 percent). The percentage of AA families below the poverty level (7.6 percent) also mirrored the entire MSA, as of 2000 data. St. Louis City (20.8 percent) and St. Clair County, Illinois (11.8 percent) were again the highest in the AA, while Monroe County, Illinois (2.3 percent) and St. Charles County, Missouri (2.8 percent) were the lowest.

Based on 2000 Census data, the concentration of owner-occupied housing units was lowest in St. Louis City (39.1 percent) and St. Clair County, Illinois (62.1 percent), where most AA LMI tracts are located. This is below the AA average of 65.7 percent, which mirrors the overall MSA. Owner-occupied units have the highest concentrations in St. Charles County, Missouri (79.0 percent), Jefferson County, Missouri (78.9 percent), and Monroe County, Illinois (76.7 percent). St. Louis County has 42.1 percent of total AA housing units, and 70.8 percent are owner-occupied. There is a higher concentration of rental units in St. Louis City (44.3 percent of total housing units). The median age of housing units is highest in St. Louis City, at 59 years vs. 36 years for the overall AA; and is lowest in St. Charles County, at only 16 years.

The AA's 2000 housing affordability ratio (46.1 percent) mirrored the entire MSA (46.4 percent), and was higher (more affordable) than the state of Illinois (36.5 percent) and the state of Missouri (43.7 percent). Median housing values were highest in St. Louis County ($114,800), St. Charles County ($122,600), and Monroe County, Illinois ($125,900). However, these three counties were relatively affordable (44.0 percent, 46.7 percent, and 43.9 percent, respectively). St. Louis City had the lowest 2000 median housing value ($63,500); however, it also had the lowest median household income ($27,156). Therefore, the affordability ratio was slightly lower, at 42.8 percent.

Table 12 shows income, housing, and general demographic characteristics of the AA.

Table 12
ASSESSMENT AREA DEMOGRAPHICS
ST. LOUIS MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	55	11.2	33,814	5.4	12,171	36.0	119,902	19.1
Moderate-income	119	24.2	120,077	19.1	18,757	15.6	112,162	17.9
Middle-income	200	40.7	292,953	46.6	13,618	4.6	139,271	22.2
Upper-income	114	23.2	181,484	28.9	3,464	1.9	256,993	40.9
Unknown-income	4	0.8	0	0.0	0	0.0	0	0.0
Total AA	**492**	**100.0**	**628,328**	**100.0**	**48,010**	**7.6**	**628,328**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	71,010	21,735	3.3	30.6	33,078	46.6	16,197	22.8
Moderate-income	218,568	113,488	17.2	51.9	80,720	36.9	24,360	11.1
Middle-income	462,749	322,803	48.9	69.8	117,362	25.4	22,584	4.9
Upper-income	252,874	201,972	30.6	79.9	42,345	16.7	8,557	3.4
Unknown-income	139	6	0.0	4.3	79	56.8	54	38.8
Total AA	**1,005,340**	**660,004**	**100.0**	**65.6**	**273,584**	**27.2**	**71,752**	**7.1**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	4,652	4.6	3,834	4.3	420	5.7	398	7.1
Moderate-income	17,330	17.1	14,916	16.9	1,288	17.6	1,126	20.0
Middle-income	44,228	43.6	38,842	43.9	3,143	42.9	2,243	39.9
Upper-income	34,832	34.4	30,631	34.6	2,394	32.7	1,807	32.2
Unknown-income	336	0.3	220	0.2	74	1.0	42	0.7
Total AA	**101,378**	**100.0**	**88,443**	**100.0**	**7,319**	**100.0**	**5,616**	**100.0**
	Percentage of Total Businesses:			**87.2**		**7.2**		**5.5**

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ST. LOUIS MSA

LENDING TEST

The bank's performance with respect to the lending test in the St. Louis MSA AA is rated “high satisfactory”. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall, responsiveness to area credit needs is considered adequate. However, the bank's level of lending is low within the AA. The

borrower distribution analysis reflected good performance in the AA for HMDA loans, but only an adequate distribution of loans to small businesses. The bank's geographic distribution was adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The bank's lending activity reflected a good responsiveness to AA credit needs. The review of this market included 1,694 HMDA loans, which represented 27.0 percent of total HMDA loans reviewed for this evaluation; and 1,867 CRA loans, which represented 19.6 percent of total CRA loans. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 20 percent, while the deposits in the AA equaled approximately 30 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of only 42.1 percent.

Although the LTD ratio is relatively low, the level of SBA lending in the AA boosts the bank's lending activity test to adequate. For our review period, the bank originated 64 SBA loans totaling nearly $23 million in the MSA. A 2011 article in the St. Louis Business Journal stated that Commerce Bank has been the leading SBA lender by dollar amount in the St. Louis area since 2009. The top six lenders accounted for approximately half the local SBA funding.

Geographic Distribution:

As shown in Table 13, the geographic distribution of the bank's residential mortgage loans and business loans reflected an adequate loan penetration among geographies of different income levels.

The median age of housing stock is considerably older in the LMI tracts, equaling 54 years in the low-income tracts and 49 years in the moderate-income tracts; compared to 34 years in middle-income tracts and 24 years in the upper-income tracts. The AA has a total of 174 LMI tracts, with a majority in St. Louis City. The LMI tracts contain more rental units, equaling 46.6 percent in the low- and 36.9 percent in the moderate-income tracts; compared to 27.2 percent for the AA overall. This would create a larger market for nonowner-occupied residential loans in the LMI tracts; however, that is not a primary product for the bank in this market.

Home Purchase Loans

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, particularly in LMI geographies. For 2009 and 2010, the bank's performance in LMI geographies was generally below area demographics, but consistent with aggregate figures. The bank's performance for 2009 in low-income geographies (4.6 percent) exceeded the area demographics (3.3 percent) and aggregate data (1.8 percent).

The weak economy and poor housing market contributed to the low demand for home purchase loans. Residential construction remains depressed and home prices and sales

continue to slide. The LMI geographies also have lower home purchase demand due to AA demographics regarding rental units and housing stock.

Refinance Loans

Refinance lending across geographies of different income levels also reflected adequate penetration in LMI geographies. The bank's performance for 2009 and 2010 in low-income geographies (0.6 percent and 0.4 percent, respectively) was below area demographics (3.3 percent) and slightly below aggregate data (0.9 percent and 0.6 percent, respectively). However, the bank's performance in moderate-income geographies was better (8.6 percent and 8.5 percent, respectively). While still below area demographics (17.2 percent) it was above aggregate data (8.0 percent and 6.2 percent, respectively). As with home purchase loans, the weak economy, poor housing market, and area demographics contribute to lower demand for refinance lending.

Table 13
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
ST. LOUIS MO-IL MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations[2]							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/86	4.6	1.2	13.9	8.1	45.4	41.9	36.1	48.8
Home Refinance	625/532	0.6	0.4	8.6	8.5	45.3	47.0	45.4	44.2
Home Improvement	160/161	1.3	3.7	17.5	14.9	49.4	55.3	31.9	26.1
Total HMDA Loans[3]	**902/787**	**1.3**	**1.1**	**11.0**	**9.7**	**46.0**	**48.3**	**41.7**	**40.9**
Percentage of owner-occupied housing units in AA by income level of tract [4]		3.3		17.2		48.9		30.6	
Aggregate Peer Data [5]									
Home Purchase		1.8	1.3	14.0	11.9	52.5	52.0	31.6	34.7
Home Refinance		0.9	0.6	8.0	6.2	46.9	44.6	44.2	48.7
Home Improvement		1.5	1.6	14.2	14.1	51.0	54.2	33.3	30.1
Total HMDA Loans		**1.1**	**0.8**	**9.7**	**7.9**	**48.5**	**46.8**	**40.6**	**44.6**
Business Loans:									
Business Loans	1211/1145	2.4	3.5	14.2	14.8	43.3	43.3	39.5	37.8
Percentage of businesses in AA by income level of tract [6]		4.7	4.6	17.3	17.1	43.5	43.6	34.1	34.4
Aggregate CRA lending in AA[5]		3.6	3.1	14.2	12.8	43.0	41.3	37.9	41.0

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 The tract category is unknown for a small number of business loans (8 in 2009; 7 in 2010), so not all tract categories add up to 100 percent.
3 Total HMDA loans include multifamily loans (9 in 2009; 8 in 2010), though these are not displayed or analyzed due to low volume.
4 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
5 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
6 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels reflected good disbursement. The bank's performance for 2009 and 2010 in low-income tracts (1.3 percent and 3.7 percent, respectively) was near or slightly above area demographics (3.3 percent) and was near or exceeded aggregate data (1.5 percent and 1.6 percent, respectively). The bank's lending performance in moderate-income tracts was similar, as 2009 and 2010 bank performance (17.5 percent and 14.9 percent, respectively) was

similar to area demographics (17.2 percent) and exceeded aggregate data (14.2 percent and 14.1 percent, respectively).

Community contacts in the St. Louis AA indicated that due to the age of the housing stock there has been a greater demand for home improvement lending. Commerce Bank has recognized this through its community outreach programs and has specifically targeted this product within the LMI tracts of the AA in order to improve the housing stock in LMI neighborhoods.

Business Loans

The geographic distribution of business loans is adequate in LMI geographies. The bank's performance for 2009 and 2010 was generally below area demographics, but very similar to the aggregate data.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 14 and Table 15, the borrower distribution of the bank's lending reflected adequate distribution among individuals of different income levels and adequate distribution among businesses of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers exhibits an adequate performance. The bank's distribution to low-income borrowers for 2009 (8.3 percent) and 2010 (12.8 percent) was below area demographics (19.1 percent) and aggregate data (12.2 percent and 13.4 percent, respectively). However, the bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (27.8 percent and 26.7 percent, respectively). This level was significantly above area demographics (17.9 percent) and was slightly above aggregate data (25.6 percent and 23.3 percent, respectively).

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits an adequate performance. The bank's distribution to low-income borrowers for 2009 (7.2 percent) and 2010 (9.6 percent) was well below area demographics (19.1 percent) but was above aggregate data (5.1 percent and 4.8 percent, respectively). The bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (17.6 percent and 20.1 percent, respectively). This level was equal to or above area demographics (17.9 percent) and exceeded aggregate data (14.4 percent and 13.1 percent, respectively).

Community contacts in St. Louis indicated that LMI borrowers are less likely to refinance their residences. Contacts indicated that many LMI residents typically have credit history issues; but primarily attributed low refinances to the lack of financial education regarding seeking a refinance.

Table 14
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
ST. LOUIS MO-IL MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/86	8.3	12.8	27.8	26.7	24.1	16.3	25.9	40.7
Home Refinance	625/532	7.2	9.6	17.6	20.1	22.4	22.6	48.6	43.2
Home Improvement	160/161	16.9	20.5	18.1	20.5	26.9	24.2	36.3	34.8
Total HMDA Loans[1]	**902/787**	**9.0**	**12.1**	**18.7**	**20.7**	**23.2**	**22.0**	**43.2**	**40.8**
Percentage of families in AA by income level[2]		19.1		17.9		22.2		40.9	
Aggregate Peer Data[3]									
Home Purchase		12.2	13.4	25.6	23.3	19.9	19.6	24.2	28.6
Home Refinance		5.1	4.8	14.4	13.1	19.7	19.2	38.4	44.6
Home Improvement		10.6	10.6	18.2	18.8	24.4	22.5	38.4	39.9
Total HMDA Loans[1]		**7.0**	**7.2**	**17.4**	**15.9**	**19.8**	**19.3**	**34.6**	**40.2**

1 Borrower annual incomes reported as 'NA' for some bank (53 in 2009; 35 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (9 in 2009; 8 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (16.9 percent) and 2010 (20.5 percent, respectively) was consistent with area demographics (19.1 percent) and above the aggregate data (10.6 percent for both years). The bank's distribution to moderate-income borrowers for 2009 and 2010 (18.1 percent and 20.5 percent, respectively) was higher than the area demographic (17.9 percent) and aggregate (18.2 percent and 18.8 percent, respectively).

Home improvement lending was identified as a need for LMI borrowers by community contacts, as the age of the housing stock is typically older and in need of repair. The bank has made significant efforts to market its home improvement lending program, especially targeting areas that include LMI borrowers.

Business Loans

The bank's distribution of loans to small businesses is considered adequate. However, the penetration was well below the demographic figure of small businesses in the AA for 2009 (47.7 percent vs. 87.2 percent) and 2010 (46.0 percent vs. 87.2 percent). The bank has a large percentage of loans where revenue information was not reported. If both the bank and

the demographic figures are adjusted, the comparison improves somewhat (60.8 percent vs. 92.4 percent for 2009; 57.5 percent vs. 92.4 percent for 2010). Comparison to aggregate data may be a better comparative.

The bank's performance was favorable compared to aggregate data, equaling approximately 8 to 24 percentage points above the aggregate. To eliminate the affect of large credit card banks, a custom peer of three local/regional community institutions selected by the bank as primary area competitors was utilized. Using this custom peer, the comparative peer figures increased to 62.1 percent for 2010, placing the bank's performance below this peer group.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

Table 15
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
ST. LOUIS MO-IL MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	578	373	260	527	389	229
Bank - Percentage of loans by size of business	47.7	30.8	21.5	46.0	34.0	20.0
Demographic - Percentage of businesses in the AA[2]	87.2	7.2	5.6	87.2	7.2	5.5
Aggregate CRA lending to small businesses in AA[3]	23.6			37.8		

1 Small businesses, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the St. Louis MSA AA, where it originated 74 loans for $113.7 million during the evaluation period. The distribution of community development lending included 8 for affordable housing, 20 for economic development, 5 for revitalization or stabilization of LMI geographies, and 41 for community services targeted towards LMI families or individuals. Some of the loans for economic development were SBA 504 loans greater than $1 million. Other examples of community development lending included:

- A $12 million loan to finance working capital and acquisition costs to provide affordable housing in the LMI neighborhoods of Forest Park Southeast and the Central West End. This loan represents a partnership between a local hospital and university to improve the neighborhoods with employer-assisted housing, home repair funding, youth activities, and improving the level of physical and personal security.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank's performance with respect to the investment test in the St. Louis MSA AA is rated "outstanding". The bank had an excellent level of qualified community development investments and donations in the St. Louis MSA AA. Investments in the area totaled $71.1 million and included 123 investments in bonds, SBICs, equity funds, and tax credits. Four SBIC bonds had investments in the bank's St. Louis market. The SBIC bonds are considered complex and innovative, as all four were underwritten by an affiliate of the bank. Most of the qualified investments were current period investments, as only 20 investments totaling $19.1 million were made prior to the evaluation period and remained on the bank's books. Examples of current period investments included:

- $26.5 million in CFB, an SBIC subsidiary of CBI.
- $1.3 million in St. Louis Equity Funds engaging in seven residential and mixed residential/commercial construction or rehabilitation projects that assist in neighborhood revitalization and the provision of decent, safe, sanitary, and affordable housing primarily to low-income households. The bank also has $1.6 million in prior period investments in this fund, which engaged in 14 different projects.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 545 donations made in the AA during the review period totaling $1.2 million. Of the donations reviewed, 295 were qualified for community development purposes totaling $899,194, which represented 26.8 percent of the bank's total qualified donations by number and 41.7 percent of the total qualified dollars.

SERVICE TEST

The bank's performance under the service test in the St. Louis MSA AA is rated "outstanding" based on the accessibility of delivery systems and the high level of community development services. St. Louis is one of two markets where Commerce Bank has established a full-time CRA Market Contact whose primary duties involve meeting with community organizations that target LMI areas and LMI individuals. The contact promotes bank products and services within these areas with certain products specifically targeted to LMI and unbanked individuals.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.
The bank operates 50 branch locations in the St. Louis MSA AA, 2 of which are located in low-income geographies, 9 in moderate-income, 21 in middle-income, and 17 in upper-income tracts. Since the last examination, the bank closed five branch locations, all in middle- and upper-income geographies. Banking offices are readily accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank is a leader in the provision of community development services in the St. Louis MSA AA, with 125 qualified services provided during the review period. Approximately 78 percent of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include providing financial educational sessions for school children as part of Junior Achievement (57 qualified sessions) and Teach Children to Save (13), as well as services provided to the Affordable Workforce Housing Association, Community Asset Management, Co., DeSales Community Housing Corporation, Economic Development Center of St. Charles County, and the St. Louis County Economic Council.

STATE OF MISSOURI

CRA RATING FOR MISSOURI:[6] ***"Outstanding"***
The lending test is rated: ***"High Satisfactory"***
The investment test is rated: ***"Outstanding"***
The service test is rated: ***"Outstanding"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the state.
- The bank provided an excellent level of community development investments and grants in the state that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank is considered a leader in providing community development services in the state; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected good responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage and business loans was adequate.

SCOPE OF EXAMINATION

The scope of the review for the state of Missouri was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The two AAs chosen for full-scope reviews were the Springfield MSA AA and the Columbia MSA AA. Within the state, the greatest deposit concentration was in the Springfield MSA, which accounted for 6.0 percent of total bank deposits, followed by the Columbia MSA with 2.3 percent. The bank's presence in the Springfield MSA ranked first out of 41 banks, and in the Columbia MSA it ranked third out of 35 banks. Together, these two AAs had a majority of the bank's deposits, branches, population, LMI tracts, owner-occupied housing units, and business establishments in the state. Accordingly, the state of Missouri rating was based predominantly on the bank's performance within these two AAs. The other eleven Missouri AAs (four MSAs and seven nonmetropolitan) were assessed using limited review procedures. During the evaluation, two prior community contacts conducted during the previous two years within the Columbia MSA were referenced. No prior Springfield contacts could be obtained.

[6] For institutions with branches in two or more states in a multistate MSA, this statewide evaluation is adjusted and does not reflect performance in the parts of the state contained within multistate MSAs. Refer to the multistate MSAs' rating and discussion for the rating and evaluation of the institution's performance in those areas.

DESCRIPTION OF BANK'S OPERATIONS IN MISSOURI

Outside of the Kansas City and St. Louis multistate MSA AAs, the bank's Missouri markets include six MSA AAs and seven nonmetropolitan AAs. The bank has a presence in every Missouri MSA except the Fayetteville-Springdale-Rogers Arkansas-Missouri, which is primarily located in Arkansas but includes one county in Missouri. The bank has 52 branches in these 13 Missouri AAs. The state of Missouri represents the bank's third largest presence, with a combined 16.7 percent of total bank deposits as of June 30, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MISSOURI

LENDING TEST

The bank's performance with respect to the lending test in the state is rated "high satisfactory". The bank is a leader in community development lending, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered good. The bank's level of lending is relatively high within the statewide AAs (outside of the multistate MSAs). The borrower and geographic distribution analyses reflect adequate performance. A more in-depth discussion of the state's performance follows.

Lending Activity:

The state of Missouri review, included 2,195 HMDA loans, which represented 35.0 percent of total HMDA loans reviewed for this evaluation; and 2,224 CRA loans, which represented 41.1 percent of total CRA loans. Per the bank's internal analysis, the statewide (within the AAs) LTD ratio equaled 80.6 percent for 2010. This represents good lending activity within the state.

Lending Programs

The Missouri Linked Deposit Program was developed by the state of Missouri to create and retain jobs, expand the economy, and strengthen communities statewide by providing below market rate business loans with up to five-year fixed rate terms. Banks obtain state funds at reduced deposit rates and in turn make reduced-rate loans to businesses with fewer than 100 employees that are headquartered and operating in Missouri. Commerce Bank is the largest participant in the program, with $120.8 million in loans as of September 30, 2011. The next largest participant had less than $23 million. The majority of the bank's lending came in 2011. During our review period, 2009 and 2010, the bank's level of funding in this program equaled $29.4 million. The majority of these loans are reported on the HMDA or CRA LAR.

Geographic and Borrower Distribution:

Commerce Bank's overall geographic distribution of HMDA-related and business loans reflected adequate penetration in LMI tracts throughout all the Missouri AAs. In the full review and limited review AAs, the bank's performance was typically lagging the demographic data. However, the bank's HMDA performance was similar to or slightly exceeded aggregate HMDA reporters, and the bank's business lending performance consistently exceeded that of aggregate CRA reporters.

The bank's distribution of HMDA-related loans and business loans reflected adequate penetration among borrowers of different income levels and businesses of different revenue sizes. This conclusion was based on the bank's performance in all AAs. While the HMDA loan distribution was generally less than the demographic data, the distribution was similar to the aggregate performance. Small business performance was also below demographic data, but significantly above aggregate data in all AAs.

Community Development Loans:

Overall, the bank is considered a leader in originating community development loans, with excellent levels of community development lending throughout the Missouri AAs. The high level of activity had a positive impact on the overall lending test rating. The bank made 67 loan commitments in the Missouri AAs, totaling $105.8 million. A significant volume of the lending is in the Springfield MSA AA, where 17 community development loans totaling $27.1 million were originated. There were also a significant number of loans in the limited review nonmetropolitan AAs combined, where 17 loans were originated totaling $54.8 million.

The bank has a good process for capturing supporting documentation of normal business loan activity to qualify them for community development consideration. The majority of community development loans were for economic development, originated to small businesses per SBA guidelines, where the businesses employed LMI individuals or were located in Enterprise Zones. The next largest dollar volume of community development loans was for revitalization and stabilization. These loans were generally to businesses located in LMI tracts that are part of Enterprise Zones.

INVESTMENT TEST

The state of Missouri investment test rating is "outstanding" as the bank exhibits excellent responsiveness to community development needs within the state's AAs. The bank's investment activity within the state during the two-year evaluation period totaled $71.9 million and was considered excellent. This level represents a 143-percent increase from the prior evaluation, which covered a four-year evaluation period. While the community development investment level in the Columbia MSA AA was considered somewhat weaker than the statewide level, it was still considered significant. The Missouri rating was influenced by the

excellent investment activity in the Springfield MSA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state.

Forty of the 56 total investments were to revitalize or stabilize communities. There were five statewide affordable housing equity investments totaling $4.1 million. Four SBIC bonds had investments in the nonmetropolitan AAs totaling $3.9 million. The SBIC bonds are considered complex and innovative, as all were underwritten by an affiliate of the bank.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 564 donations within the state for the review period, totaling $534,226. Of the donations reviewed, 280 were qualified for community development purposes totaling $301,602 and representing 25.4 percent of the bank's total qualified donations by number and 13.9 percent of the total qualified dollars.

SERVICE TEST

The bank's performance under the service test is rated "outstanding" for the state of Missouri. The rating is based on the bank's performance in the Springfield and Columbia MSAs, as well as the limited review AAs, which were consistent with the overall outstanding rating of the state. This conclusion was based on the accessibility of delivery systems, the effect of branch openings and closings, and the level of qualified community development services. Fourteen of the bank's 52 banking offices (26.9 percent) in the state are located in LMI geographies. All banking offices are reasonably accessible to all portions of the AAs. The wide array of services offered by the bank and branch business hours does not vary in a way that inconveniences certain portions of the AAs or LMI individuals.

Commerce Bank is considered a leader in providing community development services in the Springfield MSA AA and provided a relatively high level of services in the Columbia MSA AA. Most community development services provided supported community services to LMI individuals and economic development. Fourteen of the services were in the Springfield MSA AA, ten were in the Columbia MSA AA, and 99 were in the other 11 limited review AAs.

SPRINGFIELD, MO METROPOLITAN STATISTICAL AREA
(Full Review)

DESCRIPTION OF BANK'S OPERATIONS IN THE SPRINGFIELD MSA AA

The bank's Springfield MSA AA includes four of five counties in the MSA. This AA has 13 branches and 35.7 percent of the bank's total state deposits as of June 30, 2011. The bank's presence in the Springfield MSA ranks first out of 41 banks.

DESCRIPTION OF ASSESSMENT AREA

The AA 2000 population of 368,374 represented 91.6 percent of the entire MSA population. As of 2010 Census data, the MSA population increased 18.6 percent to 436,712. Greene County contains the core city of Springfield, and its 2000 population represented 72.4 percent of the total AA population and 66.6 percent of the total MSA population. Greene County also houses nine of the bank's 13 AA branches.

The largest industry sectors in the Springfield MSA are educational and health services (19.7 percent), government (14.6 percent), retail trade (12.7 percent), and professional and business services (10.3 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010; BEA, 2009)

The MSA's largest nongovernment employers are St. John's Regional Health Center (6,841 employees), Cox Health Systems (6,355), Wal-Mart Stores, Inc. (3,927), Missouri State University (3,065), Bass Pro Shops (2,326), and Citizens Memorial Hospital (1,600). (Source: FDIC RECON/Springfield Business & Development Corporation, February 2008)

The unemployment rate for the MSA in 2009 and 2010 was 8.7 percent. This was below the statewide and U.S unemployment rates, both of which equaled 9.3 percent in 2009 and 9.6 percent in 2010. Between 2007 and 2010, the metropolitan area lost nearly one-third of its manufacturing employment, with machinery, metal, and furniture manufacturing leading the decline, which spanned every manufacturing industry. Although healthcare and Missouri State University have managed to avoid job losses, economic recovery in the Springfield MSA has been slow. Most of the jobs added have been in the lower-paying retail, leisure, and hospitality industries, while construction activity continues to stagnate at a cyclical low.

Due to Missouri State University, Greene County has a slightly higher population of residents aged 18 to 24 than the other counties in the AA. However, it has slightly fewer residents aged 17 and younger. The level of residents that are most likely to create loan demand, age 25 and over, is similar to the other AA counties. The concentration of residents living in college dormitories equaled 2.3 percent, compared to the overall statewide figure of 0.8 percent.

The percentage of families that are considered low-, moderate-, middle-, and upper-income in the AA, the overall MSA, and Greene County generally mirror overall state figures for Missouri. Of the four AA counties, Dallas County and Polk County have relatively high levels of LMI families (combined LMI of 49.2 percent and 45.2 percent, respectively, vs. the AA figure of 36.4 percent). These two counties are more rural in nature and have low populations. Dallas County has two moderate-income census tracts that are some distance from the bank's branches; while Polk County has one moderate-income census tract, near the bank's Bolivar, Missouri branches. The percentage of AA families below the poverty level (8.1 percent) also mirrored the entire MSA and Missouri figures, as of 2000 Census data. Dallas County and Polk County were again relatively high, equaling 14.2 percent and 11.1 percent, respectively.

Table 16 shows income, housing, and general demographic characteristics of the AA.

Table 16
ASSESSMENT AREA DEMOGRAPHICS
SPRINGFIELD MO MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	2.5	225	0.3	89	39.6	15,435	17.2
Moderate-income	18	22.2	17,306	19.3	2,949	17.0	17,221	19.2
Middle-income	40	49.4	47,068	52.5	3,548	7.5	21,517	24.0
Upper-income	21	25.9	25,081	28.0	693	2.8	35,507	39.6
Total AA	**81**	**100.0**	**89,680**	**100.0**	**7,279**	**8.1**	**89,680**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,774	35	0.0	2.0	1,551	87.4	188	10.6
Moderate-income	32,523	15,904	17.7	48.9	13,265	40.8	3,354	10.3
Middle-income	74,747	47,280	52.6	63.3	22,491	30.1	4,976	6.7
Upper-income	35,397	26,584	29.6	75.1	7,121	20.1	1,692	4.8
Total AA	**144,441**	**89,803**	**100.0**	**62.2**	**44,428**	**30.8**	**10,210**	**7.1**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	424	2.4	358	2.3	41	3.8	25	3.0
Moderate-income	3,114	17.8	2,609	16.7	303	27.9	202	24.5
Middle-income	8,822	50.3	8,013	51.3	436	40.1	373	45.3
Upper-income	5,171	29.5	4,641	29.7	306	28.2	224	27.2
Total AA	**17,531**	**100.0**	**15,621**	**100.0**	**1,086**	**100.0**	**824**	**100.0**
	Percentage of Total Businesses:			**89.1**		**6.2**		**4.7**

Based on 2000 Census data and 2010 D&B data.

The housing affordability ratio in the Springfield MSA AA equaled 38.7 percent as of the 2000 Census, less affordable than the statewide figure of 43.7 percent. The low affordability

ratio in the AA is driven by lower incomes, rather than high housing prices. The AA and MSA rental housing concentration is above the overall state figure, primarily due to the concentration of rental units in Greene County (34.0 percent of total housing units), where the university is located. The concentration of mobile homes is high in Polk County (20.0 percent) and Dallas County (23.1 percent), well above the overall AA figure of 7.7 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SPRINGFIELD MSA

LENDING TEST

The bank's performance with respect to the lending test in the Springfield MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is adequate. The bank's level of lending is relatively high within the AA. The borrower distribution analysis reflected an adequate performance in the MSA, as did the geographic distribution. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review of this market included 452 HMDA loans for the review period, which represented 20.6 percent of total HMDA loans within the state; and 542 CRA loans, which represented 21.3 percent of total CRA loans within the state. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 6.2 percent, while the deposits in the AA equaled approximately 4.9 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 78.0 percent. For our review period, the bank originated 27 SBA loans totaling $6.4 million in the MSA. The bank's lending activity represents excellent lending levels.

Geographic Distribution:

As shown in Table 17, the bank's geographic distribution of residential mortgage loans and business and farm loans reflected an adequate loan penetration among geographies of different income levels.

The AA's two low-income tracts and 15 of 18 moderate-income tracts are located in Greene County, in the core City of Springfield. The two low-income tracts contain the Missouri State University campus and very few owner-occupied housing units, so the bank is not expected to make mortgage loans in these tracts. The concentration of rental units is more pronounced at 87.4 percent of total housing units in the low-income tracts and 40.8 percent in the moderate-income tracts; compared to 30.8 percent for the AA overall. This would create a larger market for nonowner-occupied residential loans in the LMI tracts; however, that is not a primary product for the bank in this market.

The median age of housing stock is somewhat older in the LMI tracts, equaling 38 to 39 years in the LMI tracts; compared to 23 years in middle-income tracts and 18 years in the upper-income tracts. This may increase the need for home improvement loans in the LMI tracts.

Table 17
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
SPRINGFIELD MO MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	53/39	0.0	0.0	15.1	7.7	41.5	59.0	43.4	33.3
Home Refinance	151/132	0.0	0.0	10.6	9.1	53.0	51.5	36.4	39.4
Home Improvement	38/37	0.0	0.0	10.5	13.5	52.6	73.0	36.8	13.5
Total HMDA Loans[2]	**244/208**	**0.0**	**0.0**	**11.9**	**9.6**	**50.4**	**56.7**	**37.7**	**33.7**
Percentage of owner-occupied housing units in AA by income level of tract [3]		0.0		17.7		52.6		29.6	
Aggregate Peer Data [4]									
Home Purchase		0.1	0.1	12.3	11.6	56.6	55.4	30.9	32.9
Home Refinance		0.0	0.0	7.8	6.9	50.5	48.9	41.6	44.1
Home Improvement		0.4	0.4	12.3	15.9	56.4	54.7	30.9	28.9
Total HMDA Loans		**0.1**	**0.1**	**9.5**	**8.8**	**52.7**	**51.3**	**37.6**	**39.9**
Business Loans:									
Business Loans	371/314	1.9	2.5	17.0	16.9	52.0	51.6	29.1	29.0
Percentage of businesses in AA by income level of tract [5]		2.5	2.4	17.9	17.8	50.4	50.3	29.3	29.5
Aggregate CRA lending in AA[4]		2.3	2.8	17.7	16.5	45.5	45.0	32.8	32.4
Farm Loans:									
Farm Loans	202/179	0.0	0.0	14.9	15.1	78.2	79.9	6.9	5.0
Percentage of farms in AA by income level of tract [5]		0.3	0.2	17.0	17.1	66.4	65.9	16.2	16.8
Aggregate CRA lending in AA[4]		0.0	0.0	14.6	16.7	75.7	73.2	9.2	8.7

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 Total HMDA loans include multifamily loans (2 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume.
3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Home Purchase Loans

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, particularly in moderate-income geographies. The bank's performance in moderate-income tracts for 2009 and 2010 (15.1 percent and 7.7 percent, respectively) was below area demographics (17.7 percent), above the aggregate figure for 2009 (12.3 percent), but below aggregate in 2010 (11.6 percent).

Refinance Loans

The bank's distribution of refinance loans also reflected adequate penetration in moderate-income tracts. The bank's performance for 2009 and 2010 (10.6 percent and 9.1 percent, respectively) was below area demographics (17.7 percent) but above aggregate data (7.8 percent and 6.9 percent, respectively).

Home Improvement Loans

The distribution of home improvement loans across geographies of different income levels reflected adequate distribution. The bank's performance for 2009 and 2010 in moderate-income tracts (10.5 percent and 13.5 percent, respectively) was below area demographics (17.7 percent) and slightly below aggregate data (12.3 percent and 15.9 percent, respectively).

Business and Farm Loans

The geographic distribution of business and farm loans is adequate in LMI geographies. The bank's performance in 2009 and 2010 was consistent with demographics and aggregate data.

Distribution by Borrower Income and Revenue Size of Business or Farm:

As shown in Table 18, the borrower distribution of the bank's lending reflected adequate distribution among individuals of different income levels and among businesses and farms of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers was adequate. The bank's distribution to low-income borrowers for 2009 (9.4 percent) and 2010 (7.7 percent) was below area demographics (17.2 percent) and aggregate data (10.2 percent and 11.2 percent, respectively). The bank's distribution to moderate-income borrowers was somewhat low, but adequate for both 2009 and 2010 (17.0 percent and 17.9 percent, respectively). This level was slightly below area demographics (19.2 percent) and below aggregate data (23.0 percent and 23.7 percent, respectively). The incomes in the Springfield AA are much less than Kansas City and St. Louis, causing the housing affordability ratio to be lower (less affordable). This may have an impact on the ability of LMI families to afford home purchases in the AA.

However, the bank's performance is not keeping up with aggregate figures, so room for improvement is noted.

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits adequate performance. The bank's distribution to low-income borrowers for 2009 (6.6 percent) and 2010 (3.0 percent) was well below area demographics (17.2 percent), but more in line with aggregate data (5.0 percent and 4.9 percent, respectively). The bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (13.2 percent and 19.7 percent, respectively). This level was below demographics for 2009 but above demographics in 2010 (19.2 percent) and was consistent with or above aggregate data (13.4 percent and 14.0 percent, respectively).

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (13.2 percent) and 2010 (24.3 percent) was consistent with or above area demographics (17.2 percent) and above the aggregate data (11.3 percent for both years). The bank's distribution to moderate-income borrowers for 2009 (15.8 percent) was below area demographics (19.2 percent) but above the aggregate (13.4 percent). For 2010, the bank's distribution (21.6 percent) exceeded the demographic (19.2 percent) and aggregate (21.4 percent). The bank's home improvement performance in this AA also reflects the significant efforts to market this product in areas that include LMI borrowers.

Table 18
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
SPRINGFIELD MO MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	53/39	9.4	7.7	17.0	17.9	15.1	23.1	39.6	35.9
Home Refinance	151/132	6.6	3.0	13.2	19.7	16.6	16.7	46.4	47.0
Home Improvement	38/37	13.2	24.3	15.8	21.6	31.6	35.1	39.5	18.9
Total HMDA Loans[1]	**244/208**	**8.2**	**7.7**	**14.3**	**19.7**	**18.4**	**21.2**	**43.4**	**39.9**
Percentage of families in AA by income level[2]		17.2		19.2		24.0		39.6	
Aggregate Peer Data[3]									
Home Purchase		10.2	11.2	23.0	23.7	20.5	20.3	26.0	27.0
Home Refinance		5.0	4.9	13.4	14.0	19.4	20.2	38.6	40.7
Home Improvement		11.3	11.3	18.8	21.4	23.8	27.9	40.4	33.1
Total HMDA Loans[1]		**6.9**	**7.2**	**16.9**	**17.4**	**19.8**	**20.4**	**34.2**	**35.8**

1 Borrower annual incomes reported as 'NA' for some bank (38 in 2009; 24 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (2 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business and Farm Loans

The bank's distribution of loans to small businesses is considered adequate. The penetration was well below the demographic figure of small businesses in the AA for 2009 (54.2 percent vs. 88.9 percent) and 2010 (52.5 percent vs. 89.1 percent). The bank had a large percentage of loans where revenue information was not reported. Adjusting both the bank and the demographic figures to consider only those with reported revenues, the comparison improves somewhat (68.8 percent vs. 93.4 percent for 2009; 66.0 percent vs. 93.5 percent for 2010). Comparison to aggregate data may be a better comparative. The bank's performance was favorable compared to aggregate data, equaling approximately 9 to 29 percentage points above the aggregate data.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The distribution of loans to farms of different sizes is adequate. The bank's lending performance is below area demographics, but consistent with aggregate data. Again, there are a relatively large number of lines with 'NA' reported for revenues. Adjusted figures for the

bank mirror the demographic figures. This product is given greater weight in the Springfield MSA AA than most other AAs.

Table 19
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
SPRINGFIELD MO MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	201	91	79	165	85	64
Bank - Percentage of loans by size of business	54.2	24.5	21.3	52.5	27.1	20.4
Demographic - Percentage of businesses in the AA[2]	88.9	6.3	4.8	89.1	6.2	4.7
Aggregate CRA lending to small businesses in AA[3]	25.1			43.2		
Farm Loans						
Bank - Number of farm loans	158	3	41	153	1	25
Bank - Percentage of loans by size of farm	78.2	1.5	20.3	85.5	0.6	14.0
Demographic - Percentage of farms in the AA[2]	99.0	0.7	0.3	99.2	0.7	0.2
Aggregate CRA lending to small farms in AA[3]	82.6			86.2		

1 Small businesses or farms, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses or farms in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Springfield MSA AA, where it originated 17 loans for $27.2 million during the evaluation period. The distribution of community development lending included one for affordable housing, nine for economic development, three for revitalization or stabilization of LMI geographies, and four for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A $2.1 million loan to a nonprofit organization located in a low-income tract. The organization maintains a thrift shop with 100 percent of proceeds benefiting services targeted to the homeless and LMI individuals of the area.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Springfield MSA AA. Investments in the area totaled $6.9 million. The investments included 13 tax credits that were to revitalize and stabilize LMI geographies and were located within the Springfield Enterprise Zone. The bank had two prior period bonds that were still on the books that provided public building revitalization and stabilization efforts in an LMI area within the Springfield Enterprise Zone.

The bank shows good responsiveness to area community development needs through its donation activities, submitting 91 donations in the AA during the review period totaling $102,212. Of the donations reviewed, 40 qualified for community development purposes totaling $50,980, which represented 14.3 percent of the bank's statewide total qualified donations by number and 16.9 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Springfield MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

Commerce Bank operates 14 branch locations in the Springfield MSA AA, with one in a low-income geography, three in moderate-income, seven in middle-income, and three in upper-income tracts. Since the last examination, the bank closed one branch and opened one branch, both located in moderate-income geographies. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank provided a relatively high level of community development services in the Springfield MSA AA, with 14 qualified services provided during the review period. Twelve of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include services provided to Habitat for Humanity, United Way, Resources for Missouri, Boys and Girls Clubs of Springfield, and the Discovery Center.

COLUMBIA, MISSOURI METROPOLITAN STATISTICAL AREA
(Full Review)

DESCRIPTION OF BANK'S OPERATIONS IN THE COLUMBIA MSA AA

The bank's Columbia MSA AA includes one of two MSA counties, Boone County, which contains the core city of Columbia. This AA has nine branches and 14.0 percent of the bank's total state deposits as of June 30, 2011. The bank's operations in this AA were similar to that of the St. Joseph MSA AA, but this AA was chosen for a full review due to the presence of eleven LMI tracts, compared to only five in the St. Joseph MSA AA.

The nature of the bank's HMDA lending in the Columbia market represents a slightly higher concentration in business purpose, nonowner-occupied loans. This results in a higher number of loans to business entities, for which banks are not required to report income on the HMDA LAR. In the Columbia AA, incomes reported as 'NA' totaled 24.7 percent of total AA HMDA loans, higher than the overall bank figure of 10.8 percent. This was more pronounced in 2010, with 35.1 percent of loans with reported income of 'NA', vs. only 12.8 percent in 2009.

DESCRIPTION OF ASSESSMENT AREA

The AA 2000 population of 135,454 represented 93.0 percent of the entire Columbia MSA population. As of 2010 Census data, the MSA population increased 18.6 percent, from 145,666 in 2000 to 172,786. The largest industry sectors in the MSA are government (33.8 percent), retail trade (12.6 percent), educational and health services (12.5 percent), and leisure and hospitality (10.9 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010)

The MSA's largest nongovernment employers are the University of Missouri-Columbia (8,630 employees), University Hospital and Clinics (4,279), Boone Hospital Center (1,647), U.S. Department of Veteran Affairs (1,250), and Shelter Insurance Companies (1,171). (Source: FDIC RECON/Regional Economic Development, Inc., March 2011)

High educational attainment in the MSA has been a key advantage, and is expected to continue to promote strong long-term growth and help insulate the MSA from recession. The percentage of residents with a bachelor's degree or higher was 44 percent in 2009, ranking Columbia 11th among all U.S. MSAs. A highly educated workforce helps attract high-value-added business and contributes to the MSA's low unemployment rate (6.5 percent at year-end 2010). Because the jobless rate is lower among educated workers, the MSA's unemployment rate has historically stood about three percentage points below the national average.

The MSA's recovery has slowed somewhat in 2011. Retail and state government payrolls, sustained by the university, have been the main drivers of expansion since the recovery

began. Due to the university, Boone County has a much higher population of residents aged 18 to 24 than the overall state of Missouri (19.9 percent vs. 9.6 percent).

Table 20 shows income, housing, and general demographic characteristics of the AA.

Table 20
ASSESSMENT AREA DEMOGRAPHICS
COLUMBIA MO MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	17.2	1,279	4.0	484	37.8	6,047	19.1
Moderate-income	6	20.7	3,751	11.8	610	16.3	5,673	17.9
Middle-income	13	44.8	18,059	57.0	985	5.5	7,245	22.9
Upper-income	5	17.2	8,576	27.1	312	3.6	12,700	40.1
Total AA	**29**	**100.0**	**31,665**	**100.0**	**2,391**	**7.6**	**31,665**	**100.0**
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	4,751	560	1.8	11.8	3,647	76.8	544	11.5
Moderate-income	9,794	3,235	10.6	33.0	5,998	61.2	561	5.7
Middle-income	28,291	18,068	59.2	63.9	8,355	29.5	1,868	6.6
Upper-income	13,842	8,666	28.4	62.6	4,565	33.0	611	4.4
Total AA	**56,678**	**30,529**	**100.0**	**53.9**	**22,565**	**39.8**	**3,584**	**6.3**
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1,135	16.7	962	15.8	102	25.8	71	22.0
Moderate-income	926	13.6	797	13.1	69	17.5	60	18.6
Middle-income	3,074	45.3	2,799	46.1	165	41.8	110	34.1
Upper-income	1,656	24.4	1,515	24.9	59	14.9	82	25.4
Total AA	**6,791**	**100.0**	**6,073**	**100.0**	**395**	**100.0**	**323**	**100.0**
	Percentage of Total Businesses:			**89.4**		**5.8**		**4.8**

Based on 2000 Census data and 2010 D&B data.

The percentage of families considered low-, moderate-, middle-, and upper-income in the AA generally mirror the overall state figures. The percentage of AA families below the poverty level is slightly lower than the Missouri figure (7.6 percent vs. 8.6 percent, as of 2000 data).

Despite higher house prices, homes in Kansas City and St. Louis areas are actually more affordable than those in Columbia when accounting for incomes, as Columbia's MFI is below

the national average despite the higher rate of educational attainment. The housing affordability ratio for Boone County equaled 37.4 percent as of the 2000 Census, less affordable than the statewide figure of 43.7 percent.

The AA's percentage of rental housing units is above the overall state figure (39.8 percent of total housing units vs. 26.7 percent), primarily due to the university. Conversely, owner-occupied units are below the state figure (53.9 percent vs. 63.2 percent). The AA concentration of residents living in college dormitories equaled 5.5 percent, compared to the overall statewide figure of 0.8 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COLUMBIA MSA

LENDING TEST

The bank's performance with respect to the lending test in the Columbia MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending is relatively high within the AA. The borrower distribution analysis reflected adequate performance in the AA, and the geographic distribution was also adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this market included 320 HMDA loans, which represented 14.6 percent of total HMDA loans within the state; and 155 CRA loans, which represented 7.8 percent of total CRA loans within the state. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 6.2 percent, while the deposits in the AA equaled approximately 4.9 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 72.1 percent. For our review period, the bank originated 27 SBA loans totaling $6.4 million in the AA. The bank's lending activity test represents good lending levels.

Geographic Distribution:

As shown in Table 21, the geographic distribution of the bank's residential mortgage loans and business loans reflected an adequate loan penetration among geographies of different income levels.

Much of the University of Missouri campus is within two low-, two moderate-, and one upper-income tract. The low-income tracts also include downtown Columbia and the I-70 business loop. These factors may affect lending opportunities in the LMI tracts, especially for residential lending.

The LMI tracts contain larger concentrations of families below the poverty level, equaling 37.8 percent of families in the low-income tracts and 16.3 percent in the moderate-income tracts; well above the 7.6 percent figure for the overall AA. These demographics may also impact the ability of residents in the LMI tracts to afford home ownership.

The LMI tracts contain very high levels of rental units, equaling 76.8 percent of total housing units in the low-income tracts and 61.2 percent in the moderate-income tracts, compared to 39.8 percent for the AA overall. Therefore, these tracts may contain more opportunities for lending on nonowner-occupied units.

The median age of housing stock is somewhat older in the LMI tracts, equaling 38 years in the low-income tracts and 25 years in the moderate-income tracts; compared to 22 years in middle-income tracts and 19 years in the upper-income tracts. This may create higher demand for home improvement loans in the LMI tracts.

Home Purchase Loans

The geographic distribution of home purchase loans was adequate throughout the AA. For 2009 and 2010, the bank's performance in low-income tracts (8.3 percent and 6.3 percent, respectively) was well above area demographics (1.8 percent) and aggregate data (1.9 percent and 1.4 percent, respectively). However, the bank's performance in moderate-income tracts for 2009 and 2010 (4.2 percent and 9.4 percent, respectively) was below demographics (10.6 percent) and aggregate data (12.9 percent and 11.8 percent, respectively).

Since the bank has a higher concentration of business purpose HMDA loans in this AA (likely rentals and rehabs), and the LMI tracts have very high concentrations of rental units, a better demographic comparison would be total 1- to 4-family housing units, as comparison to owner-occupied housing units overstates the bank's performance somewhat. In the low-income tracts, this comparison would place the bank right in line with the demographic figure of 8.4 percent. However, this comparison places the bank further behind the demographic in the moderate-income tracts, with the new demographic comparison equaling 17.3 percent.

Using both demographic comparisons, the bank's performance lagged behind aggregate figures in the moderate-income tracts. However, the bank showed good performance in low-income tracts.

Refinance Loans

Refinance lending across geographies of different income levels reflected adequate penetration in LMI geographies. The bank's performance for 2009 and 2010 in low-income geographies (0.9 percent and 3.4 percent, respectively) was consistent with area demographics (1.8 percent) and above aggregate data (0.7 percent and 0.9 percent, respectively). The performance in moderate-income geographies for 2009 and 2010 (8.0 percent and 6.8 percent, respectively) was below area demographics (10.6 percent) and

consistent with aggregate data (8.1 percent and 7.8 percent, respectively). Refinance lending carries the most weight of the HMDA products due to higher volume.

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels is adequate. The bank had no loan originations in low-income tracts for 2009 or 2010, and none in the moderate-income tracts in 2010. However, given the low loan volume (13 in 2009; 17 in 2010) and the low level of owner-occupied units in the low-income tracts (only 1.8 percent of total AA owner-occupied units), this is considered adequate, as only one reported loan in an LMI tract would boost the bank's performance to 6 to 8 percent, and this performance would be well above the demographic figure.

The overall bank philosophy of providing home improvement loans to LMI individuals and tracts does not hold true in this AA's LMI tracts. The high level of rental units may provide further context, as investment property owners may obtain purchase/improvement loans upfront at the time of acquisition of the units, or upkeep of rental properties may be funded from a property management company's working capital line as opposed to HMDA-reportable home improvement loans.

The bank's 2009 performance in moderate-income tracts (15.4 percent) was above the area demographic figure for owner-occupied (10.6 percent), in line with the demographic figure of total 1- to 4-family housing units (17.3 percent), and was well above aggregate data (8.4 percent). However, the volume represented only two home improvement loans originated by the bank.

Table 21
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
COLUMBIA MO MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	24/32	8.3	6.3	4.2	9.4	58.3	53.1	29.2	31.3
Home Refinance	112/118	0.9	3.4	8.0	6.8	68.8	61.9	22.3	28.0
Home Improvement	13/17	0.0	0.0	15.4	0.0	69.2	64.7	15.4	35.3
Total HMDA Loans[2]	**149/171**	**2.0**	**3.5**	**8.1**	**7.6**	**67.1**	**60.2**	**22.8**	**28.7**
Percentage of owner-occupied housing units in AA by income level of tract [3]		1.8		10.6		59.2		28.4	
Aggregate Peer Data [4]									
Home Purchase		1.9	1.4	12.9	11.8	63.0	61.1	22.3	25.8
Home Refinance		0.7	0.9	8.1	7.8	60.0	59.5	31.2	31.8
Home Improvement		0.8	3.1	8.4	7.3	62.0	57.5	28.8	32.1
Total HMDA Loans		**1.1**	**1.2**	**9.8**	**9.3**	**61.1**	**59.9**	**28.0**	**29.5**
Business Loans:									
Business Loans	197/162	18.3	16.0	12.7	11.1	37.6	45.7	31.5	27.2
Percentage of businesses in AA by income level of tract [5]		16.9	16.7	14.0	13.6	45.1	45.3	24.0	24.4
Aggregate CRA lending in AA[4]		17.8	17.0	13.3	12.5	44.7	44.2	23.4	25.2

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 Total HMDA loans include multifamily loans (0 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home improvement loans remained in the analysis.
3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Business Loans

The geographic distribution of business loans is good in LMI geographies. The bank's performance for 2009 and 2010 was consistent with area demographics and aggregate data.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 22, the bank's borrower distribution reflected adequate distribution among individuals of different income levels and businesses of different revenue sizes.

To provide additional context, the analysis below for 2010 home purchase and refinance loans (products where the bank's LAR reported a higher level of nonowner-occupied lines) includes a comparison of the bank's performance after removing those loans without reported incomes in order to focus a secondary review specifically on the bank's distribution of owner-occupied lines.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers is adequate. The bank's distribution to low-income borrowers for 2009 (12.5 percent) and 2010 (3.1 percent) was below area demographics (19.1 percent) and slightly above the aggregate figure for 2009 (11.2 percent) but well below aggregate data for 2010 (11.3 percent).

The bank's distribution to moderate-income borrowers was strong for 2009 (41.7 percent), exceeding area demographics (17.9 percent), and aggregate data (26.4 percent). The performance to moderate-income borrowers in 2010 was considerably lower (12.5 percent), and was below demographics (17.9 percent) and aggregate data (23.8 percent). When focusing only on loans with reported revenues, lending to moderate-income borrowers for 2010 improves to 25.0 percent vs. 28.1 percent for the aggregate, which is adequate.

Refinance Loans

The bank's level of refinance loans to LMI borrowers exhibits an adequate performance. The bank's distribution to low-income borrowers for 2009 (5.4 percent) and 2010 (2.5 percent) was well below area demographics (19.1 percent) and was slightly below aggregate data (6.4 percent and 4.4 percent, respectively).

The bank's distribution to moderate-income borrowers for 2009 (10.7 percent) and 2010 (10.2 percent) was below the demographic (17.9 percent) and aggregate (14.9 percent and 14.1 percent, respectively). When focusing only on loans with reported revenues in order to provide more focus to owner-occupied refinance loans, lending to moderate-income borrowers for 2010 improves to 15.2 percent vs. 16.2 percent for the aggregate, which is adequate.

Table 22
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
COLUMBIA MO MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	24/32	12.5	3.1	41.7	12.5	4.2	6.3	41.7	28.1
Home Refinance	112/118	5.4	2.5	10.7	10.2	16.1	20.3	50.9	33.9
Home Improvement	13/17	0.0	5.9	30.8	11.8	23.1	41.2	46.2	35.3
Total HMDA Loans[1]	**149/171**	**6.0**	**2.9**	**17.4**	**10.5**	**14.8**	**19.3**	**49.0**	**32.2**
Percentage of families in AA by income level[2]		19.1		17.9		22.9		40.0	
Aggregate Peer Data[3]									
Home Purchase		11.2	11.3	26.4	23.8	23.1	21.5	27.3	28.1
Home Refinance		6.4	4.4	14.9	14.1	20.9	23.1	43.4	45.3
Home Improvement		10.0	10.9	19.6	15.5	23.6	24.4	42.4	43.0
Total HMDA Loans[1]		**8.1**	**7.2**	**19.0**	**17.7**	**21.7**	**22.4**	**37.7**	**38.6**

1 Borrower annual incomes reported as 'NA' for some bank (19 in 2009; 60 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (0 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home improvement loans remained in the analysis.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Home Improvement Loans

The overall level of home improvement lending was low, but reflected good performance. The bank's distribution to low-income borrowers for 2009 (0.0 percent) and 2010 (5.9 percent) was well below area demographics (19.1 percent) and the aggregate data (10.0 percent and 10.9 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 was very strong (30.8 percent) and was well above area demographics (17.9 percent) and the aggregate (19.6 percent). For 2010, the bank's distribution was considerably lower (11.8 percent) and below both demographic (17.9 percent) and aggregate data (15.5 percent).

Business Loans

The bank's distribution of loans to small businesses is considered adequate. However, the penetration is well below the demographic figure of small businesses in the AA for 2009 (28.4 percent vs. 89.1 percent) and 2010 (33.3 percent vs. 89.4 percent).

The data is somewhat skewed due to the bank's very large percentage of loans where revenue information was not reported. After adjusting both bank and demographic figures to exclude unreported revenues and focus only on those that are known, the comparison improves considerably (70.0 percent vs. 93.6 percent for 2009; 72.0 percent vs. 93.9 percent for 2010).

Comparison to aggregate data may be a better comparative. The bank's performance compared to aggregate data is slightly higher in 2009, but below the aggregate in 2010. Adjusted figures for unreported revenues are not available for aggregate numbers. However, given the bank's high level of unreported revenues, the comparison to aggregate would likely improve if adjusted numbers for each could be prepared. The more revenue information that is collected and reported, the less the data is skewed in the comparisons to demographic and aggregate figures.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

Table 23
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
COLUMBIA MO MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	56	24	117	54	21	87
Bank - Percentage of loans by size of business	28.4	12.2	59.4	33.3	13.0	53.7
Demographic - Percentage of businesses in the AA[2]	89.1	6.1	4.9	89.4	5.8	4.8
Aggregate CRA lending to small businesses in AA[3]	23.5			42.1		

1 Small businesses, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Columbia MSA AA, where it originated 16 loans for $9.3 million during the evaluation period. The distribution of community development lending included one for affordable housing, three for economic development, one for revitalization or stabilization of LMI geographies, and eleven for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A $2 million loan to a City of Columbia nonprofit organization that is located in a moderate-income tract. The organization has an economic development purpose for area businesses by providing job services targeted to LMI individuals in the area.
- Two loans totaling $2.2 million to a nonprofit organization that provides various programs, services, and healthcare targeted to LMI individuals.

INVESTMENT TEST

The bank had a significant level of qualified community development investments and donations in the Columbia MSA AA. Investments in the area totaled $2.1 million. The equity investments included five current period tax credits that were to revitalize and stabilize LMI geographies and were located within state designated distressed areas.

The bank shows good responsiveness to AA community development needs through its donation activities. The bank submitted 72 donations made in the AA during the review period totaling $143,250. Of the donations reviewed, 34 were qualified for community development purposes totaling $64,540, which represented 12.1 percent of the bank's statewide total qualified donations by number and 21.4 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Columbia MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

Commerce Bank operates eight branch locations in the Columbia MSA AA, of which two are located in low-income, two are in moderate-income, one is in middle-income, and three are in upper-income tracts. Since the last examination, the bank closed one office that was located in a low-income geography. The closed branch was located in a business section of the MSA and was within one mile of two additional branch offices. A full-service ATM was also maintained near the closed branch office. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank provided a relatively high level of community development services in the Columbia MSA AA, with ten qualified services provided during the review period. Eight of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include services provided to the Community Development Corporation of Columbia, Heart of Missouri United Way, the Central Missouri Food Bank, and SCORE - America's Small Business Owners.

OTHER MISSOURI METROPOLITAN STATISTICAL AREAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN LIMITED REVIEW MISSOURI MSA AAs

St. Joseph, MO MSA AA

The bank's St. Joseph MSA AA includes two of four counties in the MSA. This AA has three branches and 12.9 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 17.5 percent of total HMDA loans within the state, and business loans in the AA equaled 9.4 percent of total state CRA LAR business loans.

Jefferson City, MO MSA AA

The bank's Jefferson City MSA AA includes one of four counties in the MSA. This AA has two branches and 2.7 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 3.6 percent of total HMDA loans within the state, and business loans in the AA equaled 7.4 percent of total state CRA LAR business loans.

Joplin, MO MSA AA

The bank's Joplin MSA AA includes both of the two counties that comprise the MSA. This AA has four branches and 7.7 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 6.0 percent of total HMDA loans within the state, and business loans in the AA equaled 3.6 percent of total state CRA LAR business loans.

Cape Girardeau, MO MSA AA

The bank's Cape Girardeau MSA AA includes one of three counties in the MSA, and does not include the sole county on the Illinois side of the state line. This AA has four branches and 3.6 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 5.2 percent of total HMDA loans within the state, and business loans in the AA equaled 6.2 percent of total state CRA LAR business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LIMITED REVIEW MO MSA AAs

Under the lending test, the bank's performance for all limited review MSA AAs regarding borrower distribution and geographic distribution was evaluated based on a review of similar relevant facts and data as displayed previously for those AAs with full-scope reviews, including bank performance figures, aggregate comparisons, and demographic information. These tables are not required to be displayed in this Performance Evaluation. The conclusions regarding the bank's performance, which did not alter the overall state rating, are as follows:

Assessment Area	Lending Test	Investment Test	Service Test
Cape Girardeau, MO MSA AA	Consistent	Below	Below
Jefferson City, MO MSA AA	Consistent	Below	Below
Joplin, MO MSA AA	Consistent	Consistent	Below
St. Joseph, MO MSA AA	Consistent	Below	Consistent

NONMETROPOLITAN STATEWIDE MISSOURI
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN NONMETROPOLITAN MISSOURI AAs

The bank has delineated seven nonmetropolitan AAs throughout the state of Missouri, referred to as the Branson AA, Southwest Missouri AA, St. Francois AA, Lebanon AA, Poplar Bluff AA, Mexico/Moberly AA, and the Hannibal AA. The bank's product offerings in these markets mirror the overall institution, with primary lending products including commercial loans and residential real estate loans.

Combined, these nonmetropolitan AAs comprised 3.9 percent of total bank deposits as of June 30, 2011, with the largest, the Mexico/Moberly AA, equaling 1.1 percent of total bank deposits. These combined nonmetropolitan AAs held 23.4 percent of the bank's statewide deposits (excluding the multistate MSAs) and accounted for 32.6 percent of statewide HMDA originations and 44.4 percent of statewide CRA LAR originations.

In the Mexico/Moberly AA, the bank's deposit market share equaled 22.6 percent, giving it the largest share of 12 financial institutions in the two county market. The bank's market share in the Lebanon market equaled 20.6 percent, ranking second of seven financial institutions in the county. All other AAs' market share rankings ranged from fourth to tenth. Each AA has one to four bank branches located in the market.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NONMETROPOLITAN MISSOURI AAs

The conclusions for all nonmetropolitan Missouri AAs were based on a limited review, and did not alter the overall state rating.

Assessment Area	Lending Test	Investment Test	Service Test
All Rural Missouri AAs Combined	Consistent	Below	Below

STATE OF KANSAS

CRA RATING FOR* KANSAS:**[7] ***"Outstanding"
The lending test is rated: ***"High Satisfactory"***
The investment test is rated: ***"Outstanding"***
The service test is rated: ***"Outstanding"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the state.
- The bank provided an excellent level of community development investments and grants in the state that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank is considered a leader in providing community development services in the state; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and loans to businesses and farms of different revenue sizes was good.
- The geographic distribution of home mortgage, business, and farm loans was adequate.

SCOPE OF EXAMINATION

The scope of the review for the state of Kansas was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The AA chosen for a full-scope review was the Wichita MSA AA. Within the state, the greatest deposit concentration was in this MSA, which accounted for 4.4 percent of total bank deposits, with the other six AAs each having 1.2 percent or less. The bank's presence in the Wichita MSA ranked fifth out of 56 banks. Wichita also had 70.3 percent of all LMI tracts within the bank's Kansas AAs. The other six Kansas AAs (two MSAs and four rural) will be assessed using limited review procedures. During the evaluation, two prior community contacts conducted during the previous two years within the Wichita MSA were referenced.

DESCRIPTION OF BANK'S OPERATIONS IN KANSAS

Outside of the Kansas City multistate MSA AA, the bank's Kansas markets include three MSA AAs and four nonmetropolitan AAs. The bank has 33 branches in these seven AAs. The

[7] For institutions with branches in two or more states in a multistate MSA, this statewide evaluation is adjusted and does not reflect performance in the parts of the state contained within the multistate MSA. Refer to the multistate MSA rating and discussion for the rating and evaluation of the institution's performance in that area.

deposit concentration for the entire state of Kansas equaled 10.3 percent of total bank deposits, as of June 30, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KANSAS

LENDING TEST

The bank's performance with respect to the lending test in the state of Kansas is rated “high satisfactory”. The bank is a leader in community development lending in the state AAs, which boosted the bank's overall lending performance rating for the state. Overall, responsiveness to area credit needs is considered adequate. The bank's level of lending is somewhat low within the state (outside of the multistate MSA). The borrower distribution analysis reflected a good performance, while the geographic distribution was adequate. A more in-depth discussion of the state’s performance follows.

Lending Activity:

The state of Kansas review, included 689 HMDA loans, which represented 11.0 percent of total HMDA loans reviewed for this evaluation; and 1,898 CRA loans, which represented 15.6 percent of total CRA loans. Per the bank’s internal analysis, the statewide AAs’ LTD ratio equaled 41.9 percent for 2010.

Geographic and Borrower Distribution:

Commerce Bank’s overall geographic distribution of HMDA-related and CRA LAR business and farm loans reflected adequate penetration in LMI tracts throughout all the Kansas AAs. In the full review and limited review AAs, the bank’s performance was typically lagging the demographic data. However, the bank's HMDA, business, and farm lending performances were consistent with aggregate HMDA and CRA reporters.

The bank’s distribution of residential mortgage, business, and farm loans reflected good penetration among borrowers of different income levels and businesses and farms of different revenue sizes. This conclusion was based on the bank’s performance in all AAs. While the HMDA loan distribution was generally less than the demographic data, the distribution was similar to the aggregate performance. The bank’s level of lending to small businesses and farms was also below demographic data but was significantly above aggregate data in all AAs.

Community Development Loans:

Overall, the bank is considered a leader in originating community development loans in the state, with excellent levels of community development lending throughout the Kansas AAs. The high level of activity had a positive impact on the overall lending test rating. The bank made 55 loan commitments in the Kansas AAs, totaling $132.6 million. A majority of the

lending was in the Wichita MSA AA, where 25 community development loans totaling $52.2 million were originated. There were also a significant number of loans in the limited review nonmetropolitan AAs, where 24 loans were originated that totaled $14.4 million.

The bank has a good process for capturing supporting documentation of normal business loan activity to qualify them for community development consideration. The majority of community development loans (76.8 percent of dollar volume) were for economic development, originated to small businesses per SBA guidelines, and where the businesses employed LMI individuals or were located in Enterprise Zones. The next largest dollar volume of community development loans was for revitalization and stabilization (21.2 percent). These loans were generally to businesses located in LMI tracts that are part of Enterprise Zones.

INVESTMENT TEST

The state of Kansas investment test rating is “outstanding” as the bank exhibits excellent responsiveness to community development needs within the state’s AAs. The bank's investment activity within the state during the two-year evaluation period totaled $14.3 million and was considered excellent. This level represents a 67 percent increase from the prior evaluation, which used a four-year evaluation period. The investment level in the Wichita AA represented 68.5 percent of the total investments for the state. The Kansas rating was influenced by the excellent investment activity in the Wichita MSA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state.

Seventy-nine of the 88 total equity investments were for affordable housing projects targeted towards LMI individuals. The other nine investments were SBIC bonds totaling $2.5 million for economic development purposes. Five of the SBIC bonds are considered complex and innovative, as they were underwritten by an affiliate of the bank.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 446 donations made in the state during the review period, totaling $526,661. Of the donations reviewed, 194 were qualified for community development purposes totaling $258,290, which represented 17.6 percent of the bank’s total qualified donations by number and 11.9 percent of the total qualified dollars.

SERVICE TEST

The bank’s performance under the service test is rated “outstanding” for the state of Kansas. The rating is based on the bank’s excellent performance in the Wichita MSA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state. This conclusion was based on the accessibility of delivery systems, the effect of branch openings and closings, and the level of qualified community development services. Fourteen of the bank’s 33 banking offices (42.4 percent) in the state are located in LMI geographies. All banking offices are reasonably accessible to all portions of the AAs. The wide array of

services offered by the bank and business hours do not vary in a way that inconveniences certain portions of the AAs or LMI individuals.

Commerce Bank is considered a leader in providing community development services in the Wichita MSA AA. The level of services provided in the limited review AAs was consistent with the overall outstanding rating of the state. A majority of the community development services supported community services targeted towards LMI individuals and economic development. Thirty-six services were qualified for the Wichita MSA AA and 45 in the limited review AAs.

WICHITA, KS METROPOLITAN STATISTICAL AREA
(Full Review)

DESCRIPTION OF BANK'S OPERATIONS IN THE WICHITA MSA AA

The bank's Wichita MSA AA includes two of four counties in the MSA, Butler and Sedgwick. This AA has 12 branches and 42.9 percent of the bank's total state deposits as of June 30, 2011. The bank's presence in the Wichita MSA ranks fifth out of 56 banks.

DESCRIPTION OF ASSESSMENT AREA

As of 2000 Census data, the population of the Wichita MSA AA equaled 512,351, which was 89.7 percent of the entire MSA population of 571,166. The entire MSA's population increased to an estimated 623,061 in 2010, an increase of 9.1 percent. The largest industry sectors in the Wichita MSA are manufacturing (18.5 percent), educational and health services (15.3 percent), government (14.7 percent), retail trade (10.7 percent), and professional and business services (10.2 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010; BEA, 2009)

The MSA's largest nongovernment employers are Spirit Aerosystems, Inc. (10,300 employees), Cessna Aircraft Company (6,193), Via Christi Regional Medical Center (5,276), Hawker Beechcraft (5,000), McConnell Air Force Base (3,277), Boeing Integrated Defense Systems (2,300), and Bombardier Aerospace (2,100). (Source: FDIC RECON/Military Installation Guide, 2010; Wichita Business Journal, September 2010)

The Wichita MSA's aerospace industry has long been the catalyst of the MSA economy. This industry is expected to gradually strengthen over the latter half of 2011. However, many of the manufacturing jobs lost during the recession will not return. Cessna and Hawker Beechcraft drastically reduced their workforces in the MSA during the recession, and demand for business jets remains lackluster despite the dramatic improvement in corporate profits and increased access to credit.

While the economy has stabilized, job growth has been flat in the first half of 2011. The unemployment rate at year-end 2010 was 8.6 percent and was above the state unemployment rate of 7.0 percent but below the U.S. unemployment rate of 9.6 percent. The unemployment rate decreased to 7.7 percent in June 2011. This is primarily due to a contracting labor force, however, and not added jobs. (Source: FDIC RECON/ Moody's Economy.com, June 2011)

The MSA does not have a significant backlog of foreclosures that will keep downward pressure on home prices. The housing affordability ratio in the Wichita MSA AA equaled 53.3 percent as of the 2000 Census, more affordable than the overall statewide figure of 50.2 percent. This is also the most affordable of the bank's full review AAs. The AA's percentage of owner-occupied housing units (62.3 percent) mirrors the total statewide figure (63.5 percent).

The percentage of families in the AA that are considered low-, moderate-, middle-, and upper-income generally mirror statewide figures. The percentage of families below the poverty level for the AA and the entire MSA also mirror statewide figures. In regards to age of population, makeup of families and households, and institutionalized persons, there were no significant anomalies between AA characteristics and total statewide figures that would provide a contextual basis for lending patterns outside the expected norm.

Table 24 shows income, housing, and general demographic characteristics of the AA.

Table 24
ASSESSMENT AREA DEMOGRAPHICS
WICHITA KS MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	3.8	2,498	1.9	810	32.4	23,825	17.7
Moderate-income	40	30.5	32,180	23.9	4,703	14.6	25,285	18.7
Middle-income	52	39.7	62,385	46.3	2,893	4.6	32,595	24.2
Upper-income	34	26.0	37,818	28.0	774	2.0	53,176	39.4
Total AA	**131**	**100.0**	**134,881**	**100.0**	**9,180**	**6.8**	**134,881**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	6,108	1,640	1.2	26.9	3,336	54.6	1,132	18.5
Moderate-income	61,113	27,017	20.2	44.2	27,753	45.4	6,343	10.4
Middle-income	95,706	65,047	48.7	68.0	24,657	25.8	6,002	6.3
Upper-income	51,382	39,758	29.8	77.4	8,763	17.1	2,861	5.6
Total AA	**214,309**	**133,462**	**100.0**	**62.3**	**64,509**	**30.1**	**16,338**	**7.6**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	539	2.5	443	2.3	56	3.7	40	3.3
Moderate-income	5,662	25.7	4,719	24.5	542	35.8	401	32.7
Middle-income	9,427	42.9	8,349	43.4	602	39.8	476	38.8
Upper-income	6,362	28.9	5,740	29.8	313	20.7	309	25.2
Total AA	**21,990**	**100.0**	**19,251**	**100.0**	**1,513**	**100.0**	**1,226**	**100.0**
	Percentage of Total Businesses:			**87.5**		**6.9**		**5.6**

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WICHITA MSA

LENDING TEST

The bank's performance with respect to the lending test in the Wichita MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. However, the bank's level of lending is low within the AA. The borrower distribution analysis reflected a good performance in the MSA, while the geographic distribution was adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this market included 194 HMDA loans, which represented 28.2 percent of total HMDA loans within the state. The bank also originated 478 CRA loans within the AA, which represented 25.2 percent of the total state CRA loans. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 2.7 percent, while the deposits in the AA equaled approximately 4.4 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 38.1 percent. Therefore, the lending activity test reflected a low level of lending in this AA.

Geographic Distribution:

As shown in Table 25, the bank's overall geographic distribution of residential mortgage loans and business and farm loans reflected an adequate penetration among geographies of different income levels.

The concentration of rental units is more pronounced within the LMI tracts of the AA. In low-income tracts, only 26.9 percent of housing units are owner-occupied, and 54.6 percent are rentals; and in the moderate-income tracts, 44.2 percent are owner-occupied and 45.4 percent are rentals. These factors will increase the demand for lending on nonowner-occupied units in the LMI tracts. However, the bank's level of lending on nonowner-occupied units on the HMDA LAR was not high in this AA. Therefore, the demographic comparison to owner-occupied units is a relevant comparative in this AA.

<u>Home Purchase Loans</u>

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, particularly in moderate-income geographies. For 2009 and 2010, the bank did not originate any home purchase loans in low-income tracts; however, this was considered adequate given the very low level of owner-occupied housing units in these tracts. The bank's performance in moderate-income geographies was generally below area demographics, but consistent with aggregate figures.

Refinance Loans

Refinance lending across geographies of different income levels reflected adequate penetration in LMI geographies. Due to AA demographics, the bank had no loan originations in low-income tracts. The bank's performance for 2009 and 2010 in moderate-income geographies (2.2 percent and 8.5 percent, respectively) was below area demographics (20.2 percent) and aggregate for 2009 (8.1 percent) but above aggregate for 2010 (7.7 percent).

Table 25
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
WICHITA KS MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	41/15	0.0	0.0	9.8	13.3	51.2	60.0	39.0	26.7
Home Refinance	46/47	0.0	0.0	2.2	8.5	37.0	29.8	60.9	61.7
Home Improvement	22/23	9.1	4.3	22.7	8.7	54.5	60.9	13.6	26.1
Total HMDA Loans[2]	**109/85**	**1.8**	**1.2**	**9.2**	**9.4**	**45.9**	**43.5**	**43.1**	**45.9**
Percentage of owner-occupied housing units in AA by income level of tract [3]		1.2		20.2		48.7		29.8	
Aggregate Peer Data [4]									
Home Purchase		0.5	0.4	14.0	14.3	45.8	46.8	39.7	38.5
Home Refinance		0.3	0.2	8.1	7.7	45.5	43.9	46.0	48.1
Home Improvement		1.3	1.7	14.1	12.9	48.2	48.4	36.4	37.1
Total HMDA Loans		**0.5**	**0.4**	**10.8**	**10.6**	**45.8**	**45.3**	**43.0**	**43.8**
Business Loans:									
Business Loans	210/182	1.0	2.2	27.6	27.5	41.4	41.8	30.0	28.6
Percentage of businesses in AA by income level of tract [5]		2.5	2.5	26.0	25.7	42.7	42.9	28.8	28.9
Aggregate CRA lending in AA[4]		3.0	2.3	25.7	25.1	41.0	38.8	29.3	32.1
Farm Loans:									
Farm Loans	45/41	0.0	0.0	4.4	2.4	80.0	78.0	15.6	19.5
Percentage of farms in AA by income level of tract [5]		0.2	0.2	4.1	4.4	67.6	67.5	28.2	27.9
Aggregate CRA lending in AA[4]		0.0	0.0	2.2	2.3	77.9	79.1	19.0	17.3

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 Total HMDA loans include zero multifamily loans for this AA.
3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels reflected good penetration. The bank's performance in low-income tracts for 2009 and 2010 (9.1 percent and 4.3 percent, respectively) was well above the demographic

(1.2 percent) and aggregate data (1.3 percent and 1.7 percent, respectively). The bank's performance for 2009 in moderate-income tracts (22.7 percent) was above area demographics (20.2 percent) and aggregate data (14.1 percent). The performance for 2010 (8.7 percent) was below the demographic and slightly above aggregate data (7.7 percent).

Business and Farm Loans

The geographic distribution of business and farm loans is adequate in LMI geographies. The bank's performance for 2009 and 2010 was consistent with area demographics and the aggregate data. Farm loans will carry little weight in this AA, while business loans will carry the most weight.

Distribution by Borrower Income and Revenue Size of Business or Farm:

As shown in Table 26, the borrower distribution of the bank's lending reflected good distribution among individuals of different income levels and businesses and farms of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers exhibits good performance. The bank's distribution to low-income borrowers for 2009 (17.1 percent) was consistent with area demographics (17.7 percent) and above aggregate data (13.3 percent). The bank did not originate any home purchase loans to low-income borrowers for 2010. The bank's distribution to moderate-income borrowers was good for 2009 (14.6 percent) and strong for 2010 (46.7 percent). The 2009 level was below area demographics (18.7 percent), but the bank's 2010 lending was well above demographics. The bank's performance was also below aggregate data for 2009 (25.1 percent) but significantly above for 2010 (23.0 percent).

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits poor performance. The bank's distribution to low-income borrowers for 2009 (4.3 percent) and 2010 (2.1 percent) was below area demographics (17.7 percent) and aggregate data (6.2 percent and 5.6 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 and 2010 (10.9 percent and 4.3 percent, respectively) was also below area demographics (18.7 percent) and aggregate data (14.1 percent and 13.6 percent, respectively).

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (13.6 percent) and 2010 (8.7 percent) was below area demographics (17.7 percent) and consistent with the aggregate data (10.3 percent and 9.5 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 (36.4 percent) was well above area demographics (18.7 percent) and the aggregate

(19.0 percent). For 2010, the bank's distribution (17.4 percent) was consistent with the demographic and aggregate data. The bank's home improvement performance continues to reflect its significant efforts to market the program to LMI borrowers.

Table 26
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
WICHITA KS MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	41/15	17.1	0.0	14.6	46.7	22.0	13.3	46.3	40.0
Home Refinance	46/47	4.3	2.1	10.9	4.3	21.7	29.8	60.9	59.6
Home Improvement	22/23	13.6	8.7	36.4	17.4	27.3	26.1	22.7	47.8
Total HMDA Loans[1]	**109/85**	**11.0**	**3.5**	**17.4**	**15.3**	**22.9**	**25.9**	**47.7**	**52.9**
Percentage of families in AA by income level[2]		17.7		18.7		24.2		39.4	
Aggregate Peer Data[3]									
Home Purchase		13.3	13.8	25.1	23.0	22.9	22.5	25.5	24.7
Home Refinance		6.2	5.6	14.1	13.6	22.5	22.6	39.0	40.2
Home Improvement		10.3	9.5	19.0	19.0	24.5	24.0	42.4	42.3
Total HMDA Loans[1]		**9.1**	**8.9**	**18.6**	**17.5**	**22.7**	**22.6**	**34.0**	**34.4**

1 Borrower annual incomes reported as 'NA' for some bank (1 in 2009; 2 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. Zero multifamily loans were reported for this AA.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business and Farm Loans

The bank's distribution of loans to small businesses is considered good. However, the penetration is well below the demographic figure of small businesses in the AA for 2009 (45.2 percent vs. 87.4 percent) and 2010 (56.6 percent vs. 87.5 percent). The number of loans where revenue information was not reported was not as high in this AA, though the adjusted number does boost the bank to a slightly more favorable comparison with the demographic figures. Comparison to aggregate data may be a better comparative. The bank's performance compared to aggregate data is significantly higher in 2009 and 2010.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The distribution of loans to farms of different sizes is good. The bank's lending performance is consistent with area demographics and above aggregate data. Less weight is given to farm loans in the evaluation of this AA.

Table 27
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
WICHITA KS MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	95	74	41	103	64	15
Bank - Percentage of loans by size of business	45.2	35.2	19.5	56.6	35.2	8.2
Demographic - Percentage of businesses in the AA[2]	87.4	6.9	5.7	87.5	6.9	5.6
Aggregate CRA lending to small businesses in AA[3]	19.2			32.3		
Farm Loans						
Bank - Number of farm loans	42	2	1	39	0	2
Bank - Percentage of loans by size of farm	93.3	4.4	2.2	95.1	0.0	4.9
Demographic - Percentage of farms in the AA[2]	98.0	1.0	1.0	98.0	1.0	1.0
Aggregate CRA lending to small farms in AA[3]	83.5			79.1		

1 Small businesses or farms, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses or farms in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Wichita MSA AA, where it originated 25 loans for $52.2 million during the evaluation period. The distribution of community development lending included 20 for economic development, 3 for revitalization or stabilization of LMI geographies, and 2 for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A $3.5 million loan to a local, private university that is located in a moderate-income tract. The loan was to revitalize the university area that is a part of the City of Wichita Delano Neighborhood Revitalization Plan.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Wichita MSA AA. Investments in the area totaled $9.8 million and included 18 bonds and housing equity funds providing affordable housing to LMI individuals. A majority of the investments were made in the current evaluation period, as only two investments were from the prior period with a balance remaining on the bank's books.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 75 donations made in the AA during the review period totaling $237,149. Of the donations reviewed, 34 were qualified for community development purposes totaling $155,701, which represented 17.5 percent of the bank's statewide total qualified donations by number and 60.3 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Wichita MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services provided.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is excellent. Six of the bank's 12 AA branches, 50.0 percent, are located in LMI tracts, while 34.4 percent of total AA tracts are LMI. Since the last examination, the bank closed one office that was located in a moderate-income tract and one in a middle-income tract. The bank also opened a new branch in a moderate-income tract. Banking offices are readily accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA**,** particularly LMI individuals.

Community Development Services:

The bank is considered a leader in providing community development services in the Wichita MSA AA, with 36 qualified services provided during the review period. Twenty-nine of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include services provided to Dress for Success, Junior Achievement, Salvation Army, and Catholic Charities.

OTHER KANSAS METROPOLITAN STATISTICAL AREAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN LIMITED REVIEW KANSAS MSA AAs

Lawrence, KS MSA AA

The bank's Lawrence MSA AA includes Douglas County, which constitutes the entire MSA. This AA has five branches and 10.0 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 14.2 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 4.0 percent of total statewide CRA loans.

Manhattan, KS MSA AA

The bank's Manhattan MSA AA includes two of three counties in the MSA, excluding Geary County, which includes Junction City. This AA has three branches and 10.8 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 16.0 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 7.3 percent of total statewide CRA loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LIMITED REVIEW KANSAS MSA AAs

Under the lending test, the bank's performance for all limited review MSA AAs regarding borrower distribution and geographic distribution was evaluated based on a review of similar relevant facts and data as displayed previously for those AAs with full-scope reviews, including bank performance figures, aggregate comparisons, and demographic information. These tables are not required to be displayed in this Performance Evaluation. The conclusions regarding the bank's performance, which did not alter the overall state rating, are as follows:

Assessment Area	Lending Test	Investment Test	Service Test
Lawrence, KS MSA AA	Consistent	Consistent	Below
Manhattan, KS MSA AA	Consistent	Below	Consistent

NONMETROPOLITAN STATEWIDE KANSAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN NONMETROPOLITAN KANSAS AAs

The bank has delineated four nonmetropolitan AAs throughout the state of Kansas, referred to as the Garden City AA, Hays AA, Hutchinson AA, and the Southeast Kansas/Pittsburg AA. The bank's product offerings in these markets mirror the overall institution, with primary lending products including commercial loans and residential real estate loans.

Combined, these nonmetropolitan AAs included 3.8 percent of total bank deposits as of June 30, 2011. These AAs held 36.3 percent of the bank's statewide deposits (excluding the multistate MSA) and 41.7 percent of statewide HMDA originations and 63.5 percent of CRA LAR originations.

The bank's deposit market share was first or second in three nonmetropolitan Kansas markets and fifth in the Hutchinson AA out of ten financial institutions in Reno County. Each AA has one to five bank branches located in the market.

Although the bank's market share is significant relative to the competition within the respective markets, the overall concentration of bank deposits and lending activity in these markets as a percent of the bank's overall activity is relatively low due to the very high concentration of loans and deposits in the Kansas City and St. Louis multi-state MSAs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NONMETROPOLITAN KANSAS AAs

The conclusions for all nonmetropolitan Kansas AAs were based on a limited review, and did not alter the overall state rating.

Assessment Area	Lending Test	Investment Test	Service Test
All Rural Kansas AAs Combined	Consistent	Consistent	Consistent

STATE OF ILLINOIS

CRA RATING FOR ILLINOIS: [8] ***"Satisfactory"***
The lending test is rated: ***"High Satisfactory"***
The investment test is rated: ***"High Satisfactory"***
The service test is rated: ***"High Satisfactory"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the state.
- The bank provided a significant level of community development investments and grants in the state that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank provided a relatively high level of community development services in the state; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected good responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage loans was good and adequate among business and farm loans.

SCOPE OF EXAMINATION

The scope of the review for the state of Illinois was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The deposit concentration for the entire state of Illinois equaled only 5.5 percent of total bank deposits, as of June 30, 2011. The AA chosen for a full-scope review was the Bloomington MSA AA, which contained the greatest deposit concentration within the state, equaling 2.9 percent of total bank deposits. The bank's presence ranked fourth of 29 banks in the MSA. The Peoria MSA had more LMI tracts; however, that AA was reviewed at the prior evaluation. The Peoria and Champaign MSA AAs will be assessed using limited review procedures. The Illinois rating will not weigh heavily into the overall bank rating. For this evaluation, two prior community contacts conducted during the previous two years were referenced.

[8] For institutions with branches in two or more states in a multistate MSA, this statewide evaluation is adjusted and does not reflect performance in the parts of the state contained within the multistate MSA. Refer to the multistate MSA rating and discussion for the rating and evaluation of the institution's performance in that area.

DESCRIPTION OF BANK'S OPERATIONS IN ILLINOIS

Outside of the St. Louis multistate MSA AA, the bank's Illinois markets include three MSA AAs located in the central portion of the state. The bank has 15 branches in these three AAs, and 5.5 percent of total bank deposits as of June 30, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

LENDING TEST

The bank's performance with respect to the lending test in the state of Illinois is rated "high satisfactory". The bank is a leader in community development lending in the AAs, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending is adequate within the statewide AAs. The borrower distribution analysis reflected an adequate performance in the AAs, while the geographic distribution was good. A more in-depth discussion of the state's performance follows.

Lending Activity:

The state of Illinois review, included 365 HMDA loans, which represented 5.8 percent of total HMDA loans reviewed for this evaluation; and 754 CRA loans, which represented 6.2 percent of total CRA loans. Per the bank's internal analysis, the statewide AAs LTD ratio of 61.5 percent for 2010 is above the two multistate MSA AAs, but below the Missouri ratio.

Geographic and Borrower Distribution:

Commerce Bank's overall geographic distribution of mortgage, business, and farm loans reflected good penetration in LMI tracts throughout the Illinois AAs. In all AAs, the bank's performance was typically lagging the demographic data; however, the bank's HMDA performance was similar to or exceeded aggregate HMDA reporters, and its business and farm lending performance was consistent with aggregate CRA reporters.

The bank's HMDA-related loans reflected a good distribution among borrowers of different income levels, and an adequate distribution among businesses and farms of different revenue sizes. This conclusion was based on the bank's performance in all AAs. The HMDA loan distribution generally exceeded demographics and aggregate performance. The bank's business and farm performance was below demographic data and generally consistent with aggregate data.

Community Development Loans:

Overall, the bank is considered a leader in originating community development loans, with excellent levels of community development lending in the Bloomington MSA AA. The high level of activity had a positive impact on the overall lending test rating. The bank made 25 loan commitments in the Illinois AAs totaling $49.8 million. A majority of the lending is in the Bloomington MSA AA, where 19 community development loans totaling $35.7 million were originated. The limited review MSA AAs included six additional community development loan originations totaling $14.1 million.

The bank originated nine community development loans for affordable housing, seven for economic development, eight to organizations that provide community services targeted to LMI individuals, and one to revitalize and stabilize an LMI tract that was part of an Enterprise Zone.

INVESTMENT TEST

The state of Illinois investment test rating is “high satisfactory”, as the bank exhibits good responsiveness to community development needs within the state. The bank's investment activity within the state during the two-year evaluation period totaled $2.1 million and was considered adequate. The bank had no investments in the Bloomington or Peoria MSA AAs, and only one investment totaling $120,688 in the Champaign MSA AA, a mortgage-backed security comprised of home loans to low-income borrowers. The bank did have six investments totaling $1.9 million that targeted the entire state of Illinois, which could include potential projects in the bank’s AAs. These investments were all state of Illinois Housing Authority bonds that provided affordable housing to LMI individuals. The overall Illinois rating was influenced by the statewide level of investment activity as well as the number and amount of qualified grants and donations in relation to the bank’s relatively minor presence in the state.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 236 donations within the state during the review period, totaling $276,993. Of the donations reviewed, 82 were qualified for community development purposes, totaling $149,905 and representing 7.4 percent of the bank’s total qualified donations by number and 7.0 percent of the total qualified dollars.

SERVICE TEST

The bank’s performance under the service test is rated “high satisfactory” for the state of Illinois. The rating is based on the bank’s relatively high performance in the Bloomington MSA AA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state. This conclusion was based on the accessibility of delivery systems, the effect of branch openings and closings, and the level of qualified community development services.

Two of the bank's 15 banking offices (13.3 percent) in the state are located in LMI geographies. All banking offices are reasonably accessible to all portions of the AAs. The wide array of services offered by the bank and business hours do not vary in a way that inconveniences certain portions of the AAs or LMI individuals.

The bank provided a relatively high level of community development services in the Bloomington (15 services) and Peoria (16 services) MSA AAs. No community development services were provided in the Champaign MSA AA, but the bank only has one banking office in this AA. A majority of the community development services supported community services targeted towards LMI individuals and economic development.

BLOOMINGTON IL METROPOLITAN STATISTICAL AREA
(Full Review)

DESCRIPTION OF BANK'S OPERATIONS IN THE BLOOMINGTON MSA AA

The bank's Bloomington MSA AA includes six of 15 branches located in the state, and 53.2 percent of total statewide deposits, as of June 30, 2011. HMDA loans within this AA equaled 43.8 percent of total HMDA loans included within the state's three AAs, and CRA loans in the AA equaled 53.1 percent of total statewide CRA loans.

DESCRIPTION OF ASSESSMENT AREA

The bank's Bloomington MSA AA includes McLean County, which constitutes the entire MSA. The MSA's 2000 population equaled 150,433. As of 2010 Census data, the MSA population increased 12.7 percent, to 169,572. The largest industry sectors in the MSA are professional and business services (19.6 percent), government (17.1 percent), financial services (13.4 percent), educational and health services (12.5 percent), and leisure and hospitality (10.6 percent). (Source: Moody's Economy.com/Moody's Analytics and BLS, 2010; BEA, 2009)

The MSA's largest nongovernment employers are State Farm Mutual Insurance Company (15,509 employees), Illinois State University (3,205), County Insurance (2,178), BroMenn Healthcare (1,595), Mitsubishi Motor Manufacturing (1,418), and OSF St. Joseph Medical Center (1,122). (Source: FDIC RECON/Economic Development Council of the Bloomington-Normal Area, 2009)

Bloomington's economy is at risk of sliding back into recession. The sluggish U.S. economy is hurting the MSA's insurance industry, the state's fiscal woes are problematic for Illinois State University, and new home construction and home sales are weak. The presence of Mitsubishi Motors is a bright spot for the economy. Sales of products assembled in the MSA have soared in 2011, and Mitsubishi has been the fastest growing automaker in the U.S. (Source: FDIC RECON/Moody's Economy.com, June 2011)

The MSA unemployment rate for 2010 was 7.7 percent, compared to 10.3 percent statewide and 9.6 percent for the U.S. The unemployment rate improved to 6.4 percent in June 2011.

Due to Illinois State University and Illinois Wesleyan University, the MSA has a much higher population of residents aged 18 to 24 than the overall state of Illinois (18.6 percent vs. 9.8 percent). The AA concentration of residents living in college dormitories equaled 6.5 percent, compared to the overall statewide figure of 0.7 percent.

The percentage of families that are low-, moderate-, middle-, and upper-income in the AA generally mirror the overall state figures for Illinois, with the exception of approximately two

percentage points fewer of low- and upper-income families, and four percentage points more of middle-income families. The percentage of AA families below the poverty level is lower than the state figure (4.1 percent vs. 7.8 percent, as of 2000 data). The housing affordability ratio for the MSA equaled 43.1 percent as of the 2000 Census, more affordable than the statewide figure of 36.5 percent. The AA's percentage of total housing units concentrated in rental housing, owner-occupied units, and vacant units all mirror the overall state figures.

Table 28 shows income, housing, and general demographic characteristics of the AA.

Table 28
ASSESSMENT AREA DEMOGRAPHICS
BLOOMINGTON IL MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	2.4	10	0.0	5	50.0	6,222	17.4
Moderate-income	9	22.0	7,790	21.8	855	11.0	6,738	18.9
Middle-income	23	56.1	19,895	55.8	528	2.7	9,490	26.6
Upper-income	8	19.5	7,981	22.4	79	1.0	13,226	37.1
Total AA	**41**	**100.0**	**35,676**	**100.0**	**1,467**	**4.1**	**35,676**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	271	0	0.0	0.0	270	99.6	1	0.4
Moderate-income	15,860	8,009	21.2	50.5	6,683	42.1	1,168	7.4
Middle-income	33,104	20,839	55.3	63.0	10,776	32.6	1,489	4.5
Upper-income	10,737	8,859	23.5	82.5	1,310	12.2	568	5.3
Total AA	**59,972**	**37,707**	**100.0**	**62.9**	**19,039**	**31.7**	**3,226**	**5.4**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	43	0.8	35	0.7	4	1.1	4	1.2
Moderate-income	1,296	22.7	1,126	22.4	84	23.9	86	26.5
Middle-income	3,331	58.4	2,932	58.3	210	59.8	189	58.3
Upper-income	1,032	18.1	934	18.6	53	15.1	45	13.9
Total AA	**5,702**	**100.0**	**5,027**	**100.0**	**351**	**100.0**	**324**	**100.0**
	Percentage of Total Businesses:			**88.2**		**6.2**		**5.7**

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN BLOOMINGTON MSA

LENDING TEST

The bank's performance with respect to the lending test in the Bloomington MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending within the AA is adequate. The borrower distribution analysis reflected an adequate performance in the MSA, while the geographic distribution was good. A more in-depth discussion of performance in the AA follows.

Lending Activity:

HMDA loans originated in this market represented 43.8 percent of total HMDA loans within the state, and CRA loans represented 53.1 percent of total CRA loans within the state. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 2.2 percent, while the deposits in the AA equaled approximately 2.5 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 54.9 percent, and the lending activity test is considered adequate.

Geographic Distribution:

As shown in Table 29, the overall geographic distribution of the bank's residential mortgage loans and business and farm loans reflected good loan penetration among geographies of different income levels.

The Bloomington AA only has one low-income tract and the percentage of rental units is an astounding 99.6 percent within this tract. This tract includes Illinois State University and contains no owner-occupied units. These factors will increase the demand for lending on nonowner-occupied units in the LMI tracts. However, the bank's level of lending on nonowner-occupied units was not high in this AA.

Home Purchase Loans

The geographic distribution of home purchase loans reflected good penetration throughout the AA, particularly in moderate-income geographies. For 2009 and 2010, the bank did not originate any home purchase loans in low-income tracts, but this was considered adequate compared to the demographics. The bank's performance in moderate-income geographies for 2009 and 2010 (30.8 percent and 33.3 percent, respectively) was well above area demographics (21.2 percent) and aggregate figures (21.5 percent and 20.0 percent, respectively). While the bank's performance in moderate-income tracts is good, the data includes only four of 13 originations for 2009, and only three of nine originations for 2010.

Refinance Loans

Refinance lending across geographies of different income levels reflected adequate penetration in LMI geographies. Due to AA demographics, the bank had no loan originations in the low-income tract. The bank's performance for 2009 and 2010 in moderate-income geographies (7.4 percent and 9.3 percent, respectively) was below area demographics (21.2 percent) and below aggregate data (15.6 percent and 15.3 percent, respectively). The refinance loan volume included 54 originations in both 2009 and 2010, and equaled the highest volume of HMDA-related loans originated by the bank in the AA.

Table 29
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
BLOOMINGTON IL MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	13/9	0.0	0.0	30.8	33.3	53.8	44.4	15.4	22.2
Home Refinance	54/54	0.0	0.0	7.4	9.3	55.6	50.0	37.0	40.7
Home Improvement	9/11	0.0	0.0	33.3	18.2	55.6	63.6	11.1	18.2
Total HMDA Loans[2]	**79/81**	**0.0**	**0.0**	**17.7**	**14.8**	**53.2**	**53.1**	**29.1**	**32.1**
Percentage of owner-occupied housing units in AA by income level of tract [3]		0.0		21.2		55.3		23.5	
Aggregate Peer Data [4]									
Home Purchase		0.0	0.0	21.5	20.0	47.7	47.2	30.8	32.8
Home Refinance		0.0	0.0	15.6	15.3	43.5	41.3	40.9	43.4
Home Improvement		0.0	0.0	15.8	17.3	48.6	49.5	35.7	33.2
Total HMDA Loans		**0.0**	**0.1**	**17.3**	**16.8**	**44.8**	**43.2**	**37.8**	**39.9**
Business Loans:									
Business Loans	116/90	0.9	2.2	19.0	18.9	44.8	51.1	35.3	27.8
Percentage of businesses in AA by income level of tract [5]		0.7	0.8	22.9	22.7	58.5	58.4	17.9	18.1
Aggregate CRA lending in AA[4]		0.7	0.3	19.3	18.0	55.7	53.6	23.0	25.1
Farm Loans:									
Farm Loans	104/90	0.0	0.0	1.9	3.3	67.3	65.6	30.8	31.1
Percentage of farms in AA by income level of tract [5]		0.0	0.0	3.0	3.2	75.9	75.7	21.1	21.2
Aggregate CRA lending in AA[4]		0.0	0.0	3.7	2.9	80.3	79.5	16.0	16.9

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 Total HMDA loans include multifamily loans (3 in 2009; 7 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home purchase and improvement loans remained in the analysis.
3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels reflected good penetration. Again, due to area demographics, the bank had no

loan originations in the low-income tract. The bank's performance for 2009 and 2010 in moderate-income tracts (33.3 percent and 18.2 percent, respectively) was above or consistent with area demographics (21.2 percent) and exceeded aggregate data (15.8 percent and 17.3 percent, respectively). Again, there was low volume, with the bank's performance in the moderate-income tracts including only three of nine originations in 2009 and two of 11 originations in 2010.

Business and Farm Loans

The geographic distribution of business and farm loans was good in LMI geographies. The bank's performance for 2009 and 2010 was consistent with area demographics and the aggregate data.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 30 and Table 31, the borrower distribution of the bank's lending reflected good distribution among individuals of different income levels and adequate distribution among businesses and farms of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers exhibited good performance. The bank's distribution to low-income borrowers for 2009 (23.1 percent) exceeded area demographics (17.4 percent) and aggregate data (15.5 percent). The bank did not originate any home purchase loans to low-income borrowers for 2010. The bank's distribution to moderate-income borrowers for 2009 (7.7 percent) was well below the demographics (18.9 percent) and aggregate data (27.2 percent). The 2010 performance (44.4 percent) was strong, exceeding area demographics and aggregate data (22.4 percent). The bank's performance was skewed by the low volume of originations (13 for 2009; 9 for 2010), as one loan origination to an LMI borrower significantly changes the bank's performance percentages.

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibited adequate performance. The bank's distribution to low-income borrowers for 2009 (5.6 percent) and 2010 (11.1 percent) was below area demographics (17.4 percent) and consistent with aggregate data for 2009 (5.7 percent) but above aggregate data for 2010 (6.0 percent). The bank's distribution to moderate-income borrowers for 2009 and 2010 (14.8 percent and 18.5 percent, respectively) was below area demographics (18.9 percent) but above aggregate data for 2009 (15.6 percent) and 2010 (14.0 percent).

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (22.2 percent) and 2010 (27.3 percent)

exceeded area demographics (17.4 percent) and aggregate data (13.5 percent and 14.9 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 and 2010 (22.2 percent and 18.2 percent, respectively) was consistent with area demographics (18.9 percent) and exceeded aggregate (19.3 percent and 14.5 percent, respectively). The bank's home improvement performance in this AA also reflected its significant efforts to market the program in areas that include LMI borrowers. However, the bank had very low volume, with nine originations for 2009 and 11 for 2010.

Table 30
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
BLOOMINGTON IL MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	13/9	23.1	0.0	7.7	44.4	15.4	33.3	46.2	22.2
Home Refinance	54/54	5.6	11.1	14.8	18.5	25.9	18.5	53.7	51.9
Home Improvement	9/11	22.2	27.3	22.2	18.2	0.0	18.2	55.6	36.4
Total HMDA Loans[1]	**79/81**	**10.1**	**11.1**	**13.9**	**19.8**	**20.3**	**18.5**	**50.6**	**42.0**
Percentage of families in AA by income level[2]		17.4		18.9		26.6		37.1	
Aggregate Peer Data[3]									
Home Purchase		15.5	14.3	27.2	22.4	24.1	21.5	23.4	27.2
Home Refinance		5.7	6.0	15.6	14.0	23.9	22.5	42.1	43.4
Home Improvement		13.5	14.9	19.3	14.5	22.2	22.1	40.2	39.4
Total HMDA Loans[1]		**8.6**	**8.4**	**18.9**	**16.1**	**23.8**	**22.0**	**36.6**	**38.5**

1 Borrower annual incomes reported as 'NA' for some bank (4 in 2009; 7 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (3 in 2009; 7 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home purchase and improvement loans remained in the analysis.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business and Farm Loans

The bank's distribution of loans to small businesses is considered adequate. The penetration was well below the demographic figure of small businesses in the AA for 2009 (40.5 percent vs. 88.2 percent) and 2010 (28.9 percent vs. 88.2 percent). The bank has a fairly high percentage of loans where revenue information was not reported. If both the bank and the demographic figures are adjusted, the comparison improves somewhat (50.0 percent vs. 93.6 percent for 2009; 42.6 percent vs. 93.5 percent for 2010). Comparison to aggregate data may be a better comparative. The bank's performance is above the aggregate data in 2009, but below aggregate in 2010.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The bank's distribution of loans to small farms is also adequate. The bank had a very high number of farm loans in this AA with unreported revenues, especially in 2009 when nearly 90 percent of farm borrowers had reported revenues of 'NA'. Therefore, adjusting the figures for the bank changes the analysis dramatically. In 2009, loans to small farms improved from 9.6 percent of total farm loans to 90.0 percent of total farm loans with reported revenues. Unadjusted numbers are well below demographic and aggregate figures. After adjusting to exclude unreported revenues, the bank's figures exceed aggregate figures and are slightly lower than demographic figures. Significant levels of unreported revenues skew small business and small farm lending dramatically.

Business and farm loans are weighted fairly evenly in the evaluation of this AA.

Table 31
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
BLOOMINGTON IL MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	47	47	22	26	35	29
Bank - Percentage of loans by size of business	40.5	40.5	19.0	28.9	38.9	32.2
Demographic - Percentage of businesses in the AA[2]	88.2	6.1	5.8	88.2	6.2	5.7
Aggregate CRA lending to small businesses in AA[3]	28.6			46.7		
Farm Loans						
Bank - Number of farm loans	10	1	93	62	7	21
Bank - Percentage of loans by size of farm	9.6	1.0	89.4	68.9	7.8	23.3
Demographic - Percentage of farms in the AA[2]	99.2	0.2	0.7	99.0	0.2	0.8
Aggregate CRA lending to small farms in AA[3]	73.4			86.0		

1 Small businesses or farms, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses or farms in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Lending:

Commerce Bank is considered a leader in providing community development loans in the Bloomington MSA AA, where it originated 19 loans for $35.7 million during the evaluation period. The distribution of community development loans included nine for affordable housing, four for economic development, and six for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A $1 million loan to a local nonprofit organization that provides community services to LMI people. The agency focuses on improving the lives of children and families by

providing safe and healthy environments including residential care, special education, and family and community services.

- Four loans totaling $29.8 million for economic development made to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had a poor level of qualified community development investments and donations in the Bloomington MSA AA. The bank did not have any investments during the evaluation period that specifically targeted the AA. However, the bank did purchase six state of Illinois Housing Authority bonds totaling $1.9 million that targeted affordable housing in the entire state, which could include the Bloomington MSA AA.

The bank did show adequate responsiveness to area community development needs through its donation activities. The bank submitted 126 donations made in the AA during the review period totaling $139,210. Of the donations reviewed, 45 were qualified for community development purposes totaling $74,430, which represented 54.9 percent of the bank's statewide total qualified donations by number and 49.7 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Bloomington MSA AA was good based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is adequate. One of the bank's six AA branches, 16.7 percent, is located in an LMI tract, while 24.4 percent of total AA tracts are LMI. Since the last examination, the bank closed one office and opened one office, both in middle-income tracts. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA**,** particularly LMI individuals.

Community Development Services:

The bank provided a relatively high level of community development services in the Bloomington MSA AA, with 15 qualified services provided during the review period. Twelve of the qualified services were with organizations offering community services targeted to LMI individuals and three were for economic development. Examples include services provided to Path, Inc., Salvation Army, and the Economic Development Council of Bloomington.

OTHER ILLINOIS METROPOLITAN STATISTICAL AREAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN LIMITED REVIEW ILLINOIS MSA AAs

Champaign, IL MSA AA

The bank's Champaign MSA AA includes only one of three counties in the MSA. This AA has only one branch and 2.4 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 4.4 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 2.4 percent of total statewide CRA loans.

Peoria, IL MSA AA

The bank's Peoria MSA AA operations are similar to its Bloomington MSA AA. However, since Peoria was given a full-scope review at the prior examination, only a limited review was conducted at this examination. The Peoria MSA AA includes three of five counties in the MSA. This AA has eight branches and 44.4 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 51.8 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 44.6 percent of total statewide CRA loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LIMITED REVIEW ILLINOIS MSA AAs

Under the lending test, the bank's performance for all limited review MSA AAs regarding borrower distribution and geographic distribution was evaluated based on a review of similar relevant facts and data as displayed previously for the full-scope AA review, including bank performance figures, aggregate comparisons, and demographic information. These tables are not required to be displayed in this Performance Evaluation. The conclusions regarding the bank's performance, which did not alter the overall state rating, are as follows:

Assessment Area	Lending Test	Investment Test	Service Test
Champaign, IL MSA AA	Below	Consistent	Below
Peoria, IL MSA AA	Consistent	Below	Consistent

STATE OF COLORADO/
DENVER-AURORA-BROOMFIELD METROPOLITAN STATISTICAL AREA
(Full Review)

CRA RATING FOR* COLORADO*: ***"Outstanding"***
The lending test is rated: ***"Outstanding"***
The investment test is rated: ***"Outstanding"***
The service test is rated: ***"High Satisfactory"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the AA.
- The bank provided an excellent level of community development investments and grants in the AA that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank is considered a leader in providing community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and to businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage and business loans was excellent.

SCOPE OF EXAMINATION

For the state of Colorado, a full review of the bank's sole AA was conducted. Since there is only one AA, the statewide performance will be discussed concurrently with the Denver MSA AA. The scope of the review for the state of Colorado was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The deposit concentration for the entire state of Colorado equaled only 0.7 percent of total bank deposits, as of June 30, 2011. The bank's presence in the entire MSA ranked 37th out of 72 banks. The Colorado rating will not weigh heavily into the overall bank CRA rating.

During the evaluation, two prior community contacts conducted during the previous two years within the Denver MSA were referenced.

DESCRIPTION OF BANK'S OPERATIONS IN THE DENVER MSA AA

The bank's Colorado market includes three of the ten counties in the Denver MSA; consisting of Adams, Arapahoe, and Denver Counties. The bank has only one branch in this market, which had only 0.7 percent of total bank deposits as of June 30, 2011. HMDA and CRA loans in the AA each equaled 1.3 percent of total bank HMDA and CRA lines reviewed for this

evaluation. The Denver branch, acquired in 2007, has traditionally been a more commercial-oriented lender. This is reflected in the nature of the bank's HMDA lines, which are concentrated in business purpose, nonowner-occupied lines, such as for rental and rehabilitation projects. Of the bank's 111 HMDA originations in this AA during the review period, only 25 (or 22.5 percent) were for owner-occupied units.

DESCRIPTION OF ASSESSMENT AREA

The population of the Denver MSA equaled 2,179,240 as of the 2000 Census, constituting half the state's population. The bank's AA population equaled 1,391,016, or 63.8 percent of the entire MSA population. The AA population increased to 1,613,764 as of 2010 estimates, an increase of 16.0 percent, which was on par with the statewide increase of 16.9 percent. (Source: 2000 Census Data; 2010 U.S. Census Bureau QuickFacts)

Government and service industries are the MSA's largest employment sectors. As of May 2010, the largest private employers included HealthONE (9,640 employees), King Soopers (8,600), Wal-Mart (7,900), CenturyLink (7,380), Exempla Healthcare (7,320), Lockheed Martin (7,220), Safeway, Inc. (6,700), Centura Health (6,370), Kaiser Permanente (5,870), Denver Health and Hospital Authority (5,311), Dish Network (4,690), and United Airlines (4,500). CenturyLink recently acquired Qwest, resulting in a shrinking footprint of one of Denver's largest employers. (Source: FDIC RECON - Metro Denver EDC, April 2011)

One community contact stated that the Denver MSA has historically had a strong reliance on small businesses, indicating that very few Fortune 500 companies are located in the MSA. One contact stated that banks are very reluctant to lend to very small businesses in the current economic environment, indicating that micro-lenders and those providing gap financing are primary sources of funding for very small businesses. One contact indicated that access to capital for start-up businesses is limited, as banks' lending standards have tightened. The contact noted that this is particularly true with the larger banks; while community banks may be more likely to tailor a loan to a borrower's needs. The contact also indicated a need for funding women- and minority-owned businesses.

Denver's recovery from the recession has been anemic. The first quarter of 2010 showed signs of recovery, though discouraged workers who have not yet re-entered the workforce continue to keep the unemployment rate artificially low. The retail industry primarily led the decline in the economy, driven by the poor labor market and the increased personal savings rate. The number of unemployed persons declined in the latter part of 2009, but so did the labor force; likely an indication of people leaving the work force due to discouragement. Service industries, particularly professional/business services, have been expected to be the foundation for growth in the MSA.

Table 32
UNEMPLOYMENT RATES

Area	2009	2010	11Q2
Denver MSA	8.5	9.0	8.5
Colorado	8.3	8.9	8.5
U.S.	9.3	9.6	8.9

The Denver MSA benefits from a skilled workforce, expansive research base, and advanced technology industries. These attributes all continue to attract a healthy flow of new residents and capital investment. Tighter lending standards is keeping credit tight, but loan quality exceeds the national average. Delinquency rates for mortgages and shorter-term auto loans began trending downward in 2010. (Source: FDIC RECON - Moody's Economy.com, December 2009, August 2010, August 2011)

The AA 2000 vacancy rate of 3.9 percent was low compared to the 8.3 percent statewide vacancy rate. The higher statewide vacancy rate is due to the higher number of seasonal/second homes in the state's mountainous areas. The AA contained a higher concentration of multifamily units, equaling 30.2 percent of total housing units compared to 19.9 percent for the state and 25.0 percent for the entire MSA. Conversely, there is a slightly lower concentration of 1- to 4-family units. The AA has a small concentration of mobile homes. Of total area housing stock, mobile homes constituted 2.7 percent, vs. us the statewide figure of 5.7 percent.

The AA's median age of housing stock (29 years) is slightly older than the state (24 years) and MSA (26 years). As is typical, AA housing stock is much older in the low- (45 years) and moderate-income tracts (35 years). The overall housing affordability rate in the state of Colorado is very low compared to other 10th District states. The AA, overall Denver MSA, and statewide affordability rates are all comparable (29.3 percent, 30.0 percent, and 29.5 percent, respectively). The least affordable county in the AA is Denver County, at 24.7 percent. It may be difficult for LMI families to afford home ownership in the MSA AA, especially in Denver County.

Weak housing prices continue in the Denver MSA, and households continue to have an aversion to new debt. This is weighing on home sales and new construction. However, it has been favorable for landlords, as rents are up and vacancies are at a decade low. Given these conditions, coupled with low interest rates, it is an attractive investment environment. Therefore, demand for nonowner-occupied units is strong, and there may be increased construction activity of multifamily apartment buildings. (Source: FDIC RECON - Moody's Economy.com, August 2011)

Table 33 shows income, housing, and general demographic characteristics of the AA.

Table 33
ASSESSMENT AREA DEMOGRAPHICS
DENVER CO MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	21	6.2	19,794	5.9	5,426	27.4	75,465	22.5
Moderate-income	122	35.9	116,480	34.7	12,610	10.8	70,130	20.9
Middle-income	134	39.4	138,835	41.4	5,031	3.6	79,275	23.6
Upper-income	60	17.6	60,126	17.9	891	1.5	110,365	32.9
Unknown-income	3	0.9	0	0.0	0	0.0	0	0.0
Total AA	**340**	**100.0**	**335,235**	**100.0**	**23,958**	**7.1**	**335,235**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	38,793	10,760	3.2	27.7	25,943	66.9	2,090	5.4
Moderate-income	208,601	105,566	30.9	50.6	94,999	45.5	8,036	3.9
Middle-income	242,158	154,705	45.3	63.9	77,807	32.1	9,646	4.0
Upper-income	85,925	70,299	20.6	81.8	12,996	15.1	2,630	3.1
Total AA	**575,477**	**341,330**	**100.0**	**59.3**	**211,745**	**36.8**	**22,402**	**3.9**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	4,664	5.7	4,028	5.5	379	6.8	257	6.4
Moderate-income	24,847	30.2	21,166	29.1	2,256	40.5	1,425	35.6
Middle-income	31,845	38.7	28,873	39.7	1,642	29.5	1,330	33.2
Upper-income	19,954	24.2	17,955	24.7	1,119	20.1	880	22.0
Unknown-income	1,077	1.3	787	1.1	176	3.2	114	2.8
Total AA	**82,387**	**100.0**	**72,809**	**100.0**	**5,572**	**100.0**	**4,006**	**100.0**
	Percentage of Total Businesses:			**88.4**		**6.8**		**4.9**

Based on 2000 Census data and 2010 D&B business demographic data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DENVER MSA

LENDING TEST

The bank's performance with respect to the lending test in the Denver MSA AA and the state of Colorado is rated “outstanding”. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall, responsiveness to AA credit needs is considered adequate. The bank's level of lending is high within the AA. The borrower distribution analysis reflected an adequate performance in the AA, while the geographic distribution was excellent. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this market included 82 HMDA loans and 159 CRA loans within the AA. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 1.0 percent, while the deposits in the AA equaled approximately 0.7 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 98.7 percent. Therefore, the bank's lending activity test represents strong lending levels.

Geographic Distribution:

As shown in Table 34, the overall geographic distribution of the bank's residential mortgage loans and business loans reflected excellent loan penetrations among geographies of different income levels. The bank did not originate any home improvement loans in the Denver MSA AA during the evaluation period.

Home Purchase Loans

The geographic distribution of home purchase loans reflected excellent penetration throughout the AA, particularly in moderate-income geographies. For 2009, the bank's performance in low-income tracts (8.3 percent) exceeded demographics (3.2 percent) and aggregate data (4.5 percent). However, the bank did not originate any loans for 2010 in low-income tracts.

The bank's performance in moderate-income geographies for 2009 and 2010 (33.3 percent and 68.4 percent, respectively) was well above area demographics (30.9 percent) and aggregate figures (26.1 percent and 24.4 percent, respectively). The bank's overall home purchase lending volume was low, with 12 originations for 2009 and 19 originations for 2010.

Since the LMI tracts contain high levels of rental units and the bank has a very high concentration of business purpose HMDA lines in this AA, a better demographic comparison would be total 1- to 4-family housing units, as the comparison to owner-occupied housing units inflates the bank's performance somewhat. Using this comparison, the bank remains above the demographic in the low-income tracts (demographic increased from 3.2 percent to 6.7 percent). The bank fell slightly behind the demographic in the moderate-income tracts for 2009 (demographic increased from 30.9 percent to 36.2 percent), but the 2010 performance remains very strong compared to either owner-occupied housing units or total 1- to 4-family housing units.

Using both demographic comparisons, the bank's performance is favorable in LMI tracts. However, the bank's HMDA lending is low, so business lines will receive the greater weight in this AA.

Refinance Loans

The geographic distribution of refinance loans reflected excellent penetration throughout the AA, particularly in moderate-income geographies. For 2009 and 2010, the bank's performance

in low-income tracts (4.5 percent and 10.0 percent, respectively) was consistent with demographics (3.2 percent; or 6.7 percent adjusted for all 1-4 family units) and aggregate data (3.0 percent and 2.8 percent, respectively). The bank's performance in moderate-income geographies for 2009 and 2010 (50.0 percent and 45.0 percent, respectively) was well above area demographics (30.9 percent; 36.2 percent, adjusted) and aggregate figures (17.0 percent and 15.8 percent, respectively). The bank's overall home refinance lending volume was low, with 22 originations for 2009 and 20 originations for 2010.

Business Loans

The geographic distribution of business loans also reflected excellent penetration in LMI geographies. The bank's performance for 2009 and 2010 was above area demographics and generally exceeded aggregate data, except for in low-income tracts in 2010, but this figure was still generally consistent with the comparative figures.

Table 34
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
DENVER CO MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations[2]							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	12/19	8.3	0.0	33.3	68.4	16.7	31.6	41.7	0.0
Home Refinance	22/20	4.5	10.0	50.0	45.0	36.4	35.0	9.1	10.0
Total HMDA Loans[3]	**35/47**	**5.7**	**4.3**	**45.7**	**55.3**	**28.6**	**36.2**	**20.0**	**4.3**
Percentage of owner-occupied housing units in AA by income level of tract [4]		3.2		30.9		45.3		20.6	
Aggregate Peer Data [5]									
Home Purchase		4.5	3.9	26.1	24.4	48.2	48.9	19.5	20.9
Home Refinance		3.0	2.8	17.0	15.8	46.6	46.0	31.3	33.3
Total HMDA Loans		**3.6**	**3.2**	**20.7**	**19.1**	**47.2**	**47.0**	**26.6**	**28.7**
Business Loans:									
Business Loans	83/76	7.2	3.9	39.8	51.3	21.7	11.8	27.7	26.3
Percentage of businesses in AA by income level of tract [6]		5.8	5.7	30.3	30.2	38.5	38.7	24.1	24.2
Aggregate CRA lending in AA[5]		5.2	4.9	27.9	27.3	36.8	36.6	27.0	27.8

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 The tract category is unknown for a small number of business loans (3 in 2009; 5 in 2010), so not all tract categories add up to 100 percent.
3 Total HMDA loans include home improvement loans (0 in 2009; 4 in 2010) and multifamily loans (1 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home purchase and refinance loans remained in the analysis.
4 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
5 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
6 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Tables 35 and 36, the bank's borrower distribution reflected adequate distribution among individuals of different income levels and businesses of different revenue sizes.

The bank originated very few HMDA loans in the Denver MSA AA that were for owner-occupied housing units (22.5 percent). The majority were business purpose, nonowner-occupied lines, such as rental and rehabilitation projects. HMDA lines for multifamily units and those made to business entities do not require income to be reported; therefore, 'NA' was reported on nearly 77 percent of the Denver MSA AA HMDA lines, compared to the overall bank rate of approximately 11 percent. The borrower distribution analysis includes a

comparison of the bank's performance when removing those loans without reported incomes, in order to focus specifically on the bank's distribution of owner-occupied lines. This analysis causes the HMDA volumes to drop to very low levels; however, it does present an alternative view of lending to LMI borrowers when considering only owner-occupied units.

Home Purchase Loans

The bank did not originate any home purchase loans in 2009 or 2010 to low-income borrowers. The bank's distribution to moderate-income borrowers for 2009 (8.3 percent) and 2010 (10.5 percent) was below area demographics (20.9 percent) and aggregate data (32.7 percent and 29.2 percent, respectively). The bank's performance was skewed by the overall low volume of home purchase loans (12 for 2009; 19 for 2010), coupled with the significant number of loans that did not report incomes. Focusing only on loans with reported incomes (providing an alternative focus on owner-occupied lines), the bank's distribution to moderate-income borrowers improves to 25.0 percent for 2009 and 40.0 percent for 2010; which compare favorably to the percentage of moderate-income families in the AA. However, due to the very low volume of lines with reported incomes, this reflects only one of four originations in 2009 and two of five originations in 2010.

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits adequate performance. The bank's distribution to low-income borrowers for 2009 (4.5 percent) and 2010 (5.0 percent) was below area demographics (22.5 percent) and somewhat consistent with aggregate data (7.2 percent and 6.9 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 (4.5 percent) was also below area demographics (20.9 percent) and aggregate data (19.8 percent). The bank did not originate any loans in 2010 to moderate-income borrowers. Again, the bank's performance was skewed by overall low volumes and a high number of loans with no reported incomes. In the review of loans with reported incomes, the bank's distribution to LMI borrowers (50.0 percent) exceeded demographics and aggregate figures, but only reflected two of four originations in 2009 and one of two originations in 2010.

Table 35
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
DENVER CO MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	12/19	0.0	0.0	8.3	10.5	0.0	5.3	25.0	10.5
Home Refinance	22/20	4.5	5.0	4.5	0.0	4.5	0.0	4.5	5.0
Total HMDA Loans[1]	**35/47**	**2.9**	**6.4**	**5.7**	**6.4**	**2.9**	**2.1**	**11.4**	**8.5**
Percentage of families in AA by income level[2]		22.5		20.9		23.6		32.9	
Aggregate Peer Data[3]									
Home Purchase		17.5	17.7	32.7	29.2	23.9	24.2	25.9	28.8
Home Refinance		7.2	6.9	19.8	18.3	27.0	26.1	46.0	48.7
Total HMDA Loans[1]		11.7	11.3	25.4	22.8	25.6	25.3	37.3	40.5

1 Borrower annual incomes reported as 'NA' for some bank (27 in 2009; 36 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes home improvement loans (0 in 2009; 4 in 2010) and multifamily loans (1 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home purchase and refinance loans remained in the analysis.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business Loans

The bank appears to have a very poor level of lending to small businesses in the AA. The bank's penetration is well below the demographic figure for 2009 (9.6 percent vs. 88.2 percent) and 2010 (10.5 percent vs. 88.4 percent). However, the bank has a very large percentage of loans in this market where revenue information was not reported (80.7 percent in 2009; 80.3 percent in 2010). If both the bank and the demographic figures are adjusted, the comparison improves dramatically (50.0 percent vs. 92.8 percent for 2009; 53.3 percent vs. 92.9 percent for 2010), as the demographic figures did not have as many unreported revenues. This level appears to be adequate.

D&B demographic figures are gathered using a self-reported survey method, and there will be companies in any AA that do not participate in the survey. Therefore, comparison to aggregate data may be a better comparative. The bank's adjusted numbers are favorable compared to aggregate data; however, aggregate data was not able to be adjusted for loans with unreported revenue information, so this is not a like comparison. The comparison of the bank's unadjusted figures to aggregate figures reflected a very poor penetration of bank business loans to small businesses. However, the significant level of unreported revenues is skewing this small business assessment dramatically, and is not providing a meaningful analysis.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

Table 36
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
DENVER CO MSA AA

Business Loans	2009			2010		
	Small[1]	Large	NA	Small[1]	Large	NA
Bank - Number of business loans	8	8	67	8	7	61
Bank - Percentage of loans by size of business	9.6	9.6	80.7	10.5	9.2	80.3
Demographic - Percentage of businesses in the AA[2]	88.2	6.9	4.9	88.4	6.8	4.9
Aggregate CRA lending to small businesses in AA[3]	33.9			40.6		

1 Small businesses, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Denver MSA AA, where it originated 19 loans for $30.7 million during the evaluation period. The distribution of community development lending included ten for economic development, four for affordable housing, two for revitalization or stabilization of LMI geographies, and three for community services targeted towards LMI families or individuals. The performance was considered excellent given the bank's minimal presence in the Denver AA, based on deposit share and number of branches. Examples of community development lending included:

- A $678,000 loan to a local nonprofit hospital that primarily targets LMI individuals in need of medical services who do not have insurance or the ability to pay. Hospital data indicated that 65 percent of patients served are LMI.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Denver MSA AA. Investments in the area totaled $21.1 million. The investments included three bonds and housing equity funds that provided affordable housing to LMI individuals, two SBIC bonds, and three bonds that revitalized or stabilized LMI areas that were part of an Enterprise Zone. A majority of the investments were made in the current evaluation period, as only three investments totaling $1.8 million were from the prior period with a balance remaining on the bank's books.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 15 donations made in the AA during the review period totaling $18,550. Of the donations reviewed, four were qualified for community development purposes totaling $3,100. This level was considered good in relation to the bank's small presence in the AA.

SERVICE TEST

The bank's performance under the service test in the Denver MSA AA is rated "high satisfactory" based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is good. The bank's only AA branch is located in a moderate-income tract, while 42.1 percent of total AA tracts are LMI. Since the last examination, the bank did not open or close a branch office in the AA. The bank did receive approval in late 2011 to open a new branch in Greenwood Village, Colorado, that is in an upper-income tract within the current AA. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA**,** particularly LMI individuals.

Community Development Services:

The bank provided a high level of community development services in the Denver MSA AA, considering its small presence. The bank provided three qualified services during the review period. The qualified services were with one organization that offers community services targeted to LMI individuals (Community College of Aurora) and with two economic development organizations (Colorado Lending Source and the Aurora Economic Development Council).

STATE OF OKLAHOMA/
TULSA OK METROPOLITAN STATISTICAL AREA
(Full Review)

CRA RATING FOR* OKLAHOMA*: ***"Satisfactory"***
The lending test is rated: ***"Low Satisfactory"***
The investment test is rated: ***"Outstanding"***
The service test is rated: ***"Low Satisfactory"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the AA.
- The bank provided an excellent level of community development investments and grants in the AA, which were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank provided an adequate level of community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels was very poor but the distribution to businesses of different revenue sizes was adequate.
- The geographic distribution was very poor for HMDA loans but adequate for business loans.

SCOPE OF EXAMINATION

For the state of Oklahoma, a full review of the bank's sole AA was conducted. Since there is only one AA, the statewide performance will be discussed concurrently with the Tulsa MSA AA. The scope of the review for the state of Oklahoma was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The deposit concentration for the entire state of Oklahoma equaled only 0.7 percent of total bank deposits, as of June 30, 2011. The bank's presence in the Tulsa MSA ranked 37th out of 72 banks in the MSA. The Oklahoma rating will not weigh heavily into the overall bank CRA rating. During the evaluation, three prior community contacts conducted during the previous two years within the Tulsa MSA were referenced.

DESCRIPTION OF BANK'S OPERATIONS IN THE TULSA MSA AA

The bank's Oklahoma market includes the Tulsa MSA AA, consisting of only Tulsa County. This market has two branches and only 0.8 percent of total bank deposits as of June 30, 2011. HMDA and CRA loans in the AA were minimal, with 1.2 percent of total HMDA lines and

2.1 percent of total CRA lines reviewed for this evaluation. The Tulsa branches, acquired in 2007, have traditionally been more commercial-oriented lenders than Commerce Bank overall, though not as pronounced as in the Denver market. This is reflected in the nature of the bank's HMDA lines, which have a slightly higher concentration in business purpose, nonowner-occupied lines. This results in a higher number of lines with reported income as 'NA', totaling 25.0 percent of total AA HMDA lines, exceeding the 10.8 percent overall bank figure.

DESCRIPTION OF ASSESSMENT AREA

As of 2000 Census data, the population of Tulsa County equaled 563,299, which was 65.5 percent of the entire MSA population of 859,532. Tulsa County's population increased to an estimated 603,403 in 2010, an increase of 7.1 percent. In regards to age of population, makeup of families and households, and institutionalized persons, there were no AA anomalies compared to total MSA or statewide figures that would provide a significant contextual basis for lending patterns outside the expected normal.

As of 2010, service industries represented the MSA's largest sectors, with education and health services (14.7 percent) leading the way, followed by professional and business services (13.6 percent). The next largest industry sectors were government (13.7 percent), retail trade (11.1 percent), and manufacturing (10.7 percent). (Source: Moody's Economy.com, BLS 2010)

Some of the MSA's largest employers include American Airlines, AT&T, Bank of Oklahoma, Blue Cross and Blue Shield Association, Cherokee Casino Resort, DirecTV, Hillcrest Healthcare System, Nordham Group, and St. Francis Health System. American Airlines employs 6,850 workers, and the remaining companies each employ more than 1,000 workers. Government jobs in 2010 totaled 5,118 for federal, 8,411 for state, and 41,849 for local governments. (Tulsa Metro Chamber of Commerce, 2011)

Tulsa continues to maintain strong ties to the oil industry, though the MSA economy is diverse, with additional emphasis in the telecom and rental car industries. Oklahoma did not experience as severe a downturn as the rest of the country; however, Tulsa was hit a little harder than the rest of the state, due primarily to a higher reliance on manufacturing. Tulsa's recovery is gaining momentum in 2011 due to the return of high-wage manufacturing jobs; however, government layoffs continue to be a drag and there have been sharp labor force declines. Manufacturing is heavily skewed toward machinery and fabricated metals, and the statewide energy boom ensures demand for these products. Tulsa also has a foothold in aerospace transportation, with the MSA being home to more than 70 aerospace companies, including SpiritAerosystems and American Airlines' central maintenance and repair center, Tulsa's largest private sector employer. (Source: Moody's Economy.com, July 2010; July 2011)

The unemployment rate for the Tulsa MSA has been above the state figures, but below the national average. One community contact in the third quarter of 2010 stated that the MSA had recently experienced increased production levels in various manufacturing sectors and an increase in temporary workers. The contact anticipated permanent employment figures would soon begin to rise, as increases in temporary workers generally precede increases in permanent workers.

Table 37
UNEMPLOYMENT RATES

Area	2009	2010	11Q2
Tulsa MSA	7.1	7.9	6.1
Oklahoma	6.6	7.1	5.4
U.S.	9.3	9.6	8.9

Another community contact stated that there is room for bank participation in providing counseling in developing business plans, improving credit scores, and obtaining start-up business financing.

The percentage of families in the AA that are considered low-, moderate-, middle-, and upper-income mirror statewide figures. The percentage of families below the poverty level for the entire Tulsa MSA equals 9.0 percent, while the AA was just slightly lower at 8.8 percent.

The global financial panic has had an impact on the Tulsa housing market. Restricted bank lending and less confidence among buyers created a dip in home sales, significant housing permit declines, and fewer new construction jobs. House prices in Tulsa did not experience as significant a boom/bust as much of the country, but foreclosures in the MSA have been more prevalent than the rest of the state.

The housing affordability ratio in the bank's Tulsa MSA AA equaled 45.0 percent as of the 2000 Census, only slightly behind the overall MSA figure of 47.0 percent and the statewide figure of 49.3 percent. The AA's percentage of owner-occupied housing units (57.4 percent) is below the entire MSA figure (62.1 percent). Conversely, the percentage of rental units is above the MSA figure (35.6 percent vs. 30.0 percent).

Table 38 shows income, housing, and general demographic characteristics of the AA.

Table 38
ASSESSMENT AREA DEMOGRAPHICS
TULSA OK MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	7	4.1	3,612	2.4	1,483	41.1	28,055	18.9
Moderate-income	44	25.6	33,062	22.3	6,127	18.5	25,894	17.5
Middle-income	61	35.5	57,979	39.1	3,779	6.5	30,960	20.9
Upper-income	60	34.9	53,536	36.1	1,573	2.9	63,280	42.7
Total AA	**172**	**100.0**	**148,189**	**100.0**	**12,962**	**8.7**	**148,189**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	7,013	2,093	1.5	29.8	3,968	56.6	952	13.6
Moderate-income	59,750	27,023	19.3	45.2	26,824	44.9	5,903	9.9
Middle-income	96,397	55,480	39.6	57.6	35,169	36.5	5,748	6.0
Upper-income	80,793	55,535	39.6	68.7	20,800	25.7	4,458	5.5
Total AA	**243,953**	**140,131**	**100.0**	**57.4**	**86,761**	**35.6**	**17,061**	**7.0**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	478	1.6	399	1.6	45	2.0	34	1.9
Moderate-income	6,530	22.3	5,322	21.1	708	31.6	500	28.4
Middle-income	10,215	35.0	8,890	35.2	750	33.5	575	32.6
Upper-income	12,004	41.1	10,615	42.1	736	32.9	653	37.1
Total AA	**29,227**	**100.0**	**25,226**	**100.0**	**2,239**	**100.0**	**1,762**	**100.0**
	Percentage of Total Businesses:			**86.3**		**7.7**		**6.0**

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TULSA MSA

LENDING TEST

The bank's performance with respect to the lending test in the Tulsa MSA AA is rated “low satisfactory”. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending is high within the AA. The borrower distribution analysis reflected a very poor performance in the MSA regarding HMDA loans, and a adequate performance regarding business loans. The geographic distribution was very poor for HMDA loans and adequate for business loans. The bank is predominantly a

commercial lender in this market, and the overall rating is weighted more towards its business lending performance. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this AA included 76 HMDA loans and 253 CRA loans. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 2.3 percent, while the deposits in the AA equaled approximately 0.8 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 179.0 percent. Therefore, the bank's lending activity test represents strong lending levels in this AA.

Geographic Distribution:

As shown in Table 39, the geographic distribution of the bank's residential mortgage loans was very poor, but the distribution of business loans reflected an adequate loan penetration among geographies of different income levels. The bank did not originate any home improvement loans in the Tulsa MSA AA during the evaluation period.

The bank only has two branches in the AA, both in upper-income tracts. Although one branch is near a moderate-income tract, this branch is primarily oriented towards commercial lending. The concentration of rental units is more pronounced within the LMI tracts of the AA. In low-income tracts, only 29.8 percent of housing units are owner-occupied, and 56.6 percent are rentals; and in the moderate-income tracts 45.2 percent are owner-occupied and 44.9 percent are rentals. These factors may impact the bank's ability to make owner-occupied home purchase or refinance loans in the AA, especially within the LMI tracts. The economic characteristics also vary widely by tract income category. In the low-income tracts, 41.1 percent of families are below the poverty level, and this demographic figure equals 18.5 percent in the moderate-income tracts. In the middle- and upper-income tracts, this indicator drops to 6.5 percent and 2.9 percent, respectively.

Home Purchase Loans

The geographic distribution of home purchase loans reflected very poor penetration throughout the AA. Of the bank's 19 home purchase originations for 2009 and 2010, only one loan was originated in an LMI tract. The one loan was in 2010 and in a moderate-income tract, where the bank's performance (9.1 percent) exceeded aggregate data (8.3 percent). The overall lending volume was low, with eight originations for 2009 and 11 originations for 2010.

Refinance Loans

The geographic distribution of refinance loans reflected very poor penetration throughout the AA, particularly in LMI geographies. The overall lending volume was low, with 25 originations for 2009 and 29 originations for 2010. The bank did not originate any refinance loans in LMI tracts during the evaluation period.

Business Loans

The geographic distribution of business loans reflected adequate penetration in LMI geographies. The bank did not originate any business loans in low-income tracts during the evaluation period, while the bank's performance in moderate-income geographies for 2009 and 2010 was slightly below area demographics and aggregate data.

Table 39
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
TULSA OK MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	8/11	0.0	0.0	0.0	9.1	0.0	18.2	100.0	72.7
Home Refinance	25/29	0.0	0.0	0.0	0.0	12.0	0.0	88.0	100.0
Total HMDA Loans[2]	**34/42**	**0.0**	**0.0**	**0.0**	**2.4**	**8.8**	**4.8**	**91.2**	**92.9**
Percentage of owner-occupied housing units in AA by income level of tract [3]		1.5		19.3		39.6		39.6	
Aggregate Peer Data [4]									
Home Purchase		0.5	0.5	8.6	8.3	38.9	36.6	52.0	54.6
Home Refinance		0.4	0.4	6.0	5.5	30.1	29.3	63.5	64.9
Total HMDA Loans		**0.4**	**0.5**	**7.5**	**7.2**	**34.4**	**32.9**	**57.7**	**59.4**
Business Loans:									
Business Loans	130/121	0.0	0.0	16.2	14.9	23.1	14.9	60.8	70.2
Percentage of businesses in AA by income level of tract [5]		1.6	1.6	22.5	22.3	35.1	35.0	40.8	41.1
Aggregate CRA lending in AA[4]		1.2	0.9	19.8	18.3	31.4	30.0	46.1	48.9

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 Total HMDA loans include home improvement loans (0 in 2009; 2 in 2010) and multifamily loans (1 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home purchase loans remained in the analysis.
3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 40, the borrower distribution of the bank's HMDA lending reflected a very poor distribution among individuals of different income levels. However, the bank's CRA lending reflected a good distribution among businesses of different revenue sizes.

Home Purchase Loans

The bank's level of home purchase loans to LMI borrowers exhibited a very poor performance. The bank did not originate any home purchase loans to LMI borrowers in 2009 or 2010.

The bank's two branch locations are in upper-income tracts and the bank's primary line of lending focus in the Tulsa MSA AA is commercial lending. Therefore, a majority of the bank's home purchase loans are originated to commercial loan customers for rental/rehabilitation purposes or as an accommodation to business customers for their personal residences.

Refinance Loans

The bank's level of refinance loans to LMI borrowers exhibited poor performance. The bank originated only two loans to LMI borrowers during the evaluation period. Both loans were originated in 2009, with one each to a low-income borrower and a moderate-income borrower. Again, the bank's location and business focus had an impact on the bank's performance for refinance loans. Seventeen of the 54 refinance loans (31.5 percent) originated during the evaluation period were nonowner-occupied and for business purpose, such as rental and rehabilitation projects, so income was not required to be reported.

Table 40
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
TULSA OK MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	8/11	0.0	0.0	0.0	0.0	12.5	27.3	50.0	54.5
Home Refinance	25/29	4.0	0.0	4.0	0.0	8.0	13.8	60.0	62.1
Total HMDA Loans[1]	**34/42**	**2.9**	**0.0**	**2.9**	**0.0**	**8.8**	**19.0**	**55.9**	**59.5**
Percentage of families in AA by income level[2]		18.9		17.5		20.9		42.7	
Aggregate Peer Data[3]									
Home Purchase		8.7	10.6	25.6	25.3	23.1	22.0	32.6	35.0
Home Refinance		4.0	4.8	13.7	14.4	19.9	20.6	49.1	48.9
Total HMDA Loans[1]		**6.2**	**7.5**	**19.2**	**19.2**	**21.4**	**21.3**	**41.6**	**42.6**

1 Borrower annual incomes reported as 'NA' for some bank (10 in 2009; 9 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes home improvement loans (0 in 2009; 2 in 2010) and multifamily loans (1 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home purchase loans remained in the analysis.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business Loans

The bank's level of lending to small businesses in the AA was well below the demographic figure for 2009 (31.5 percent vs. 86.4 percent) and 2010 (40.5 percent vs. 86.3 percent). The bank has a large percentage of loans where revenue information was not reported. If both the bank and the demographic figures were adjusted, the comparison improves somewhat (53.9 percent vs. 91.8 percent for 2009; 58.3 percent vs. 91.8 percent for 2010). Comparison to aggregate data may be a better comparative. The bank's performance was somewhat favorable compared to aggregate data, equaling approximately five to eight percentage points above the aggregate data (unadjusted). This level appears to reflect an adequate distribution among businesses of different revenue sizes.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

Table 41
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
TULSA OK MSA AA

Business Loans	2009			2010		
	Small[1]	Large	NA	Small[1]	Large	NA
Bank - Number of business loans	41	35	54	49	35	37
Bank - Percentage of loans by size of business	31.5	26.9	41.5	40.5	28.9	30.6
Demographic - Percentage of businesses in the AA[2]	86.4	7.7	5.9	86.3	7.7	6.0
Aggregate CRA lending to small businesses in AA[3]	23.1			35.5		

1 Small businesses, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Tulsa MSA AA. The bank originated two loans for economic development during the evaluation period totaling $2.9 million. The performance was considered excellent in comparison to the bank's minimal presence in the Tulsa AA.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Tulsa MSA AA. Investments in the area totaled $5.5 million. The investments included three mortgage-backed securities that provided affordable housing to LMI individuals, three SBIC bonds, and one tax credit that revitalized or stabilized an LMI area that was part of an Enterprise Zone. Four investments totaling $2.6 million were from the prior period with a balance remaining on the bank's books. The other three investments totaling $2.9 million were made during the evaluation period.

The SBIC bonds are considered complex and innovative, as all were underwritten by an affiliate of the bank. In addition, the bank made efforts to purchase mortgage-backed securities that specifically target LMI borrowers within the Tulsa MSA AA to compensate for its low performance of HMDA-related loans to LMI borrowers.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 22 donations made in the AA during the review period totaling $31,698. Of the donations reviewed, 15 were qualified for community development purposes totaling $20,458. This level was considered good in relation to the bank's small presence in the AA.

SERVICE TEST

The bank's performance under the service test in the Tulsa MSA AA is rated “low satisfactory” based on the accessibility of delivery systems and the level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is poor, as the bank’s two AA branches are located in upper-income tracts, while 29.7 percent of AA tracts are LMI. Since the last examination, the bank did not open or close a branch office in the AA. Banking offices are reasonably accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA**,** particularly LMI individuals.

Community Development Services:

The bank provided a high level of community development services in the Tulsa MSA AA, considering its small presence. The bank provided three qualified services during the review period. The qualified services were with organizations that offer community services targeted to LMI individuals, including the Tulsa Area United Way, Family and Children Services, and the Salvation Army.

CRA APPENDIX A

SCOPE OF EXAMINATION TABLE

SCOPE OF EXAMINATION	
FINANCIAL INSTITUTION: **Commerce Bank** **Kansas City, Missouri**	**PRODUCTS REVIEWED:** **HMDA LAR Loans:** Home Purchase, Refinance, Home Improvement **CRA LAR Loans:** Small Business, Small Farm **Community Development Activities:** Loans, Investments, Services
TIME PERIOD REVIEWED: **HMDA and CRA LAR Loans:** 2009 and 2010 **Community Development Activities**: 2009 and 2010	

LIST OF AFFILIATES SUBJECT TO REVIEW FOR THIS EVALUATION		
AFFILIATES	**AFFILIATE RELATIONSHIP**	**PRODUCTS REVIEWED**
Commerce Mortgage Corporation (CMC)	Subsidiary of Commerce Bank	Home Mortgage Loans
Capital for Business, Inc. (CFB)	Subsidiary of Commerce Bancshares, Inc. (CBI)	Qualified Investments
Two Small Business Investment Companies (SBICs)	Subsidiaries of CFB	Qualified Investments

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	**TYPE OF EXAMINATION**	**BRANCHES VISITED[2]**	**COMMUNITY CONTACTS**
Multi-State MSAs			
28140 - Kansas City, MO-KS (7 of 15 MSA counties)	**Full**	922 Walnut St	8 Prior, 3 current
41180 - St. Louis, MO-IL (6 of 15 MSA counties, plus St. Louis City)	**Full**	None	2 Prior, 1 current
Missouri			
16020 - Cape Girardeau-Jackson, MO-IL[1] (1 of 3 MSA counties)	Limited	None	None
17860 - Columbia, MO (1 of 2 MSA counties)	**Full**	None	2 Prior
27620 - Jefferson City, MO (1 of 4 MSA counties)	Limited	None	None
27900 - Joplin, MO (2 of 2 MSA counties)	Limited	None	None
41140 - St. Joseph, MO-KS[1] (2 of 4 MSA counties)	Limited	None	None
44180 - Springfield, MO (4 of 5 MSA counties)	**Full**	None	None
Rural Branson (1 county)	Limited	None	None
Rural Hannibal (2 counties)	Limited	None	None
Rural Lebanon (1 county)	Limited	None	None
Rural Mexico/Moberly (2 counties)	Limited	None	None
Rural Poplar Bluff (1 county)	Limited	None	None
Rural St. Francois (2 counties)	Limited	None	None
Rural SW MO (2 counties)	Limited	None	None
Kansas			
29940 - Lawrence, KS (1 of 1 MSA counties)	Limited	None	None
31740 - Manhattan, KS (2 of 3 MSA counties)	Limited	None	None
48620 - Wichita, KS (2 of 4 MSA counties)	**Full**	None	2 Prior
Rural Garden City (2 counties)	Limited	None	None
Rural Hays (1 county)	Limited	None	None
Rural Hutchinson (1 county)	Limited	None	None
Rural SE KS (3 counties)	Limited	None	None

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	**TYPE OF EXAMINATION**	**BRANCHES VISITED[2]**	**COMMUNITY CONTACTS**
Illinois			
14060 - Bloomington-Normal, IL (1 of 1 MSA counties)	**Full**	None	2 Prior
16580 - Champaign-Urbana, IL (1 of 3 MSA counties)	Limited	None	None
37900 - Peoria, IL (3 of 5 MSA counties)	Limited	None	None
Colorado			
19740 - Denver-Aurora-Broomfield, CO (3 of 10 MSA counties)	**Full**	None	2 Prior
Oklahoma			
46140 - Tulsa, OK (1 of 7 MSA counties)	**Full**	None	3 Prior

1 The Cape Girardeau and St. Joseph MSA AAs have branches only in Missouri; therefore, these AAs are not evaluated as multi-state MSAs.

2 "Branches visited" indicates where technical compliance with the CRA (signs, public file, etc.) was confirmed. The evaluation of the bank's CRA performance takes into consideration activity from all branch locations, as described in the Scope of Examination.

CRA APPENDIX B

SUMMARY OF STATE AND MULTISTATE MSA RATINGS

STATE OR MULTISTATE METROPOLITAN AREA	LENDING TEST RATING	INVESTMENT TEST RATING	SERVICE TEST RATING	OVERALL RATING
Kansas City, MO-KS MSA	High Satisfactory	High Satisfactory	Outstanding	Satisfactory
St. Louis, MO-IL MSA	High Satisfactory	Outstanding	Outstanding	Outstanding
Missouri	High Satisfactory	Outstanding	Outstanding	Outstanding
Kansas	High Satisfactory	Outstanding	Outstanding	Outstanding
Illinois	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Colorado	Outstanding	Outstanding	High Satisfactory	Outstanding
Oklahoma	Low Satisfactory	Outstanding	Low Satisfactory	Satisfactory

CRA APPENDIX C

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

Community development: Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Small Business Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies. Effective September 1, 2005, the Board of Governors of the Federal Reserve System, adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize (i) low-or moderate-income geographies; (ii) designated disaster areas; or (iii) distressed or underserved nonmetropolitan middle-income geographies designated by the Board, based on: (a) rates of poverty, unemployment, and population loss; or (b) population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance under the lending, investment and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act ("HMDA"): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as race, gender and income of applications, amount of loan requested, and disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the lending, investment and service tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area ("MA"): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economical and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units**.**

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report"). These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

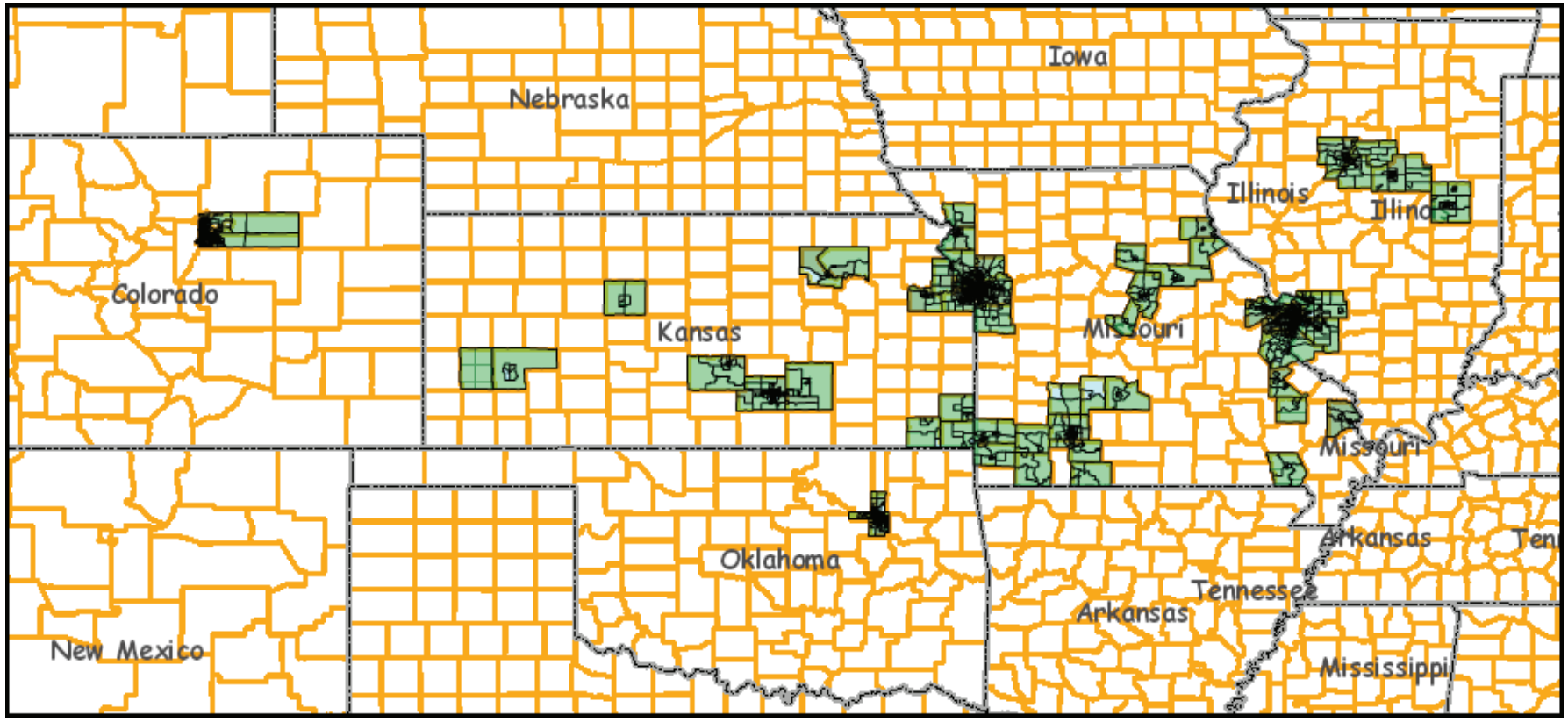
Small loan(s) to farm(s): A loan included in "loans to small farms" as defined in the instructions for preparation of the Call Report. These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

CRA APPENDIX D

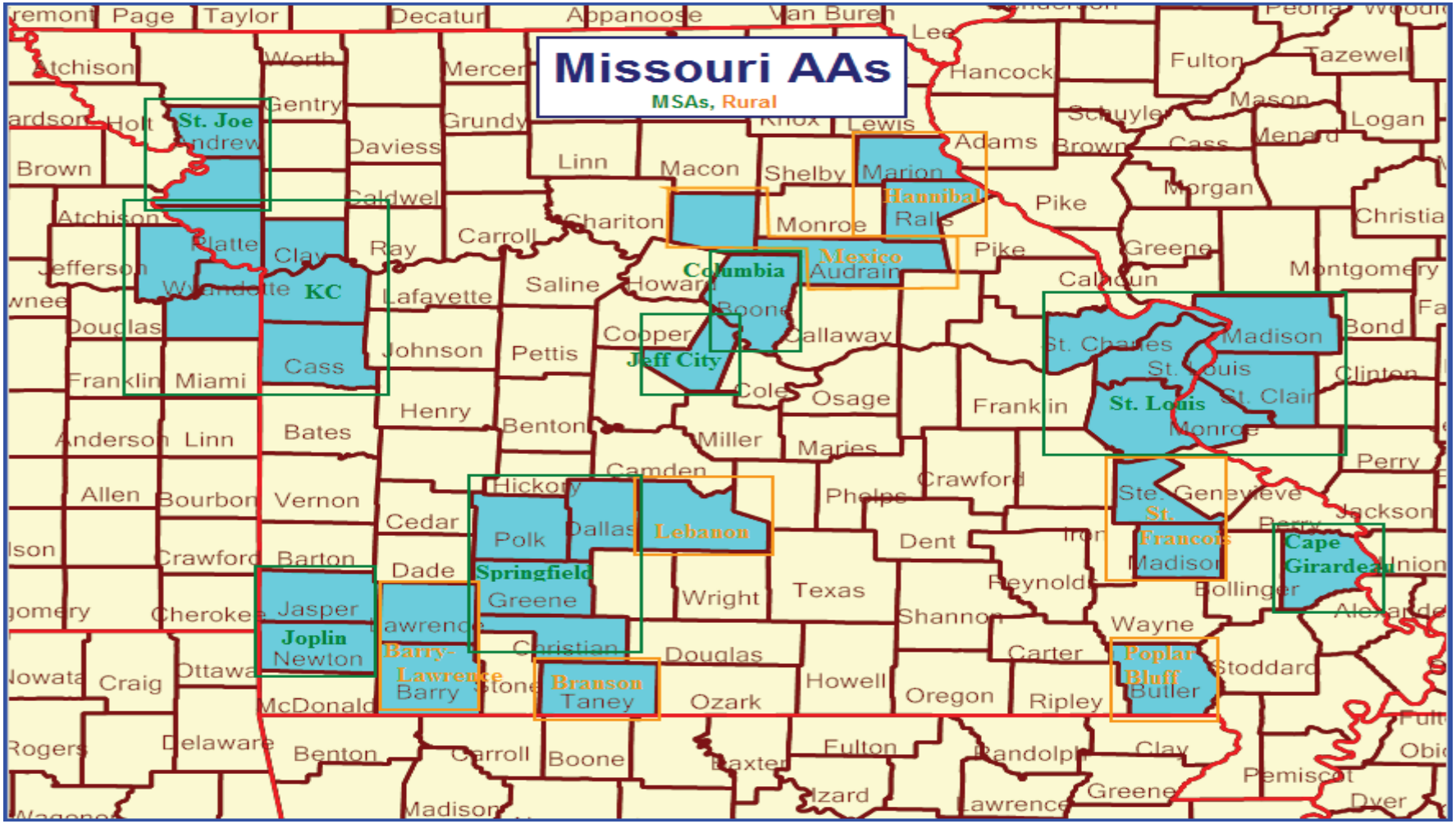
ASSESSMENT AREA MAPS

Commerce Bank - All Assessment Areas



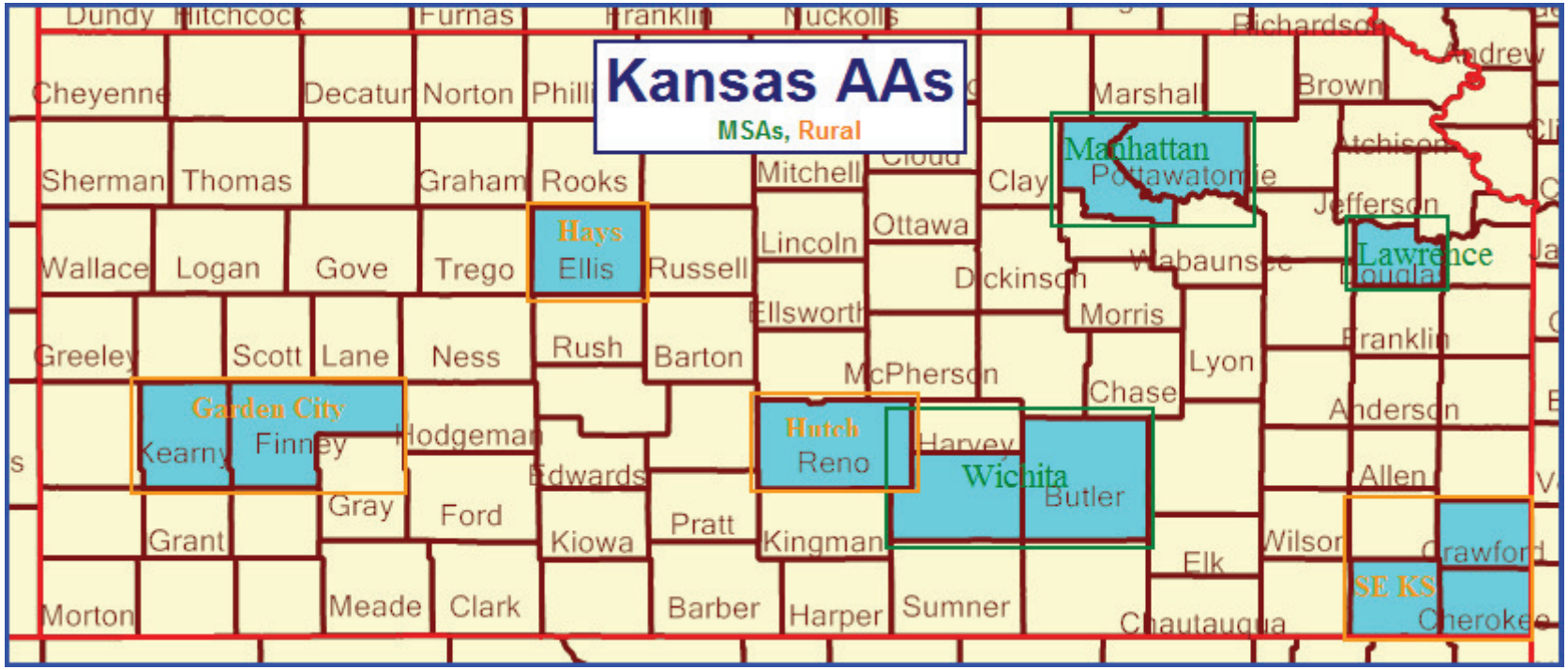
The next two pages display maps for the State of Missouri and Kansas, the only two states with rural AAs.

Missouri Assessment Areas



Multistate MSAs (with branches in each state): Kansas City MO/KS; St. Louis MO/IL
MSAs: Cape Girardeau-Jackson MO/IL; Columbia MO; Jefferson City MO; Neosho MO; St. Joseph MO/KS; Springfield MO
Rural MO: Barry-Lawrence Counties; Branson (Taney Co); Hannibal (Marion-Ralls Co); Lebanon (Laclede Co); Mexico (Audrain Co); Poplar Bluff (Butler Co); St. Francois (St. Francois-Madison Co)

Kansas Assessment Areas



MSAs: Lawrence KS; Manhattan KS; Wichita KS
Rural KS: Garden City (Kearny-Finney Co); Hays (Ellis Co); Hutchinson (Reno Co); SE KS (Cherokee-Crawford-Labette Co)

Commerce Bank – Branch Closing Policy 12/31/13

It is the policy of Commerce Bank to perform a thorough analysis when determining if a branch should be closed. Accordingly, the Bank will follow all state and federal regulatory requirements during the closing process.

Small Business/Farm Summary

All Tracts in United States and Territories
ST. LOUIS CITY COUNTY
Filter Desc: Untitled

	Small Business Loans		Small Farm Loans	
	Number	Amount	Number	Amount
STATE: 29 COUNTY: 510 St. Louis city	170	35,269,000	0	0
ASSESSMENT AREA TOTALS:	170	35,269,000	0	0
Assessment and Non-Assessment Area Totals:	170	35,269,000	0	0

Copyright 1996 - 2014 MARQUIS

Small Business/Farm Summary

All Tracts in United States and Territories
ST. LOUIS CITY COUNTY
Filter Desc: Untitled

STATE: 29 MISSOURI **COUNTY:** 510 St. Louis city MSA: St. Louis, MO-IL MSA

Census Tract/BNA	Assessment Area	Small Business Loans		Small Farm Loans	
		Number	Amount	Number	Amount
1011.00	*	1	10,000	0	0
1012.00	*	0	0	0	0
1013.00	*	1	5,000	0	0
1014.00	*	0	0	0	0
1015.00	*	0	0	0	0
1018.00	*	2	1,285,000	0	0
1021.00	*	0	0	0	0
1022.00	*	4	30,000	0	0
1023.00	*	0	0	0	0
1024.00	*	1	250,000	0	0
1025.00	*	0	0	0	0
1031.00	*	1	3,000	0	0
1034.00	*	0	0	0	0
1036.00	*	8	1,919,000	0	0
1037.00	*	1	1,000	0	0
1038.00	*	1	5,000	0	0
1042.00	*	4	42,000	0	0
1045.00	*	15	4,711,000	0	0
1051.98	*	2	905,000	0	0
1052.00	*	0	0	0	0
1053.00	*	0	0	0	0
1054.00	*	0	0	0	0
1055.00	*	0	0	0	0
1061.00	*	0	0	0	0
1062.00	*	0	0	0	0
1063.00	*	0	0	0	0
1064.00	*	0	0	0	0
1065.00	*	0	0	0	0
1066.00	*	0	0	0	0
1067.00	*	0	0	0	0
1072.00	*	0	0	0	0
1073.00	*	0	0	0	0
1074.00	*	0	0	0	0
1075.00	*	0	0	0	0
1076.00	*	0	0	0	0
1081.00	*	0	0	0	0
1082.00	*	0	0	0	0
1083.00	*	0	0	0	0
1096.00	*	3	65,000	0	0
1097.00	*	5	1,667,000	0	0
1101.00	*	0	0	0	0
1102.00	*	0	0	0	0

Copyright 1996 - 2014 MARQUIS

Small Business/Farm Summary

All Tracts in United States and Territories
ST. LOUIS CITY COUNTY
Filter Desc: Untitled

STATE: 29 MISSOURI **COUNTY:** 510 St. Louis city MSA: St. Louis, MO-IL MSA

Census Tract/BNA	Assessment Area	Small Business Loans		Small Farm Loans	
		Number	Amount	Number	Amount
1103.00	*	0	0	0	0
1104.00	*	0	0	0	0
1105.00	*	0	0	0	0
1111.00	*	0	0	0	0
1112.00	*	0	0	0	0
1113.00	*	0	0	0	0
1114.00	*	0	0	0	0
1115.00	*	3	145,000	0	0
1121.00	*	1	72,000	0	0
1122.00	*	0	0	0	0
1123.00	*	0	0	0	0
1124.00	*	3	259,000	0	0
1135.00	*	6	1,063,000	0	0
1141.01	*	1	85,000	0	0
1141.02	*	2	205,000	0	0
1142.00	*	2	14,000	0	0
1143.00	*	5	17,000	0	0
1151.00	*	2	782,000	0	0
1152.00	*	2	800,000	0	0
1153.00	*	3	1,029,000	0	0
1154.00	*	1	50,000	0	0
1155.00	*	0	0	0	0
1156.00	*	0	0	0	0
1157.00	*	0	0	0	0
1161.00	*	0	0	0	0
1162.00	*	2	5,000	0	0
1163.01	*	2	500,000	0	0
1163.02	*	1	250,000	0	0
1164.00	*	0	0	0	0
1165.00	*	0	0	0	0
1171.00	*	2	800,000	0	0
1172.00	*	2	15,000	0	0
1174.00	*	1	6,000	0	0
1181.00	*	4	675,000	0	0
1184.00	*	0	0	0	0
1186.00	*	4	215,000	0	0
1191.01	*	4	529,000	0	0
1191.02	*	0	0	0	0
1192.00	*	1	58,000	0	0
1193.00	*	0	0	0	0
1202.00	*	0	0	0	0
1211.00	*	3	400,000	0	0

Copyright 1996 - 2014 MARQUIS

Small Business/Farm Summary

All Tracts in United States and Territories
ST. LOUIS CITY COUNTY
Filter Desc: Untitled

STATE: 29 MISSOURI **COUNTY:** 510 St. Louis city MSA: St. Louis, MO-IL MSA

Census Tract/BNA	Assessment Area	Small Business Loans		Small Farm Loans	
		Number	Amount	Number	Amount
1212.00	*	0	0	0	0
1231.00	*	1	10,000	0	0
1232.00	*	1	10,000	0	0
1233.00	*	2	185,000	0	0
1241.00	*	0	0	0	0
1242.00	*	0	0	0	0
1243.00	*	2	119,000	0	0
1246.00	*	0	0	0	0
1255.00	*	3	647,000	0	0
1256.00	*	20	3,405,000	0	0
1257.00	*	0	0	0	0
1266.00	*	3	115,000	0	0
1267.00	*	3	1,030,000	0	0
1268.00	*	4	1,025,000	0	0
1269.00	*	0	0	0	0
1270.00	*	3	3,000,000	0	0
1271.00	*	1	5,000	0	0
1272.00	*	2	419,000	0	0
1273.00	*	1	5,000	0	0
1274.00	*	10	3,135,000	0	0
1275.00	*	6	2,287,000	0	0
1276.00	*	2	1,000,000	0	0
Totals:		170	35,269,000	0	0

*** END OF CURRENT COUNTY DATA ***

Copyright 1996 - 2014 MARQUIS

2013 COMMERCE BANK COMMUNITY DEVELOPMENT LOANS - ST. LOUIS

CD DESIGNATION	TOTAL NUMBER	TOTAL AMOUNT
AFFORDABLE HOUSING	6	$ 2,002,000.00
COMMUNITY SERVICES	3	$ 1,605,000.00
ECONOMIC DEVELOPMENT	13	$ 59,067,000.00
REVITALIZE STABLIZE	7	$ 46,204,000.00
TOTAL	29	$ 108,878,000.00

2013 COMMERCE BANK COMMUNITY DEVELOPMENT LOANS - ST. LOUIS

	LOAN AMOUNT	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL
AFFORDABLE HOUSING	$ 101,000.00	41180	29	510	1193.00	MIDDLE
	$ 1,188,000.00	41180	29	510	1021.00	MOD
	$ 62,000.00	41180	29	510	1163.02	LOW
	$ 492,000.00	41180	29	510	1152.00	LOW
	$ 81,000.00	41180	29	510	1273.00	MOD
	$ 78,000.00	41180	29	510	1164.00	LOW
TOTAL	$ 2,002,000.00					

	LOAN AMOUNT	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL
COMMUNITY SERVICES	$ 400,000.00	41180	29	510	1275.00	LOW
	$ 5,000.00	41180	29	510	1112.00	LOW
	$ 1,200,000.00	41180	29	510	1193.00	LOW
TOTAL	$ 1,605,000.00					

	LOAN AMOUNT	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL
ECONOMIC DEVELOPMENT	$ 1,417,000.00	41180	29	510	1045.00	MOD
	$ 5,500,000.00	41180	29	510	1045.00	MOD
	$ 10,000,000.00	41180	29	510	1274.00	MOD
	$ 5,000,000.00	41180	29	510	1266.00	LOW
	$ 2,200,000.00	41180	29	510	1255.00	MIDDLE
	$ 1,150,000.00	41180	29	510	1274.00	LOW
	$ 10,000,000.00	41180	29	510	1266.00	LOW
	$ 3,000,000.00	41180	29	510	1115.00	MOD
	$ 3,000,000.00	41180	29	510	1274.00	LOW
	$ 1,300,000.00	41180	29	510	1045.00	MOD
	$ 1,500,000.00	41180	29	510	1097.00	LOW
	$ 10,000,000.00	41180	29	510	1266.00	MOD
	$ 5,000,000.00	41180	29	510	1181.00	MOD
TOTAL	$ 59,067,000.00					

	LOAN AMOUNT	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL
REVITALIZE STABLIZE	$ 9,403,000.00	41180	29	510	1256.00	MOD
	$ 7,500,000.00	41180	29	510	1256.00	MOD
	$ 25,000.00	41180	29	510	1256.00	MOD
	$ 6,018,000.00	41180	29	510	1256.00	MOD
	$ 8,750,000.00	41180	29	510	1256.00	MOD
	$ 2,508,000.00	41180	29	510	1256.00	MOD
	$ 12,000,000.00	41180	29	510	1186.00	LOW
TOTAL	$ 46,204,000.00					

2013 COMMERE BANK BRANCHES - ST. LOUIS

BRANCH NAME	ADDRESS	CITY	STATE	ZIP	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL	COUNTY NAME
CHIPPEWA	6327 CHIPPEWA ST	ST LOUIS	MO	63109	41180	29	510	1141.02	UPPER	ST LOUIS CITY
CHOUTEAU	4019 CHOUTEAU AVENUE	ST LOUIS	MO	63110	41180	29	510	1186.00	LOW	ST LOUIS CITY
METROPOLITAN SQUARE	211 N. BROADWAY	ST LOUIS	MO	63102	41180	29	510	1256.00	MODERATE	ST LOUIS CITY
NATURAL BRIDGE	4401 NATURAL BRIDGE AVENUE	ST LOUIS	MO	63115	41180	29	510	1101.00	LOW	ST LOUIS CITY
TOWER GROVE	3134 S. GRAND BLVD	ST LOUIS	MO	63118	41180	29	510	1165.00	MODERATE	ST LOUIS CITY

2013 COMMERCE BANK ATMS - ST. LOUIS

ATM NAME	ADDRESS	CITY	STATE	ZIP	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL	COUNTY NAME
MO BOTANICAL GARDEN	4344 SHAW BLVD	ST. LOUIS	MO	63110	41180	29	510	1171.00	MODERATE	ST LOUIS CITY
CHIPPEWA EAST	6327 CHIPPEWA ST	ST. LOUIS	MO	63109	41180	29	510	1141.02	UPPER	ST LOUIS CITY
WASHINGTON AVE.	1400 WASHINGTON AVE	ST. LOUIS	MO	63103	41180	29	510	1255.00	MIDDLE	ST LOUIS CITY
CHIPPEWA WEST	6327 CHIPPEWA ST	ST. LOUIS	MO	63109	41180	29	510	1141.02	UPPER	ST LOUIS CITY
TOWER GROVE WEST	3134 S GRAND BLVD	ST. LOUIS	MO	63118	41180	29	510	1165.00	MODERATE	ST LOUIS CITY
TOWER GROVE EAST	3134 S GRAND BLVD	ST. LOUIS	MO	63118	41180	29	510	1165.00	MODERATE	ST LOUIS CITY
LOUGHBOROUGH PLAZA	4348 LOUGHBOROUGH AVE	ST. LOUIS	MO	63116	41180	29	510	1025.00	MIDDLE	ST LOUIS CITY
NATURAL BRIDGE	4402 NATURAL BRIDGE AVE	ST. LOUIS	MO	63115	41180	29	510	1101.00	LOW	ST LOUIS CITY
RIVERVIEW MOTOMART	11005 RIVERVIEW DR	ST. LOUIS	MO	63138	41180	29	510	1270.00	LOW	ST LOUIS CITY
CHOUTEAU	4019 CHOUTEAU AVE	ST. LOUIS	MO	63110	41180	29	510	1186.00	LOW	ST LOUIS CITY
METRO SQ WEST	211 N BROADWAY	ST. LOUIS	MO	63102	41180	29	510	1256.00	MODERATE	ST LOUIS CITY
METRO BLDG. RIGHT	211 N BROADWAY	ST. LOUIS	MO	63102	41180	29	510	1256.00	MODERATE	ST LOUIS CITY
MO BOTANICAL GARDEN #2	4344 SHAW BLVD	ST. LOUIS	MO	63110	41180	29	510	1171.00	MODERATE	ST LOUIS CITY

PARTNERING FOR GROWTH

Commerce Bancshares, Inc.

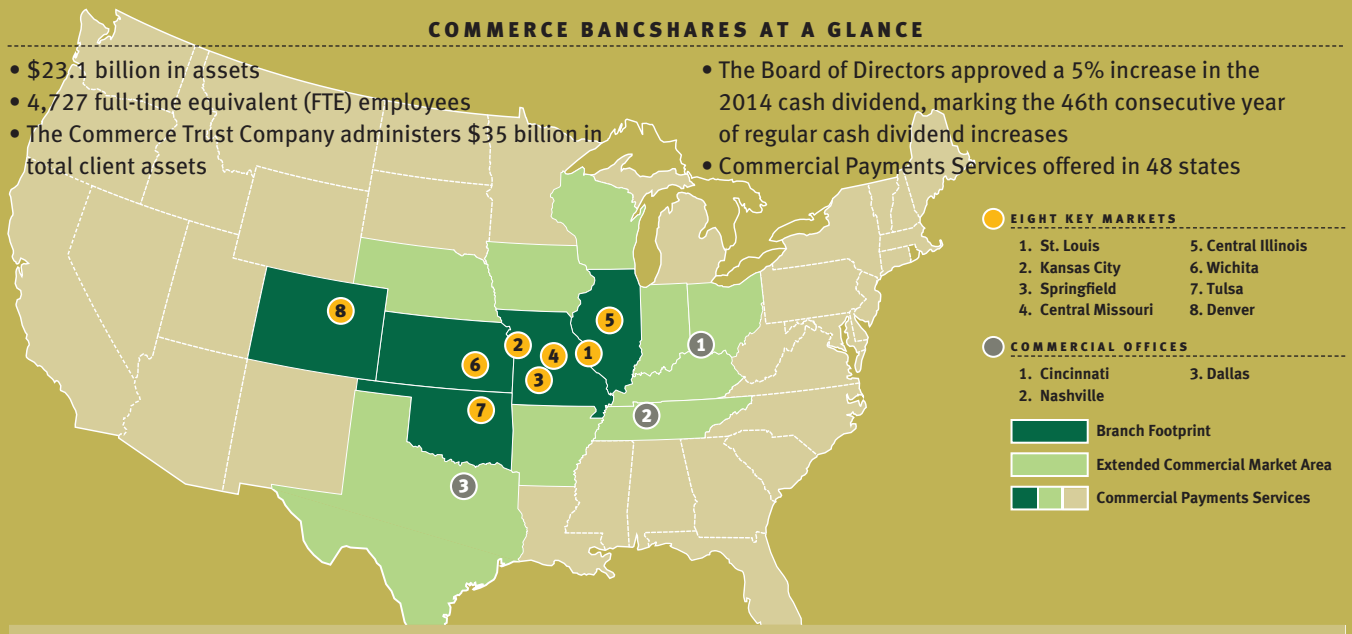
2013 ANNUAL REPORT AND FORM 10-K

COMPANY PROFILE

Commerce Bancshares, Inc. operates as a super-community bank offering an array of sophisticated financial products delivered with high-quality, personal customer service. The Company's customer promise ***we ask, listen and solve*** is not just its brand, but also its corporate focus. With this platform, Commerce is continually building its long-term franchise while paying strict attention to asset quality and expense management. Commerce provides a full range of financial products to consumer and commercial customers, including lending, payment processing, trust, brokerage and capital markets services. Serving its customers from 358 locations in Missouri, Kansas, Illinois, Oklahoma and Colorado and commercial offices throughout the nation's midsection, Commerce uses a variety of delivery platforms, including an expansive ATM network, full-featured online banking, and a central contact center, and has a nationwide presence in the commercial payments industry.

COMMERCE BANCSHARES AT A GLANCE

- $23.1 billion in assets
- 4,727 full-time equivalent (FTE) employees
- The Commerce Trust Company administers $35 billion in total client assets
- The Board of Directors approved a 5% increase in the 2014 cash dividend, marking the 46th consecutive year of regular cash dividend increases
- Commercial Payments Services offered in 48 states



A CONSISTENT STRATEGY WITH A LONG-TERM VIEW

Community Bank Front End

- Flat organization; quick decisions
- Employees embrace strong culture
- Award-winning customer service
- Customer and market knowledge reduces risk

Super-Community Approach

- Relationship-based sales strategy driven by our customer promise to ***ask, listen and solve***
- High-performing teams supported by a commitment to talent development
- Investment in distinctive, high-return businesses
- Long history of top-quartile credit quality metrics
- Disciplined approach to acquisitions
- Ongoing focus on improvement in operational efficiency

Super-Regional Back End

- Sophisticated payment processing systems
- Broad consumer product offerings
- Private banking; trust; capital markets
- Competitive on unit costs

ABOUT THE COVER

Denver's historic Union Station neighborhood is currently being redeveloped into a world-class, transit-oriented retail, office and residential complex. Commerce Bank provided the construction financing for the the new home of IMA Financial Group, a diversified financial services company, which moved into its new headquarters there this past December.

"Commerce is the right size bank for us — big enough to have the market clout and resources to do the job, but small enough that our business truly matters to them," says **Robert Cohen**, chairman and CEO of IMA Financial (right), here with **Dan Sheehan**, manager, Colorado Commercial Real Estate Banking (left).

TABLE OF CONTENTS

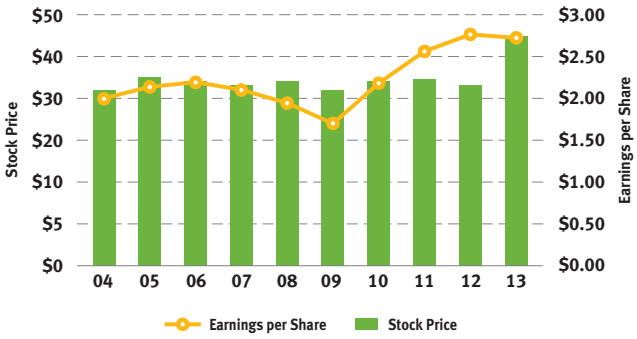
Financial Highlights 1 | **Message to Our Shareholders 2** | **Partnering for Growth 10**
Success Stories 11 | **Community Advisors 19** | **Officers and Directors 24**

FINANCIAL HIGHLIGHTS

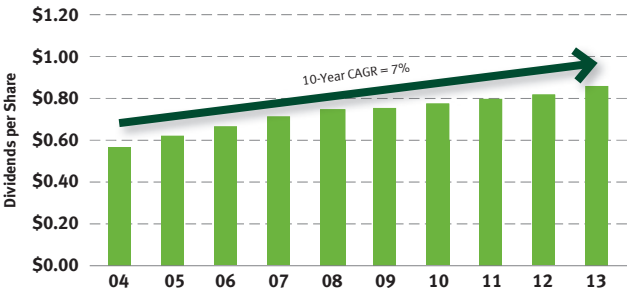
(In thousands, except per share data)	2009	2010	2011	2012	**2013**
OPERATING RESULTS					
Net interest income	$ 635,502	$ 645,932	$ 646,070	$ 639,906	**$ 619,372**
Provision for loan losses	160,697	100,000	51,515	27,287	**20,353**
Non-interest income	396,259	405,111	392,917	399,630	**418,386**
Investment securities gains (losses), net	(7,195)	(1,785)	10,812	4,828	**(4,425)**
Non-interest expense	621,737	631,134	617,249	618,469	**629,633**
Net income	169,075	221,710	256,343	269,329	**260,961**
Cash dividends	74,720	78,231	79,140	211,608**	**82,104**
AT YEAR END					
Total assets	$ 18,120,189	$ 18,502,339	$ 20,649,367	$ 22,159,589	**$ 23,072,036**
Loans, including held for sale	10,490,327	9,474,733	9,208,554	9,840,211	**10,956,836**
Investment securities	6,473,388	7,409,534	9,358,387	9,669,735	**9,042,997**
Deposits	14,210,451	15,085,021	16,799,883	18,348,653	**19,047,348**
Equity	1,885,905	2,023,464	2,170,361	2,171,574	**2,214,397**
Non-performing assets	116,670	97,320	93,803	64,863	**55,439**
Common shares outstanding*	100,897	100,278	98,070	95,985	**95,881**
Tier I capital ratio	13.04%	14.38%	14.71%	13.60%	**14.06%**
Total capital ratio	14.39	15.75	16.04	14.93	**15.28**
Leverage ratio	9.58	10.17	9.55	9.14	**9.43**
Tangible common equity to assets ratio	9.71	10.27	9.91	9.25	**9.00**
Efficiency ratio	59.88	59.71	59.10	59.26	**60.49**
OTHER FINANCIAL DATA (based on average balances)					
Return on total assets	.96%	1.22%	1.32%	1.30%	**1.19%**
Return on equity	9.76	11.15	12.15	12.00	**11.99**
Loans to deposits	79.79	70.02	59.15	55.80	**57.12**
Equity to assets	9.83	10.91	10.87	10.84	**9.95**
Net yield on interest earning assets (T/E)	3.93	3.89	3.65	3.41	**3.11**
Wtd. average common shares outstanding-diluted*	99,036	101,156	99,448	96,489	**94,983**
PER SHARE DATA					
Net income - basic*	$ 1.71	$ 2.19	$ 2.57	$ 2.77	**$ 2.73**
Net income - diluted*	1.70	2.18	2.56	2.76	**2.72**
Market price*	31.86	34.32	34.58	33.39	**44.91**
Book value*	18.69	20.18	22.13	22.62	**23.10**
Cash dividends*	.752	.773	.795	2.195**	**.857**
Cash dividend payout ratio	44.15%	35.52%	31.06%	79.48%**	**31.51%**

* Restated for the 5% stock dividend distributed December 2013.
** Includes a special dividend paid in the fourth quarter of 2012.

GROWTH IN EPS AND STOCK PRICE



CASH DIVIDENDS PER SHARE



Excludes special dividend of $1.36 per share in 2012.

To Our Shareholders

In 2013, Commerce Bancshares continued to deliver on our strategic plan to provide a superior value proposition to both our customers and investors. Customers appreciate our convenience, sophisticated product set, strong service culture and experienced banking staff, who are here to ask, listen and offer solutions. Investors continue to value our consistent, strong financial performance, unique product mix, investment in growth opportunities and targeted geographical expansion. As a result, mid-sized banks such as Commerce are now being rewarded with superior price-to-earnings valuations, compared to both larger and smaller banks.

David W. Kemper, Chairman

Last year saw a slow but steady domestic economic expansion. Despite a financial services environment of continued very low interest rates and increased regulatory costs and intervention, our Company enjoyed excellent 11% loan growth, while deposits grew 4%. We also saw strong growth from both our commercial card and wealth management businesses, with commercial card revenue growing 14% to $81 million, and wealth management revenue increasing 8% to surpass $100 million.

We continue to expand in targeted geographies with highly desirable demographic and business potential.

With an emphasis on building customer relationships, strong collaboration across business lines and a diverse product set, our business model continues to allow us to provide a broad array of products and services to our commercial and retail customers.

We continue to expand in targeted geographies with highly desirable demographics and strong business potential. In September, we completed our merger with Summit Bancshares Inc. in Oklahoma. This merger increased our loans in the Oklahoma market to almost $500 million. Loans in our Denver market grew 30% last year to more than $270 million, while loan growth in our other expansion markets, including Dallas, Nashville and Cincinnati, was strong. In addition to leveraging these markets for loan and fee income growth, we also continue to expand in our core markets with targeted calling in high-growth industry segments, including healthcare, commercial real estate and agribusiness.

Traditional retail banking and mass-market consumer payments remain a challenge in the banking industry. A combination of low interest rates, regulatory price controls, changing consumer behavior and new self-service options has reduced profitability and put significant pressure on the

traditional retail bank model. We remain committed to a core branch system, focused on delivering the right set of products and convenience to our customers. At the same time, we are putting programs in place to raise productivity and increase sales to our existing customer base in areas such as mortgage and asset management.

PERFORMANCE HIGHLIGHTS

• Commerce reported earnings per share of $2.72, down 1% from 2012. Return on average assets totaled 1.2%, while return on average equity was 12.0%. This compares favorably to the top 50 bank industry average of 1.0% for return on average assets and 9.0% for return on average equity in 2013.

• Net income totaled $261 million, versus $269 million last year, reflecting a 25% decrease in loan losses, solid growth in trust and commercial card fees, and controlled expense, offset by lower net interest income.

• We paid a dividend of $.857 per share* in 2013, making this the 45th consecutive year regular cash dividends were increased. We have also paid a 5% stock dividend for the 20th year in a row.

• Company equity totaled $2.2 billion at year end, and the ratio of tangible common equity to assets amounted to 9.0%. We repurchased 1.7 million shares of Company stock in 2013.

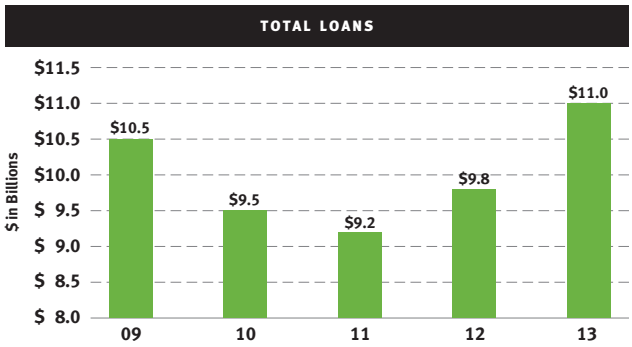
• Loans grew 11% this year, or $1.1 billion, to $11.0 billion. Personal banking loans grew $396 million on continued growth in consumer residential and auto lending. Commercial loans grew $729 million on strong growth in business loans, tax-advantaged lending and leasing. Our expansion markets, including Tulsa, Oklahoma City, Denver, Dallas, Nashville and Cincinnati, grew loans by 23%.

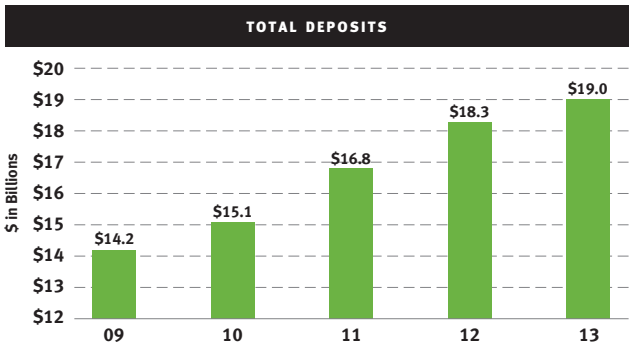
Our expansion markets, including Tulsa, Oklahoma City, Denver, Dallas, Nashville and Cincinnati, grew loans by 23%.

• Our national commercial card business grew revenue 14% to $81 million in 2013, as a result of strong new customer sales and greater usage by our existing customers. Our trust and asset management business also grew 8%, with revenue of $103 million.

• In September, the Company purchased Oklahoma-based Summit Bancshares Inc., acquiring $207 million in loans, $232 million in deposits and branch locations in Tulsa and Oklahoma City.

• Net loan charge-offs totaled $31 million in 2013, a decline of 20% from amounts charged off last year. Our provision for loan losses also declined 25% to $20 million. Non-performing assets declined to $55 million at year end, a reduction of 15% from last year.





COMMERCE'S VALUE PROPOSITION

Commerce offers a strong value proposition to both our customers and shareholders. Commerce operates as a super-community banking organization, dedicated to providing sophisticated, convenient products and solutions to its business and retail customers. At the same time, Commerce is committed to providing high service levels, often customized to meet our customers' specific needs.

We continually communicate with our customers to ensure satisfaction, while emphasizing our culture and value proposition with our employees. Through regular surveys, we measure employee engagement and satisfaction. Scores consistently rank high and outrank other high-performance

*Restated for December 2013 5% stock dividend.

peer companies, demonstrating our employees' commitment to our core values.

Our value proposition is equally strong for our Company's shareholders. We focus on providing shareholders solid, consistent, risk-adjusted returns with strong capital and reserves. On average, over the last ten years our return on average assets and equity outperformed both our peer banks and a select group of the nation's largest banking institutions. Furthermore, our emphasis on sound credit underwriting has resulted in top-quartile credit metrics for many years. Commerce has paid above-average dividends and has increased its regular cash dividend for 45 consecutive years, a record few banking organizations can match.

Commerce is dedicated to continuous improvement and innovation throughout the organization. We have a long history of solid financial performance, while serving our customer base with high-quality products and personal customer service. We proactively look for new ways to deepen our existing customer relationships and improve our sales process to attract new customers. Our continued focus on improving our business processes enables us to attain new cost efficiencies. We listen to our customers' needs and invest in innovative products and high-return businesses to provide them with superior solutions.

INDUSTRY RECOGNITION

We continue to receive industry recognition each year for our success in generating solid, consistent returns to investors, while providing a high level of customer service.

• For the fifth consecutive year, Commerce ranked among the top 10 on Forbes' list of *America's Best Banks*. Dividend Channel also named Commerce to the S.A.F.E. 25 list, signifying stocks with above-average statistics and a superb track record of at least two decades of dividend growth.

Commerce Bancshares is among only four banks in the country with the highest assigned Bank Financial Strength Rating according to Moody's Investor Service, as of December 1, 2013.

• Commerce Investment Advisors bond management team, which is shared with The Commerce Trust Company, was rated the #1 Fixed Income Small Fund Group in the U.S. by Lipper, the leading provider of mutual fund information.

• Commerce Bancshares is among only four banks in the country with the highest assigned Bank Financial Strength Rating according to Moody's Investor Service, as of December 1, 2013.

• Commerce Bancshares, Inc. ranked tenth in the $5 billion to $50 billion asset category on Bank Director magazine's 2013 Bank Performance Scorecard.

• Commerce Bancshares is one of 33 returning members included on the Keefe, Bruyette, & Woods, Inc. (KBW) Bank Honor Roll of banking institutions that achieved positive earnings per share growth trends over the last decade, regardless of the economic environment. In 2013, KBW also ranked Commerce among the top performing banks of the decade.

• Bloomberg Markets magazine named Commerce Family Office, a division of The Commerce Trust Company, the 20th largest family office in the world by assets, and the fourth fastest growing.

• In 2013, Commerce was included in the Barron's 400 Index. The index collects the most fundamentally sound and attractively priced stocks from all corners of the globe using a proven and disciplined stock selection process.

OPPORTUNITIES FOR GROWTH

Despite the headwinds the banking industry has faced over the last few years, Commerce has pursued a number of opportunities to grow our businesses and add to our customer base.

We have concentrated on growing new loan relationships across both our commercial and consumer business lines and experienced solid growth in 2013. We have created distinctive capabilities in our leasing and tax-advantaged lending businesses and have developed industry specialties, including healthcare, beverage distribution, aviation and agriculture. With our recent investments in Oklahoma and Texas, we have added new energy lending expertise and new loan and fee income growth opportunities in this important and growing industry. Further, we have added more than 400 new automobile dealership customers over the last two years, which has enabled us to expand our consumer auto and floor-plan lending businesses.

Commerce is a top provider of consumer and commercial bank card products in the financial services industry. The Nilson Report ranked Commerce among the top issuers in the payments industry; in 2013, Commerce was number 33 on its list of Debit Card Issuers, number 16* among Consumer Card Issuers, number 11* among Bank Acquirers, number 7 among Purchasing Card Issuers and number 17 among Commercial Card Issuers. Our national commercial card business has been rapidly growing revenue at a compound annual growth rate of more than 25% for the last five years and continues to have great success in attracting new customers.

Our national commercial card business has been rapidly growing revenue at a compound annual growth rate of more than 25% for the last five years.

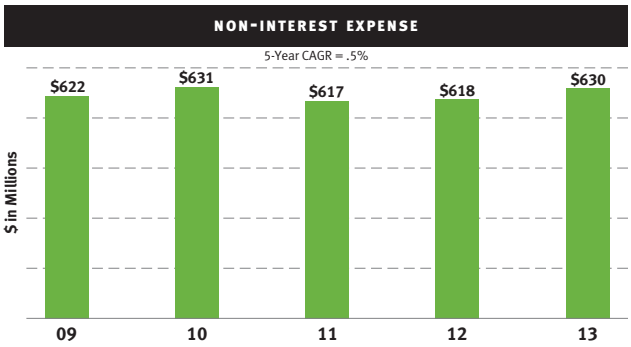
With more than $35 billion in customer assets under administration, Commerce's wealth management business ranks 30th nationally based on assets under management. Revenue has grown an average of 8% over the last three years and exceeded $100 million in 2013.

During the last five years, we have placed emphasis on developing five new markets – Tulsa, Denver, Dallas, Nashville and Cincinnati. Since 2008, loans have grown 128% to $1.0 billion in these markets and now represent 9% of our total loans. Additionally, the Summit acquisition added 27 new banking professionals to the growing Oklahoma market, further increasing our capacity and expertise there. This acquisition provides us with our first physical presence in Oklahoma City and new opportunities to add commercial and wealth management relationships. Our Denver market increased loans by 30% in 2013 and experienced significant success selling corporate payments products, with more commercial card sales in 2013 than any other market outside of Kansas City and St. Louis. Our Dallas office, which opened in 2012, has seen steady growth, surpassing our expectations and financial targets. As in our traditional markets, these expansion markets are staffed with local, experienced bankers who know our customers and focus on providing the right product solutions to meet their needs.

FOCUS ON EFFICIENCIES

Managing our expenses remains a top priority for our Company, while continuous improvement is an ongoing long-term strategy. Over the last four years, non-interest expense has grown less than 1% on average, as we continue to make significant investments in both people and technologies to support those areas of the Company that show strong growth opportunities. We are also focused on improving efficiency and productivity throughout the organization to reduce unit costs and improve profitability. Smart use of technology, disciplined execution in our operations areas, attention to detail and a culture of continuous improvement all contribute to controlling our costs appropriately.

*Excludes non-banks.



Payments System

In 2013, Commerce continued to concentrate on growing the payments business. This business is maintained within our retail and commercial segments. The payments business offers the Company strong revenue and profit growth opportunities, consistent earnings and less volatility from economic and interest rate cycles. Our payments business delivers a comprehensive suite of products and technologies designed to help customers process their payments more efficiently and effectively. These products provide our customers with debit and credit card services, online banking and disbursement and remittance processing solutions, including merchant processing, commercial card products, ACH processing, wire transfers, commercial remote-deposit banking and international services. This business generated more than $268 million in combined fee income in 2013 and grew 5% more than in the previous year. As the Nilson numbers show, we continue to be a recognized industry leader in providing payment solutions.

We focused on a number of specialized industries where demand was strong, including agriculture and food processing, healthcare and not-for-profit organizations.

Commercial Banking Activities

Our commercial banking division provides traditional lending products, such as working capital lines of credit, owner-occupied and investment real estate loans, tax-advantaged financing programs and equipment financing and leasing. In addition to customized financing solutions, we offer investment products to our correspondent bank and commercial customers. We deliver a full payment system suite of solutions through experienced and knowledgeable relationship and product managers with deep industry knowledge and proven experience in helping their customers manage business cycles.

During 2013, commercial banking loans grew $729 million, or 13%, to $6.4 billion. We focused on a number of specialized industries where demand was strong, including agriculture and food processing, healthcare and not-for-profit organizations. Corporate deposits totaled $7.4 billion, up $688 million, or 10%, as companies continued to maintain high cash levels. Fee income grew 4%, to $186 million on continued strong growth in corporate card revenues. Fees from commercial cash management services this year totaled $33 million, up 4%, while fees on international services grew by 7%. Low rates on fixed income securities and limited demand from our banking customers reduced revenues 33% in our Capital Markets Group.

We continue to see solid opportunities to grow loans while increasing our fee-based revenue. By focusing our experienced team on targeted business development and specialized lending opportunities, we believe we are well positioned to offer our customers a solid value proposition to meet their banking needs. With careful expansion in our newer markets and new energy lending potential, we can attract new customers to our commercial banking and payment systems products.

Consumer Banking Activities

In addition to offering our retail banking customers traditional deposit account products, such as checking accounts and certificates of deposit, we also offer debit and credit cards, residential mortgages and personal banking loans for automobiles, construction and home improvement. At year end, we operated more than 200 branches within our footprint with total deposits of $9.5 billion, reflecting growth of 3% in 2013.

Consumer banking loans grew 17% to $1.5 billion in 2013, driven by strong growth in auto lending and improved cross-sales of consumer loans to our household base.

However, profitability was down this year and remains stressed due to a combination of low interest rates and regulations that lowered fees on debit cards and overdrafts during the last several years.

We intend to re-establish profits in this segment by developing new products, repositioning existing products and focusing on our most profitable growth channels, while increasing productivity within our branch network. In 2014, we will roll out our new toggle functionality, which will give credit card users choices in how quickly they pay for individual purchases. We continue to invest in our mobile and digital banking platforms and will introduce several new exciting features, including remote deposit and new bill pay functionality. Additionally, we will introduce a number of initiatives in 2014 that will enhance productivity and our customer experience, including the latest self-service technology at our branches and improved communication capabilities.

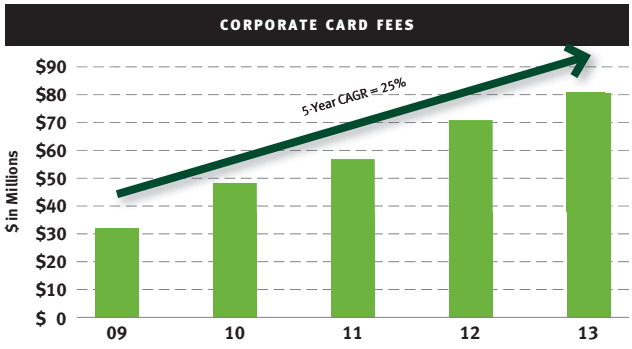
We continue to invest in our mobile and digital banking platforms and will introduce several new exciting features, including remote deposit and new bill pay functionality.

Corporate Card and Merchant Activities

Our corporate card payments business has grown in a short period of time to become the largest of our payment businesses. This business involves processing corporate payments, including accounts payable payments for our commercial customers. We offer this product through our commercial bankers in our traditional markets and across 48 states through a dedicated sales staff. We service businesses in many industries and have developed specialties in healthcare, education and government.

During 2013, corporate card revenues grew to $81 million, an increase of 14%, on customer-generated sales volume of $6.0 billion. The Company processes payments for 1,000 commercial customers, including 200 new customers in 2013 with projected annualized sales volumes of approximately $1.6 billion. This product enables customers to reduce expenses and become more efficient in processing electronic payments, which allows them to shed manual, paper-based tasks. We see solid demand for this product in the future, and we continue to invest in new products and technologies to further meet the commercial payment needs of our customers.

We also offer merchant processing as part of our commercial payments systems product suite. Merchant revenue in 2013 exceeded $27 million on customer sales volume of more than $7.4 billion. We process payments for approximately 3,500 merchant customers and added 680 new customers in 2013.



Wealth and Asset Management

We offer wealth and asset management services through The Commerce Trust Company, which is a leading regional provider of private client and institutional wealth management services. We provide asset management, including trust and investment advisory services, to individual and corporate clients, as well as private banking and family office services. Through Commerce Trust, we manage a family of mutual funds, the Commerce Funds, with assets of $1.8 billion, and we operate a retail brokerage business, Commerce Brokerage Services, Inc.

In 2013, trust and asset management revenues grew 8%, to $103 million, reflecting a 5-year compound growth rate of 5%. Total client assets also grew 16% to a record $35.2 billion, and overall asset management profitability grew by 8%. Asset management sales included over $8 million in new annual revenues, while our strong account retention remained above industry standards.

Private banking loans increased 18% in 2013, and we continued to see solid growth in our family office business. With client assets of $10.1 billion, our Commerce Family

Office business was ranked 20th largest in the world by Bloomberg Markets in 2013. We added new family office clients with assets of more than $1.5 billion in 2013 and continue to see good growth opportunities.

Commerce Trust provides important opportunities for our Company. The wealth management business is a growth industry, driven by ongoing wealth generation in the U.S. and the demographics of retiring baby boomers. With its broad array of products and services, reputation for excellence in personal service, integrity and long-term risk-adjusted investment performance, Commerce Trust is well positioned to grow its share of the market within the Commerce footprint. We continue to invest strategically in people, products and technology to support an expanding sales effort, and will also expand our capabilities in some of our newer markets.

Our Commerce Family Office business was ranked 20th largest in the world by Bloomberg Markets in 2013.

Commerce Brokerage provides both transaction- and investment-based solutions to our retail customers for their investment needs. Total revenues grew 8% in 2013 to $11 million, while client assets grew 10% to $3.5 billion. We have focused on selling our Horizons managed account product, which operates much like a mutual fund family, to our customers who need diversification in their holdings. This product also creates a less volatile income stream for Commerce Brokerage and helps attract new customers to our business. We believe that the synergies between Commerce Brokerage and Commerce Trust will continue to grow this business.

Risk Management

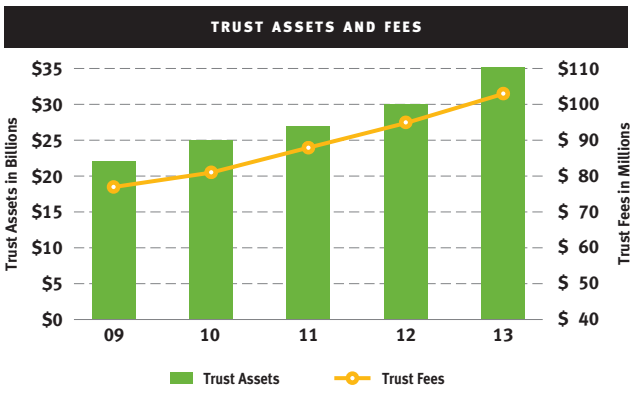
We continually focus on maintaining top-quartile asset quality through an emphasis on strong underwriting and credit management throughout the lending life cycle, and our results in 2013 continued to be among the best in the banking industry. Net loan charge-offs declined to $31 million in 2013, a decrease of 20%, and totaled .30% of average loans, compared to the top 50 banks' loss rate of .48%. Non-performing loans declined to .45% of loans, the lowest level in five years, compared to the industry average of 3%. The Company realized net recoveries of $5 million on a portfolio of commercial loans totaling more than $6 billion. These recoveries mainly resulted from previously charged-off construction and business loans over the last five years.

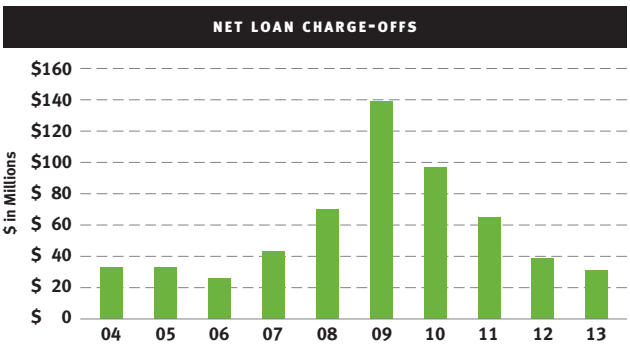
The Company realized net recoveries of $5 million on a portfolio of commercial loans totaling more than $6 billion.

Consumer loan losses were down 7% in 2013 mainly on lower marine/RV loan net charge-offs, while losses remain low on automobile loans. Net loan charge-offs on credit cards were up slightly over loss levels in 2012, but totaled 3.34% of total credit card loans. These loss results are among the best in the industry. Furthermore, 30-day delinquencies on consumer loans remain low, although loss levels have now stabilized and are no longer declining significantly.

OUTLOOK FOR 2014

With the U.S. economy expanding modestly in 2013, we remain optimistic that this expansion will continue in 2014





and provide an even better environment for our Company to grow. While record low interest rates continue to pressure revenue growth in our industry, we see many positive signs for this coming year. GDP growth is forecasted to reach 3% in 2014, and unemployment is projected to decline to well under 7% by the end of the year. Private sector growth, improved personal balance sheets, and reduced political uncertainty are all expected to boost the economy this year. As a result of these positive factors, the Federal Reserve is expected to continue unwinding its bond purchase program, and higher interest rates are expected, which will help bank margins.

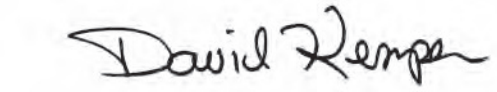
CONCLUSION

The United States commercial banking system withstood the great recession of 2008-2009 and has emerged leaner, more focused and better capitalized. It has also had to battle through a sluggish economy, an extended period of negative short-term real interest rates, and unprecedented regulatory costs and oversight. Rapid changes in technology and consumer behavior in financial services have put more stress on the traditional bank model and its services and affected the industry's profitability. We believe that the successful banks of the future will need to have strong cultures and a calculated sense of the markets they want to serve.

Commerce Bank will celebrate its 150th anniversary in 2015. We have prospered over that century and a half for our shareholders by both managing risks through economic cycles and adapting our services to our customers as their needs change. We believe our super-community model, our culture of customer first and our willingness to embrace change will serve us well in the future. We continue to receive outstanding customer satisfaction scores while maintaining both capital and earnings well above industry averages.

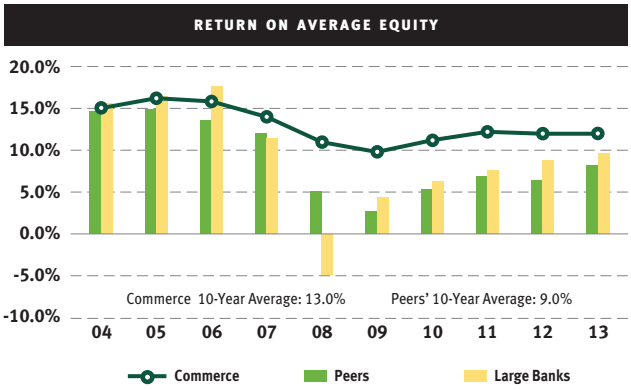
We remain dedicated to risk-adjusted returns for our shareholders. In January, we raised our cash dividend 5% to $.90 per share – the 46th consecutive annual increase. Our return to shareholders has significantly exceeded overall bank stock returns over the last ten years. We believe the eventual return to more normal interest rates and a growing domestic economy will bode well for banks in the future and are very pleased with our continual growth in payments and wealth management. I'd like to thank our shareholders for their continued support as we look forward to a challenging but successful 2014.

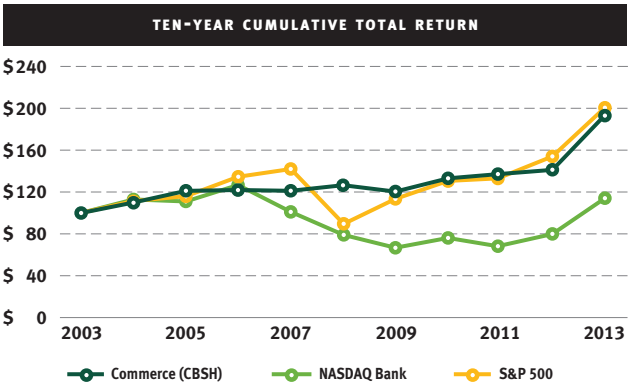
We believe our super-community model, our culture of customer first and our willingness to embrace change will serve us well in the future.



David W. Kemper, Chairman

COMMERCE BANCSHARES, INC. FEBRUARY 24, 2014





PARTNERING FOR GROWTH

Leaders of growing businesses rarely do it alone. Whether they sell golf cars or licorice, transport cargo over long distances or data over short ones, successful business owners understand the value of a strong financial partner. It's what enables them to make acquisitions when opportunities arise and build new factories when demand grows. Commerce Bank is fortunate to partner with many successful businesses. We make it our business to ask them where they are headed, listen to how they intend to get there and offer solutions to help them succeed. When we work in partnership with our customers, together we grow.

2013 COMMERCE CUSTOMER SUCCESS STORIES

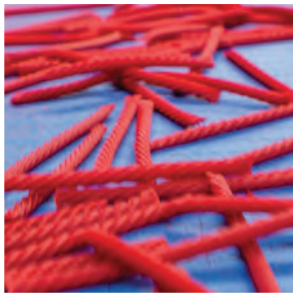
11 | Building a Foundation a Mile High
The area surrounding Denver's historic Union Station is undergoing a massive makeover, and IMA Financial Group wanted to be part of it. Commerce provided financing and IMA's new headquarters opened there in December 2013.

12 | Additive for Growth
When a company distributes its automotive maintenance products to 60 countries worldwide, it helps to have a bank that understands international business. That's just one of the reasons why BG Products has banked with Commerce since 1971.

13 | Keep on Truckin'
Empire Express is known in the trucking industry for its impeccable customer service and efficiency. So when the family-owned trucking company looked for a new bank, it expected nothing less.

14 | Trust in Higher Education
Many Fontbonne University students depend on scholarships to help make their education affordable. Fontbonne, in turn, depends on The Commerce Trust Company to manage its endowment, which enables these scholarships to serve even more students.

15 | A Healthy Collaboration
To deliver high-quality healthcare services at lower costs, it takes more than a good medical team; it also requires exceptional management. Nueterra, which funds, builds and manages healthcare facilities throughout the world, would know.



16 | Sweet Success
In 2013, West Coast-based American Licorice moved its banking business to Commerce. It didn't matter that the bank's closest bricks-and-mortar branch was more than 1,000 miles away.

17 | How to Succeed in Business
Over the past 30 years, Daryl Woodard has invested in and, in some cases, led IT consulting, computer networking, energy and other businesses. He understands the value of a strong banking relationship better than most.

18 | Excellent Follow Through
When Chris Miller spotted an opportunity to lease golf cars to his local country club 35 years ago, he didn't think twice. He just presented his business idea to Commerce Bank.

Building a Foundation a Mile High

IMA FINANCIAL GROUP, INC.
DENVER, COLORADO

An employee-owned financial services company

Robert Cohen says he had a good feeling after meeting the Commerce bankers from Denver for the first time two years ago.

"They reminded me of the people at our company," says Robert, chairman and CEO of IMA Financial Group. "I knew we needed to find a way to do business together."

About that same time, employee-owned IMA Financial was preparing to become the first private company to commit to moving its corporate headquarters to Denver's Union Station neighborhood. The historic train station and surrounding 19.5 acres are undergoing massive redevelopment to create a new urban center and transportation hub for residents, tourists and commuters alike.

"That project seemed like a good place to start," Robert says.

But he and his partners needed more than simple construction financing from Commerce. The complex loan structure would require considerable negotiation and involve financing a nearby pedestrian bridge for the Denver Union Station Project Authority. The clock on IMA's existing building lease, meanwhile, was ticking.

Long story short: the five-story headquarters broke ground in April 2012. Twenty months later, IMA Financial took occupancy, right on schedule.

"It was like all successful business deals," Robert says. "It took two partners willing to work though the details to make it happen."

"People often wonder, what is the one magic thing a company can do to set itself apart from the crowd?" Robert says. "For Commerce, it was all the little things they did better than anyone else. From the personal involvement of their bankers, to the speed of their decision-making, to their payment process – little things add up. Commerce not only met, they exceeded my expectations."

"You know it's a great relationship when you not only do business together, but you enjoy each other. That's how it is with Commerce. We worked together on a tough business transaction, and we're still friends."

The building was financed by Commerce, and IMA Financial Group became the first private company to commit to moving its corporate headquarters to the Denver Union Station redevelopment, according to **Robert Cohen**, chairman and chief executive officer.

An Additive for Growth

BG PRODUCTS, INC.
WICHITA AND EL DORADO, KANSAS

A global manufacturer of automotive maintenance products and equipment

Darin Greseth is, much to his delight, in a rapidly changing industry.

"Change creates opportunities," he says. "Our company got where it is today by eagerly jumping on them."

That fearlessness dates back to 1971, when seven World War II veterans-turned-entrepreneurs saw an opportunity to help auto repair shops and car dealerships keep pace with the ever-increasing sophistication of the vehicles they were charged to maintain. The seven banded together to form BG Products, with each one serving as a distributor of the company's original two automotive maintenance products.

BG Products has ridden a growth curve ever since. Today the company manufactures more than 144 solutions that make automobiles perform better and last longer, and distributes them in more than 60 countries worldwide.

"From day one, Commerce has provided us exactly what we've needed to grow and be successful."

The "financial additive" the company uses to fuel its growth? Commerce Bank.

"Whether we need help with cash management or letters of credit, Commerce is here for us," says Ron Garcia, vice president and general manager. Most recently, that included helping to finance a new $50 million manufacturing center.

And BG Products isn't done yet. "As we look for our next golden era of growth, it's good to know that, when an opportunity arises, Commerce is just a phone call away," says Darin. Adds board chairman Galen Myers, "It's always been reassuring to know that Commerce is right beside us."

Commerce provided financing for a new $50 million manufacturing center in El Dorado, Kansas, where BG Products makes automotive maintenance goods sold in more than 60 countries worldwide. From left, **Galen Myers**, chairman; **Darin Greseth**, president and chief executive officer; and **Ron Garcia**, vice president and general manager.

Keep on Truckin'

EMPIRE EXPRESS
MEMPHIS, TENNESSEE

One of the Southeast's premier family-owned trucking firms

Time is money in the trucking industry. That's why Tim Gatlin is glad that two-thirds of his family's trucking business is what truckers call "drop and hook."

"That means we drop off one trailer and immediately hook up another one," explains Tim, president and CEO of Empire Express. "We like it because our drivers aren't waiting around for cargo to be loaded and unloaded."

That "get 'er done" attitude — along with the latest satellite tracking and mobile communications technology — enables this 25-year-old carrier to keep its fleet of 200 trucks and 550 trailers constantly on the move throughout the United States and Canada.

The desire for efficiency also explains, in part, why Empire Express moved its banking business to Commerce in 2013.

"After calling on us for the better part of three years, Commerce's Rick Seadler did an analysis of our company that opened my eyes," says Ed Gatlin, Tim's father and the company's founder. "He gave us great ideas and introduced us to great people who would make them happen."

"We now have a computerized bank balance waiting for us every morning," Ed says. The company's deposits, wire transfers, ACH payments and other banking transactions are all done online. Commerce is also the lead bank on financing the 50 or so trucks Empire Express replaces each year.

Says Ed, "At this point, our relationship with Commerce is as close as any our business has ever had. They've developed into a true partner."

"The fact that Commerce doesn't have a branch in Memphis gave me pause for a moment. But when I thought through the details, it didn't pose a problem. In fact, it's worked just beautifully."

Empire Express replaces about 50 of the 200 tractor-trailer trucks in its fleet each year, with Commerce serving as its lead bank for financing. From left, **Tim Gatlin**, president and chief executive officer; and **Ed Gatlin**, chairman.

Trust in Higher Education

FONTBONNE UNIVERSITY
ST. LOUIS, MISSOURI

A Catholic liberal arts university founded in 1923

Like many successful institutions of higher learning, Fontbonne University has amassed a strong endowment and depends on a portion of the income it earns each year to fund student scholarships and other expenses.

So in spring 2013, when Fontbonne's leaders began considering alternative ways to manage these and other restricted funds, they knew one thing for sure: the partner they chose would need to be one they could trust completely.

"It was essential for us to have confidence in the people working on our behalf," says Gary Zack, the university's vice president for Finance and Administration. "We were looking for competent, professional investment advice, along with a track record of success."

As it turns out, they didn't have to look far. Commerce had served as Fontbonne's bank for nearly 30 years, beginning with ordinary depository services and, over time, adding everything from purchasing cards to electronic services that have helped the university operate more efficiently. By 2009, Fontbonne had also selected The Commerce Trust Company to serve as trustee on a bond sale.

After soliciting proposals and interviewing other well-respected firms, Fontbonne made the decision to entrust its entire endowment to Commerce Trust. We're just a good match," Gary says. "Commerce is conservatively managed, and we are as well. That puts us in sync with one another, which enables these scholarships to serve even more students."

"Our relationship with Commerce has grown organically over the past three decades. They've got good people who are good to work with, and they understand our business. That's really all I can ask for."

Fontbonne University had been a Commerce customer for nearly 30 years before entrusting its entire endowment to Commerce Trust in 2013. From left, **Gary Zack**, vice president for Finance and Administration; and **Dennis Golden**, president.

A Healthy Collaboration

NUETERRA
LEAWOOD, KANSAS

A leading global healthcare management and development company

Nueterra is in a business that is built on collaboration.

For nearly two decades, the Kansas company has partnered with physician groups, healthcare systems and governments to fund, build and manage healthcare facilities throughout the world. Nueterra's combination of strategic guidance, financial resources and efficient management helps its healthcare partners deliver their services at a higher quality and lower cost.

So it should come as no surprise that Nueterra's leaders would seek a banking partner that also places a high premium on collaboration.

"We want to work with bankers who don't just understand our plans, but who will take an active role in our strategic planning and decision-making process," says Dan Tasset, chairman.

That's precisely what set Commerce apart from other banks vying for the firm's business last year.

"I had already begun a private banking relationship with Commerce," recalls Dan. "I liked the attentive, personal service I got. Since bringing Commerce on as Nueterra's primary bank, the level of service we receive has only grown."

The relationship took off last spring when Commerce began rolling out its automated Accounts Payable Solution payment processing system, both at Nueterra's corporate offices and in the healthcare facilities it manages across the country. Today, Nueterra looks to Commerce for a full range of financial services, including their primary credit and treasury needs, corporate card, and international and private banking.

As Nueterra expands into Europe, Latin America and beyond, the Kansas-based company relies on Commerce for letters of credit and other international banking expertise. From left, **Dan Saale**, chief financial officer; **Dan Tasset**, chairman; and **Tim O'Brien**, chief operating officer.

"We didn't want a bank. We wanted a banking relationship. Commerce has given us just that."

"Commerce understands the healthcare business," says Dan. "More importantly, they understand OUR business and bring us leading-edge technologies that help us achieve our goals."

Sweet Success

AMERICAN LICORICE COMPANY
UNION CITY, CALIFORNIA

One of the oldest licorice manufacturers in the United States

Financial stability is important to American Licorice. It has enabled the century-old company to remain a candy aisle staple, even as other family-run confectionaries are absorbed by larger companies or disappear completely.

Old-fashioned customer service also matters to American Licorice, which has built strong customer loyalty by delighting generations of children with its Red Vines and other classic licorice twists, ropes and bites.

After being introduced to Commerce, the licorice maker felt it had found a bank with similar priorities, according to John Kretchmer, chief executive officer and great-grandson of the company's founder.

So in October 2011, the West Coast-based company moved its business — including lines of credit, cash management, credit card services and more — to Commerce. The bank's largely Midwestern branch footprint didn't make a lick of difference.

"These days, it's possible to bank with anyone from anywhere in the world," says John. "We chose Commerce because it is a strong, financially stable bank that could give us the financial flexibility to improve and expand production, invest in our associates and weather challenging economic cycles with confidence."

But it was more than that. "Commerce took the time to understand our business and to earn our trust and respect," says John. "That allows us to focus our energy on what we do best: making the great candy our customers love."

"What attracted us was Commerce's financial strength and high industry ratings. The fact that there's no branch nearby is, in this day and age, irrelevant."

Currently celebrating its 100-year anniversary, American Licorice makes six different brands of licorice twists, ropes and bites at its production facilities in California and Indiana. From left, **John Nelson**, chief operations officer; and **Clarence Walsh**, accounting manager.

How to Succeed in Business

DARYL WOODARD
TULSA, OKLAHOMA

Longtime entrepreneur and CEO of SageNet, LLC, a managed network services provider

Daryl Woodard is like many successful entrepreneurs, he has a sixth sense about what the world needs next.

As personal computer sales were starting to take off in the mid-eighties, he purchased a number of MicroAge computer franchises, one of the nation's first retail computer stores.

After growing annual sales to $120 million, Daryl sold his franchises in 1995 to join a longtime partner in starting an IT consulting firm that delivered the custom computer applications that oil and gas and other industries needed at the time.

He sold his interest in that company and started SageNet, a technology firm that provides the networking solutions multi-site retailers need to improve security, speed transaction times and address other mission-critical needs.

In recent years, he has also invested in an energy company, bought back his IT consulting firm and — most recently — acquired a Washington, D.C.-based communications network company that more than doubles SageNet's size.

At his side virtually the entire time has been Carl Hudgins, who today is chairman of Commerce Bank's Oklahoma market.

"Carl was my loan officer in 1986 when I was just getting started," says Daryl. The two continued to work together when they helped found Bank South, which Commerce purchased in 2007. Commerce has helped finance Daryl's companies' growth ever since.

"Commerce has the lending capacity and sophisticated services of a large bank, but the day-to-day personal service and senior-level attention you'd expect of a community bank," says Daryl. This brings Daryl peace of mind as he seeks out new opportunities. "It's good to have a relationship that goes beyond dollars and cents," he says.

"When we're involved in a deal with lots of moving parts, Commerce serves as a second set of eyes. No matter what, I know that Commerce has our back."

Financing from Commerce helped SageNet CEO **Daryl Woodard** acquire another computer networking company, invest in an energy startup and capitalize on other entrepreneurial opportunities.

Excellent Follow Through

M&M GOLF CARS
MEXICO, MISSOURI

A large Midwestern distributor of Club Car, the nation's top-selling golf cars

In 1978 Chris Miller tagged along when his wife's nursery business was completing a project at a local country club. "I overheard a conversation between two people discussing their desire to lease some new golf cars," Chris recalls. "I told them I'd like to help."

The only problem was, Chris wasn't in the golf car business. So he did some research and learned he could become a Club Car dealer by purchasing six of their vehicles. He also learned that one of the people he overheard served on the local Commerce Bank board. So Chris proposed an idea: if Commerce would finance the cars' purchase, he would lease them to the club.

And M&M Golf Cars was formed.

In the 35 years since, the family-owned dealership has grown to include territories in Missouri, Kansas, Iowa and Illinois, where it leases or sells 4,000 to 5,000 vehicles a year. An ancillary business makes conversion kits that transform used golf cars into everything from athletic field ambulances to college campus fire trucks.

As Chris' business has grown, so have his banking needs. Commerce today provides M&M Golf Cars with everything from merchant cards and payroll services, to an automated loan sweep and foreign exchange.

"Our cash needs fluctuate widely throughout the year," says Chris. "Our banker, Ron Hopkins, put together a plan that puts our company's money to work and speeds the time I'm paid on our leases. It's a great partnership."

"Every spring we have about 3,000 new golf cars on our lot waiting for delivery. Commerce has been great about coming up with ideas that save me money on my inventory financing."

Commerce provided financing for the first six golf cars he purchased 35 years ago — and tens of thousands more since, according to **Chris Miller**, president of M&M Golf Cars.

COMMUNITY ADVISORS

A fundamental element of Commerce Bank's super-community strategy is the role of our Community Advisors. We believe that a deep understanding and a close relationship with the communities we serve can be achieved only when we are interwoven in the fabric of the market. Local civic and business leaders, serving as Community Advisors, provide the insight to local needs that ensures Commerce delivers on its promise. Following are the names of these ambassadors within each of our markets.

Missouri

BARRY COUNTY

Donald Cupps
Ellis, Cupps & Cole

William A. Easley, Jr.
Retired,
Commerce Bank

JoAnne Ellis
Retired Educator

Phil Hutchens
Hutchens Construction

Mike McCracken
Commerce Bank

Eugene Miekley
Miekley and Cupps,
DVM Office

Mike Petrie
Commerce Bancshares, Inc.
Commerce Bank

Keith Shumaker
Shumaker Tire, Inc.

Clive C. Veri
Commerce Bank

Jerry Watley
Able 2 Products Co.

BOLIVAR

Jannis Keeling
Keeling Accounting &
Financial Services

Craig Lehman
Shelter Insurance Agency

Robert Moreland
Commerce Bank

Douglas D. Neff
Commerce Bank

Ed Peterson
Century 21
Peterson Real Estate

Dr. C. Pat Taylor
Southwest Baptist University

R.D. Vestal
Vestal Equipment Co., Inc.

CAPE GIRARDEAU

Leon Eftink
The Remodeling Room

W. Cliff Ford
Mount Auburn Properties, LLC

Alan Gregory
Gregory Construction, Inc.

Gregg E. Hollabaugh
Commerce Bancshares, Inc.

Mike Kasten
University of Missouri

Richard R. Kennard
Coad Chevrolet, Inc.
Coad Toyota

Adam Kidd
Kidd's Gas &
Convenience Store

Frank Kinder
Red Letter Communications, Inc.

John Layton
Layton and Southard, LLC

Roger Tolliver
Commerce Bank

Allen Toole
Cape Electrical Supply, Inc.

Timothy D. Woodard
Commerce Bank

CENTRAL MISSOURI

Mike Alden
University of Missouri

Dan Atwill
Atwill & Montgomery,
Attorneys

Brent Beshore
AdVentures, LLC

Brent Bradshaw
Orscheln Management
Company

Morris F. Burger
Burger's Country Cured Hams

Brad Clay
Commerce Bank

Joe Hartman
Retired,
Commerce Bank

Gregg E. Hollabaugh
Commerce Bancshares, Inc.

Ron Hopkins
Commerce Bank

George M. Huffman
Pearl Motor Company

Jack W. Knipp
Knipp Enterprises

Rick Kruse
Retired, Boone National
Savings & Loan Assoc.

Dr. Mike Lutz
Mike Lutz, DDS

David A. Machens
Machens Enterprises

Teresa Maledy
Commerce Bank

Jim McRoberts
McRoberts Farms, Inc.

Mike Petrie
Commerce Bancshares, Inc.
Commerce Bank

Robert K. Pugh
MBS Textbook Exchange

Jim Rolls
Retired,
Associated Electric Cooperative

James Schatz
Commerce Bank

Valerie Shaw
Commerce Bank

Steve Sowers
Commerce Bank

Col. C. R. Stribling, III
Retired,
Missouri Military Academy

Ken Tebow
Commerce Bank

Mel Toellner
Gold Crest Distributing
& Songbird Station

Larry Webber
Webber Pharmacy

Dr. John S. Williams
Retired,
Horton Animal Hospital

EASTERN JACKSON COUNTY

Kevin G. Barth
Commerce Bancshares, Inc.
Commerce Bank

Jason E. Boyer
Commerce Bank

Jackie DeSouza
Lee's Summit Medical Center

Jon Ellis
Paradise Park, Inc.

Gayle Evans
Chinnery, Evans & Nail

Todd E. Gafney
Commerce Bank

Gary Hawkins
HSMC Certified Public
Accountants, P.C.

Kelly Hooker
Commerce Bank

Robert Hormann
Durvet, Inc.

Robert Lund
Realty Trust Group

Mike Patel
Balaji Investment, LLC

Jeanne Rau-Flattery
Millenium International, LLC

Edward J. Reardon, II
Commerce Bank

Robert C. Thompson
Thompson Properties, LLC

HANNIBAL

C. Todd Ahrens
Hannibal Regional Hospital

David M. Bleigh
Bleigh Construction
Company and Bleigh
Ready Mix Company

Gregg E. Hollabaugh
Commerce Bancshares, Inc.

Jim Humphreys
Luck, Humphreys and
Associates, CPA, P.C.

Jerold (Jerry) W. Lee
Commerce Bank

Darin D. Redd
Commerce Bank

Mike Scholes
Reliable Termite & Pest Control,
Inc.

Missouri Continued

HARRISONVILLE

Aaron Aurand
Crouch, Spangler & Douglas

Connie Aversman
Commerce Bank

Larry Dobson
Real Estate Investments

Mark Hense
Ifil USA, LLC

Scott Milner
Milner O'Quinn Ford, Lincoln, Mercury

Brent Probasco
Cass Regional Medical Center, Inc.

Aaron Rains
Commerce Bank

Laurence Smith
Reece & Nichols Smith Realty

Larry Snider
Snider & Associates, Inc.

Timothy Soulis
Gas Light Properties

JOPLIN

Jerrod Hogan
Anderson Engineering

David C. Humphreys
TAMKO Building Products, Inc.

Dr. Richard E. LaNear
Missouri Southern State University

Barbara J. Majzoub
Yorktown Properties

Fred Osborn
Mercy

Mike Petrie
Commerce Bancshares, Inc.
Commerce Bank

Eric Schnelle
S&H Farm Supply, Inc.

Todd Stout
Standard Transportation Services, Inc.

Clive C. Veri
Commerce Bank

KANSAS CITY

Kevin G. Barth
Commerce Bancshares, Inc.
Commerce Bank

Clay C. Blair, III
Clay Blair Services Corp.

Ellen Z. Darling
Zimmer Companies

Stephen D. Dunn
J. E. Dunn Construction Co., Inc.

Joe Freeman
Pioneer Financial Services, Inc.

Stephen Gound
Labconco Corp.

C. L. William Haw
Haw Ranch

Jonathan M. Kemper
Commerce Bancshares, Inc.
Commerce Bank

David Kiersznowski
DEMDACO

Stephen G. Mos
Central States Beverage Company

Randall L. O'Donnell, Ph.D.
Children's Mercy Hospital and Clinics

Edward J. Reardon, II
Commerce Bank

Dr. Nelson R. Sabates
Sabates Eye Centers

Kirk H. Schulz, Ph.D
Kansas State University

Charles S. Sosland
Sosland Publishing Company

Thomas R. Willard
Tower Properties

LEBANON

Jerry N. Benson
Retired, Commerce Bank

Hugh V. Corry
Hardware Electric & Plumbing Supply Company

Brian Esther
Commerce Bank

Lester M. Evans
Cattleman

Douglas D. Neff
Commerce Bank

Harold Storck
Cattleman

Dan M. Waterman
CPA

POPLAR BLUFF

Bill R. Brandt
Commerce Bank

John A. Clark
Attorney at Law

Bob Greer
Retired

Gregg E. Hollabaugh
Commerce Bancshares, Inc.

James P. McLane
McLane Livestock Transport, Inc.

Mark Melloy
Briggs & Stratton Corp.

Roger Tolliver
Commerce Bank

Ben Traxel
Dille and Traxel, LLC

Gregory West
Mills Iron & Supply

Timothy D. Woodard
Commerce Bank

ST. JOSEPH

Robert J. Brown, Jr.
Robert J. Brown Lumber Company

James H. Counts
Attorney at Law

Brett Carolus
Hillyard, Inc.

Robert S. Dempster
Commerce Bank

Richard N. DeShon
Civic Leader

Pat Dillon
Heartland Health

Andrew Fent
Commerce Bank

Pete Gray
Gray Automotive Products Co.

Corky Marquart
Commerce Bank

Brad McAnally
Hy-Vee Food Store

Dr. Scott Murphy
Murphy-Watson-Burr Eye Center

Mike Petrie
Commerce Bancshares, Inc.
Commerce Bank

Edward J. Reardon, II
Commerce Bank

Matt Robertson
CliftonLarsonAllen LLP

Judy Sabbert
Heartland Foundation

Emil H. Sechter
Commerce Bank

ST. LOUIS METRO

Blackford F. Brauer
Hunter Engineering Co.

Kyle Chapman
Forsyth Capital Investors

Charles L. Drury, Jr.
Drury Hotels

Joseph Forshaw, IV
Forshaw of St. Louis

James G. Forsyth, III
Moto, Inc.

David S. Grossman
Grossman Iron and Steel

Juanita Hinshaw
H & H Advisors

Donald A. Jubel
Spartan Light Metal Products

David W. Kemper
Commerce Bancshares, Inc.

John W. Kemper
Commerce Bancshares, Inc.

Alois J. Koller, Jr.
Koller Enterprises, Inc.

Kristopher G. Kosup
Buckeye International, Inc.

Seth M. Leadbeater
Commerce Bancshares, Inc.
Commerce Bank

James B. Morgan
Subsurface Constructors, Inc.

Victor L. Richey, Jr.
ESCO Technologies, Inc.

Steven F. Schankman
Contemporary Productions, LLC

James E. Schiele
St. Louis Screw & Bolt Co.

John (Jack) A. Schreiber
Commerce Bank

Thomas H. Stillman
Summit Distributing

Christine Taylor-Broughton
Enterprise Holdings

Gregory Twardowski
Whelan Security Company

Kelvin R. Westbrook
KRW Advisors, LLC

Patricia D. Whitaker
Arcturis

ST. LOUIS METRO EAST

William Courtney
Helitech Concrete & Structural Repair

Thomas Lippert
Liese Lumber Company, Inc.

Robert McClellan
Retired, Hortica Insurance & Employee Benefits

James Rauckman
Rauckman High Voltage Sales, LLC

Dr. James T. Rosborg
McKendree University

Jack Schmitt
Jack Schmitt Family of Dealerships

Joe Wiley
Quest Management Consultants

Dr. Charles J. Willey
Innovare Health Advocates

Missouri Continued

ST. LOUIS SOUTH

Michael D. Allen
Hoya Optical

Phillip J. Amato
Retired

Scott Lively
CliftonLarsonAllen LLP

Thomas E. Muzzey
Orchard Farm School District

Louis J. Naeger
Semi-retired,
Crouch, Farley & Heuring, P.C.

Lee Thurman
Thurman, Shinn
and Company

ST. LOUIS WEST

Cyrus Blackmore
Blackmore & Glunt, Inc.

Richard K. Brunk
Attorney at Law

James N. Foster
McMahon Berger

Jack Hoffmann
Milestone Solutions

Richard E. Hrabko
Retired

Herbert (Herb) S. Jones
Messenger Printing &
Publishing, Inc.

Stephen Mattis
Allied Industrial Equipment
Corporation

Richard C. Mueller, Jr.
Bopp Funeral Chapel

Greg W. Schmittgens
CliftonLarsonAllen LLP

Stuart Krawll
Beam of St. Louis, Inc.

Howard M. Rosen
Conner Ash, P.C.

ST. LOUIS EAST

Tino DiFranco
Tropicana Bowling Lanes

J. L. (Juggie) Hinduja
Sinclair Industries, Inc.

Myron J. Klevens
Organizational Development
Strategies

Patrick N. Lawlor
Lawlor Corporation

Lisa McLaughlin
Polsinelli

McGraw Milhaven
Talk Show Host – KTRS

Scott Polzin
Aberdeen Heights

Dennis Scharf
Scharf Tax Services

Richard C. Ward
Zimmer Real Estate Services,
L.C./ONCOR International

ST. CHARLES COUNTY/NORTH

Gaspare Calvaruso
SSM St. Joseph Health Center

Ronald D. Chesbrough
St. Charles Community College

James D. Evans
President,
Lindenwood University

Peter J. Mihelich, Jr.
Goellner Promotions

Duane A. Mueller
Cissell Mueller Construction
Company

Howard A. Nimmons
CPA, CFP
Nimmons Wealth Management

Tarlton J. Pitman
Pitman Funeral Home, Inc.

William J. Zollmann, III
Attorney at Law

Don Zykan
Zykan Properties

SPRINGFIELD

Roger Campbell, Jr.
Campbell Ford-Mercury, Inc.

James P. Ferguson
Heart of America
Beverage Co.

Charles R. Greene
Husch Blackwell, LLP

Bunch Greenwade
Rancher

Robert A.
Hammerschmidt, Jr.
Commerce Bank

John Himmel
Retired,
Commerce Bank

Seth M. Leadbeater
Commerce Bancshares, Inc.
Commerce Bank

Mary Kay Meek
Try-Meek, Inc.

Alvin D. Meeker
Retired,
Commerce Bank

James F. Moore
Investments

David Murray
R.B. Murray Company

Douglas D. Neff
Commerce Bank

Keith Noble
Commerce Bank

Richard Ollis
Ollis & Company Insurers

Mike Petrie
Commerce Bancshares, Inc.
Commerce Bank

B. Glenn Robinson
Grand Country Square

Kansas

BUTLER COUNTY
(EL DORADO)

Eugene S. Adams
Retired

Marilyn B. Pauly
Commerce Bank

Mark Utech
Commerce Bank

Dr. Jackie Vietti
Butler Community College

COLUMBUS

Jay Hatfield
Jay Hatfield Chevrolet

Wesley C. Houser
Retired,
Commerce Bank

Don Kirk
H & K Campers Inc.

Mike Petrie
Commerce Bancshares, Inc.
Commerce Bank

Jane Rhinehart
Commerce Bank

Darrel Shumake
Attorney at Law

Clive C. Veri
Commerce Bank

GARDEN CITY

Richard Harp
Commerce Bank

Dr. Gloria Hopkins
Fry Eye Associates

Dennis Kleysteuber
Kleysteuber & Gillen Inc.

Gerald Miller
Commerce Bank

Mike Petrie
Commerce Bancshares, Inc.
Commerce Bank

Lee Reeve
Reeve Cattle Company

Patrick Rooney
Rooney Agri Business

Pat Sullivan
Sullivan Analytical
Service, Inc.

Bob Tempel
WindRiver Grain, LLC

HAYS

D.G. Bickle, Jr.
Warehouse, Inc.

Kurt David
Eagle Communications, Inc.

Earnest A. Lehman
Midwest Energy, Inc.

Stuart Lowry
Sunflower Electric Power
Corporation

Marty Patterson
Rome Corporation

Mike Petrie
Commerce Bancshares, Inc.
Commerce Bank

Kevin Royer
Midland Marketing Co-op

Thomas L. Thomas
Commerce Bank

Kansas Continued

JOHNSON COUNTY

Kevin G. Barth
Commerce Bancshares, Inc.
Commerce Bank

Damond Boatwright
Overland Park Regional Medical Center

Jim Denning
Discover Vision

Todd E. Gafney
Commerce Bank

Lance W. Hart
DEMDACO

Chris Herre
Rose Construction Co., Inc.

Pat Olney
Commerce Bank

Charles D. Peters
Peters & Associates

Edward J. Reardon, II
Commerce Bank

Thomas K. Rogge
Cramer Products

Daniel E. Sight
Reece Commercial

Kevin Winters
CBIZ

LAWRENCE

J. Scot Buxton
Willis Group

Martin B. Dickinson, Jr.
Schroeder Professor of Law, University of Kansas

Mark Heider
Commerce Bank

Evan Ice
Stephens & Brand, LLP

Eugene W. Meyer
Lawrence Memorial Hospital

Martin W. Moore
Advanco, Inc.

Kevin J. O'Malley
O'Malley Beverages of Kansas, Inc.

Edward J. Reardon, II
Commerce Bank

Dan C. Simons
The World Company

Michael Treanor
Treanor Architects, P.A.

LEAVENWORTH

J. Sanford Bushman
DeMaranville & Associate, CPAs, LLC

Norman B. Dawson
Retired, Commerce Bancshares, Inc.

Sherry DeMaranville
DeMaranville and Associates

Mark Denney
J.F. Denney Plumbing & Heating

Jeremy Greenamyre
The Greenamyre Companies

Lawrence W. O'Donnell, Jr.
Lawrence W. O'Donnell, Jr., CPA Chartered

Bill Petrie
Commerce Bank

Edward J. Reardon, II
Commerce Bank

Robert D. Schmitt, II
Mama Mia's, Inc.

Kurt Seelbach
President, Armed Forces Insurance Exchange

MANHATTAN

Kelly Briggs
Bayer Construction

Tom Giller
Commerce Bank

Dr. Jackie L. Hartman
Kansas State University

Neal Helmick
Griffith Lumber Co.

Rich Jankovich
Commerce Bank

Dr. Ali Malekzadeh
Kansas State University

Dr. David Pauls
Surgical Associates

Mike Petrie
Commerce Bancshares, Inc.
Commerce Bank

L.W. Stolzer
Griffith Lumber Co.

PITTSBURG

Dr. Thomas W. Bryant
Pittsburg State University

Todd Coleman
Miller's Professional Imaging

Harvey R. Dean
Pitsco, Inc.

Joe Dellasega
U.S. Awards

Adam Endicott
Unique Metal Fabrication, Inc.

Mike Petrie
Commerce Bancshares, Inc.
Commerce Bank

Ronald L. Rhodes
Rhodes Grocery, Inc.

Steve W. Sloan
Midwest Minerals, Inc.

Brian Sutton
Commerce Bank

Clive C. Veri
Commerce Bank

Judith A. Westhoff
Retired, Commerce Bank

Wendell L. Wilkinson
Retired, Commerce Bank

RENO COUNTY (HUTCHINSON)

John C. Clevenger
Commerce Bank

Steven B. Harper
Network Management Group, Inc.

Brett Mattison
Decker & Mattison Company

John Munds
V&M Transport, Inc.

WICHITA

Dr. John Bardo
Wichita State University

Michael P. Brown
College Hill OB/GYN

Michael E. Bukaty
Retired, Latshaw Enterprises, Inc.

John C. Clevenger
Commerce Bank

Ray L. Connell
Connell & Connell

Monte A. Cook
Commerce Bank

Thomas E. Dondlinger
Dondlinger & Sons Construction Co., Inc.

Ronald W. Holt
Sedgwick County

Eric E. Ireland
Commerce Bank

Fran D. Jabara
Jabara Ventures Group

Paul D. Jackson
Vantage Point Properties, Inc.

Seth M. Leadbeater
Commerce Bancshares, Inc.
Commerce Bank

Gaylyn K. McGregor
Commerce Bank

Derek L. Park
Law Office of Derek Park, LLC

Marilyn B. Pauly
Commerce Bank

Mike Petrie
Commerce Bancshares, Inc.
Commerce Bank

Barry L. Schwan
House of Schwan, Inc.

Collin Stieben
Commerce Bank

Thomas D. White
White & Ellis Drilling, Inc.

Illinois

BLOOMINGTON-NORMAL

Julie Dobski
Little Jewels Learning Center
McDonald's

Brent A. Eichelberger
Commerce Bank

Ron Greene
Afni, Inc.

Gregg E. Hollabaugh
Commerce Bancshares, Inc.

Parker Kemp
Kemp Farms, Inc.

Robert Lakin
Commerce Bank

Seth M. Leadbeater
Commerce Bancshares, Inc.
Commerce Bank

Thomas Mercier
Bloomington Offset
Process, Inc.

Dennis Myers
Myers, Inc.

Aaron Quick
Farnsworth Group, Inc.

Jay Reece
Mueller, Reece & Hinch, LLC

Alan Sender
Chestnut Health Systems

CHAMPAIGN-URBANA

Mark Arends
Arends Brothers, Inc.

Paul Donohue
Provena Covenant
Medical Center

Brian Egeberg
Commerce Bank

Tim Harrington
Devonshire Group

Gregg E. Hollabaugh
Commerce Bancshares, Inc.

Robert Lakin
Commerce Bank

Kim Martin
Martin, Hood, Friese &
Associates, LLC

Roger Rhodes
Horizon Hobby, Inc.

PEORIA

Bruce L. Alkire
Coldwell Banker Commercial
Devonshire Realty

Daniel J. Altorfer
United Facilities, Inc.

Peter T. Coyle
Gallagher Coyle

Brent A. Eichelberger
Commerce Bank

Lowell G. "Bud" Grieves
Mark Twain Hotel

Gregg E. Hollabaugh
Commerce Bancshares, Inc.

Seth M. Leadbeater
Commerce Bancshares, Inc.
Commerce Bank

Dr. James W. Maxey
Great Plains Orthopaedics

Edward J. Scott
Caterpillar, Inc.

Timothy F. Shea
Peoria Builders

Janet M. Wright
Central Illinois Business
Publishers, Inc.

Oklahoma

OKLAHOMA CITY

Ron Atchley
Atchley Resources

Gary Bridwell
Ditch Witch of Oklahoma

Steve Brown
Red Rock Distributing, Inc.

Jeb Cook
Commerce Bank

Charlie Crouse
Commerce Bank

Zane Fleming
Eagle Drilling Fluids

Mike McDonald
Triad Energy

Dr. Gabe Pitman
Neurologic Specialist

Kelly Sachs
Commerce Bank

Joe Warren
Cimarron Production

Jim Young
Commerce Bank

TULSA

Jack Allen
HUB International CFR

R. Scott Case
Case & Associates
Properties, Inc.

Gary Christopher
Christoper Energy

Jeffery Davis
U.S. Beef Corporation

Wade Edmundson
Commerce Bank

Dr. John Frame
Breast Health Specialists
of Oklahoma

Gip Gibson
Commerce Bank

Kent Harrell
Harrell Energy

Carl Hudgins
Commerce Bank

Bruce Humphrey
Commerce Bank

Ed Keller
Titan Resources

Teresa Knox
Community Care College

P. Ken Lackey
The NORDAM Group, Inc.

Dr. George Mauerman
Eastern Oklahoma
Orthopedic Center

Tom Maxwell
Flintco, LLC

Sanjay Meshri
Advanced Research Chemicals

John Neas
Neas Investments

Shannon O'Doherty
Commerce Bank

D. Lindsay Perkins
Lindsay Development

Tracy Poole
New Gulf Energy

John Turner
First Stuart Corporation

John Williams
John Williams Company

Daryl Woodard
SageNet

Colorado

DENVER

Robert L. Cohen
The IMA Financial Group, Inc.

Thomas A. Cycyota
AlloSource

Mark Danzo, O.D.
20/20 Institute

Joseph Freund, Jr.
Running Creek Ranch

R. Allan Fries
i2 Construction, LLP

Darren Lemkau
Commerce Bank

James C. Lewien
Commerce Bank

Randall H. Lortscher, M.D.
Rocky Mountain Gamma Knife
Center, LLC

Sherman R. Miller
University of Colorado –
Real Estate Department

Robin H. Wise
Junior Achievement –
Rocky Mountain, Inc.

Jason Zickerman
The Alternative Board

Officers†

David W. Kemper
Chairman of the Board and Chief Executive Officer

Jonathan M. Kemper
Vice Chairman

Seth M. Leadbeater
Vice Chairman

John W. Kemper
President and Chief Operating Officer

Charles G. Kim
Chief Financial Officer and Executive Vice President

Kevin G. Barth
Executive Vice President

Daniel D. Callahan
Executive Vice President and Chief Credit Officer

Sara E. Foster
Executive Vice President

V. Raymond Stranghoener
Executive Vice President

Jeffery M. Burik
Senior Vice President

Michael J. Petrie
Senior Vice President

Robert J. Rauscher
Senior Vice President

Thomas J. Noack
Vice President, Secretary and General Counsel

Jeffery D. Aberdeen
Controller

Keith E. Baker
Auditor

Directors†

Terry D. Bassham*
Chairman of the Board, Chief Executive Officer and President of Great Plains Energy, KCP&L, and Greater Missouri Operations

John R. Capps*
Vice President, BCJ Motors, Inc.

Earl H. Devanny, III
Retired Chairman, Chief Executive Officer and President, The TriZetto Group

W. Thomas Grant, II
President, SelectQuote Senior Insurance Services

James B. Hebenstreit*
Chief Executive Officer and President, Bartlett and Company

David W. Kemper
Chairman of the Board and Chief Executive Officer, Commerce Bancshares, Inc.

Jonathan M. Kemper
Vice Chairman, Commerce Bancshares, Inc.

Terry O. Meek
President, Meek Lumber Yard, Inc.

Benjamin F. Rassieur, III*
President, Paulo Products Company

Todd R. Schnuck*
President and Chief Operating Officer, Schnuck Markets, Inc.

Andrew C. Taylor
Executive Chairman, Enterprise Holdings, Inc.

Kimberly G. Walker*
Chief Investment Officer, Washington University in St. Louis

**Audit Committee Members*
†As of January 31, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2013 – Commission File No. 0-2989

COMMERCE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Missouri	**43-0889454**
(State of Incorporation)	(IRS Employer Identification No.)
1000 Walnut, Kansas City, MO	**64106**
(Address of principal executive offices)	(Zip Code)

(816) 234-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Name of exchange on which registered
$5 Par Value Common Stock	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

As of June 30, 2013, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $3,528,000,000.

As of February 10, 2014, there were 95,843,523 shares of Registrant's $5 Par Value Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its 2014 annual meeting of shareholders, which will be filed within 120 days of December 31, 2013, are incorporated by reference into Part III of this Report.

Commerce Bancshares, Inc.

Form 10-K

INDEX			Page
PART I	Item 1.	Business	3
	Item 1a.	Risk Factors	7
	Item 1b.	Unresolved Staff Comments	11
	Item 2.	Properties	11
	Item 3.	Legal Proceedings	11
	Item 4.	Mine Safety Disclosures	11
PART II	Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	13
	Item 6.	Selected Financial Data	15
	Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
	Item 7a.	Quantitative and Qualitative Disclosures about Market Risk	54
	Item 8.	Financial Statements and Supplementary Data	54
	Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	112
	Item 9a.	Controls and Procedures	112
	Item 9b.	Other Information	114
PART III	Item 10.	Directors, Executive Officers and Corporate Governance	114
	Item 11.	Executive Compensation	114
	Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	114
	Item 13.	Certain Relationships and Related Transactions, and Director Independence	114
	Item 14.	Principal Accounting Fees and Services	114
PART IV	Item 15.	Exhibits and Financial Statement Schedules	115
Signatures			116
Index to Exhibits			E-1

PART I

Item 1. BUSINESS

General

Commerce Bancshares, Inc., a bank holding company as defined in the Bank Holding Company Act of 1956, as amended, was incorporated under the laws of Missouri on August 4, 1966. Through a second tier wholly-owned bank holding company, it owns all of the outstanding capital stock of Commerce Bank (the "Bank"), which is headquartered in Missouri. The Bank engages in general banking business, providing a broad range of retail, corporate, investment, trust, and asset management products and services to individuals and businesses. Commerce Bancshares, Inc. also owns, directly or through the Bank, various non-banking subsidiaries. Their activities include underwriting credit life and credit accident and health insurance, selling property and casualty insurance (relating to consumer loans made by the Bank), private equity investment, securities brokerage, mortgage banking, and leasing activities. A list of Commerce Bancshares, Inc.'s subsidiaries is included as Exhibit 21.

Commerce Bancshares, Inc. and its subsidiaries (collectively, the "Company") is one of the nation's top 50 bank holding companies, based on asset size. At December 31, 2013, the Company had consolidated assets of $23.1 billion, loans of $11.0 billion, deposits of $19.0 billion, and equity of $2.2 billion. All of the Company's operations conducted by its subsidiaries are consolidated for purposes of preparing the Company's consolidated financial statements.

The Company's goal is to be the preferred provider of targeted financial services in its communities, based on strong customer relationships. It believes in building long-term relationships based on top quality service, a strong risk management culture, and a strong balance sheet with industry-leading capital levels. The Company operates under a super-community banking format which incorporates large bank product offerings coupled with deep local market knowledge, augmented by experienced, centralized support in select critical areas. The Company's focus on local markets is supported by an experienced team of managers assigned to each market and is also reflected in its financial centers and regional advisory boards, which are comprised of local business persons, professionals and other community representatives, who assist the Company in responding to local banking needs. In addition to this local market, community-based focus, the Company offers sophisticated financial products available at much larger financial institutions.

The Company's banking facilities are located throughout Missouri, Kansas, and central Illinois, as well as Tulsa and Oklahoma City, Oklahoma and Denver, Colorado. Its two largest markets include St. Louis and Kansas City, which serve as the central hubs for the entire Company.

The markets the Bank serves, being located in the lower Midwest, provide natural sites for production and distribution facilities and also serve as transportation hubs. The economy has been well-diversified in these markets with many major industries represented, including telecommunications, automobile, aircraft and general manufacturing, health care, numerous service industries, food production, and agricultural production and related industries. The real estate lending operations of the Bank are centered in its lower Midwestern markets. Historically, these markets have tended to be less volatile than in other parts of the country. Management believes the diversity and nature of the Bank's markets has a mitigating effect on real estate loan losses in these markets and were key factors in the Bank's relatively lower loan loss levels stemming from the 2008 financial crisis.

From time to time, the Company evaluates the potential acquisition of various financial institutions. In addition, the Company regularly considers the potential disposition of certain assets and branches. The Company seeks merger or acquisition partners that are culturally similar, have experienced management and either possess significant market presence or have potential for improved profitability through financial management, economies of scale and expanded services. On September 1, 2013, the Company acquired Summit Bancshares Inc. (Summit). The Company's acquisition of Summit added $261.6 million in assets (including $207.4 million in loans), $232.3 million in deposits and two branch locations in Tulsa and Oklahoma City, Oklahoma.

The Company employed 4,311 persons on a full-time basis and 578 persons on a part-time basis at December 31, 2013. The Company provides a variety of benefit programs including a 401(k) plan as well as group life, health, accident, and other insurance. The Company also maintains training and educational programs designed to address the significant and changing regulations facing the financial services industry and prepare employees for positions of increasing responsibility.

Competition

The Company faces intense competition from hundreds of financial service providers. It competes with national and state banks for deposits, loans and trust accounts, and with savings and loan associations and credit unions for deposits and consumer lending products. In addition, the Company competes with other financial intermediaries such as securities brokers and dealers, personal loan companies, insurance companies, finance companies, and certain governmental agencies. With the passage of the Gramm-Leach-Bliley Financial Modernization Act of 1999 (GLB Act), competition has increased over time from institutions not

subject to the same regulatory restrictions as domestic banks and bank holding companies. The Company generally competes on the basis of customer service and responsiveness to customer needs, reputation, interest rates on loans and deposits, lending limits, and customer convenience, such as location of offices. The Company has approximately 13% of the deposit market share in Kansas City and approximately 9% of the deposit market share in St. Louis.

Operating Segments

The Company is managed in three operating segments. The Consumer segment includes the retail branch network, consumer installment lending, personal mortgage banking, consumer debit and credit bank card activities. It provides services through a network of 202 full-service branches, a widespread ATM network of 398 machines, and the use of alternative delivery channels such as extensive online banking and telephone banking services. In 2013, this retail segment contributed 20% of total segment pre-tax income. The Commercial segment provides a full array of corporate lending, merchant and commercial bank card products, leasing, and international services, as well as business and government deposit and cash management services. Fixed income investments are sold to individuals and institutional investors through the Capital Markets Group, which is also included in this segment. In 2013, the Commercial segment contributed 64% of total segment pre-tax income. The Wealth segment provides traditional trust and estate tax planning services, brokerage services, and advisory and discretionary investment portfolio management services to both personal and institutional corporate customers. At December 31, 2013, the Trust group managed investments with a market value of $20.4 billion and administered an additional $14.8 billion in non-managed assets. This segment also manages the Company's family of proprietary mutual funds, which are available for sale to both trust and general retail customers. Additional information relating to operating segments can be found on pages 44 and 88.

Government Policies

The Company's operations are affected by federal and state legislative changes, by the United States government, and by policies of various regulatory authorities, including those of the numerous states in which they operate. These include, for example, the statutory minimum legal lending rates, domestic monetary policies of the Board of Governors of the Federal Reserve System, United States fiscal policy, international currency regulations and monetary policies, the U.S. Patriot Act, and capital adequacy and liquidity constraints imposed by federal and state bank regulatory agencies.

Supervision and Regulation

The following information summarizes existing laws and regulations that materially affect the Company's operations. It does not discuss all provisions of these laws and regulations and it does not include all laws and regulations that affect the Company presently or may affect the Company in the future.

General

The Company, as a bank holding company, is primarily regulated by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 (BHC Act). Under the BHC Act, the Federal Reserve Board's prior approval is required in any case in which the Company proposes to acquire all or substantially all of the assets of any bank, acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank, or merge or consolidate with any other bank holding company. With certain exceptions, the BHC Act also prohibits the Company from acquiring direct or indirect ownership or control of more than 5% of any class of voting shares of any non-banking company. Under the BHC Act, the Company may not engage in any business other than managing and controlling banks or furnishing certain specified services to subsidiaries and may not acquire voting control of non-banking companies unless the Federal Reserve Board determines such businesses and services to be closely related to banking. When reviewing bank acquisition applications for approval, the Federal Reserve Board considers, among other things, the Bank's record in meeting the credit needs of the communities it serves in accordance with the Community Reinvestment Act of 1977, as amended (CRA). Under the terms of the CRA, banks have a continuing obligation, consistent with safe and sound operation, to help meet the credit needs of their communities, including providing credit to individuals residing in low- and moderate-income areas. The Bank has a current CRA rating of "outstanding".

The Company is required to file with the Federal Reserve Board various reports and additional information the Federal Reserve Board may require. The Federal Reserve Board also makes regular examinations of the Company and its subsidiaries. The Company's banking subsidiary is a state chartered Federal Reserve member bank and is subject to regulation, supervision and examination by the Federal Reserve Bank of Kansas City and the State of Missouri Division of Finance. The Bank is also subject to regulation by the Federal Deposit Insurance Corporation (FDIC). In addition, there are numerous other federal and state laws and regulations which control the activities of the Company and the Bank, including requirements and limitations relating to capital and reserve requirements, permissible investments and lines of business, transactions with affiliates, loan limits, mergers and acquisitions, issuance of securities, dividend payments, and extensions of credit. If the Company fails to comply with these or other applicable laws and regulations, it may be subject to civil monetary penalties, imposition of cease and desist orders or other written directives, removal of management and, in certain circumstances, criminal penalties. This regulatory framework is intended

primarily for the protection of depositors and the preservation of the federal deposit insurance funds, not for the protection of security holders. Statutory and regulatory controls increase a bank holding company's cost of doing business and limit the options of its management to employ assets and maximize income.

In addition to its regulatory powers, the Federal Reserve Bank affects the conditions under which the Company operates by its influence over the national supply of bank credit. The Federal Reserve Board employs open market operations in U.S. government securities and oversees changes in the discount rate on bank borrowings, changes in the federal funds rate on overnight inter-bank borrowings, and changes in reserve requirements on bank deposits in implementing its monetary policy objectives. These methods are used in varying combinations to influence the overall level of the interest rates charged on loans and paid for deposits, the price of the dollar in foreign exchange markets, and the level of inflation. The monetary policies of the Federal Reserve have a significant effect on the operating results of financial institutions, most notably on the interest rate environment. In view of changing conditions in the national economy and in the money markets, as well as the effect of credit policies of monetary and fiscal authorities, no prediction can be made as to possible future changes in interest rates, deposit levels or loan demand, or their effect on the financial statements of the Company.

The financial industry operates under laws and regulations that are under constant review by various agencies and legislatures and are subject to sweeping change. The Company currently operates as a bank holding company, as defined by the GLB Act, and the Bank qualifies as a financial subsidiary under the Act, which allows it to engage in investment banking, insurance agency, brokerage, and underwriting activities that were not available to banks prior to the GLB Act. The GLB Act also included privacy provisions that limit banks' abilities to disclose non-public information about customers to non-affiliated entities.

The Company must also comply with the requirements of the Bank Secrecy Act (BSA). The BSA is designed to help fight drug trafficking, money laundering, and other crimes. Compliance is monitored by the Federal Reserve. The BSA was enacted to prevent banks and other financial service providers from being used as intermediaries for, or to hide the transfer or deposit of money derived from, criminal activity. Since its passage, the BSA has been amended several times. These amendments include the Money Laundering Control Act of 1986. which made money laundering a criminal act, as well as the Money Laundering Suppression Act of 1994 which required regulators to develop enhanced examination procedures and increased examiner training to improve the identification of money laundering schemes in financial institutions.

The USA PATRIOT Act, established in 2001, substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent, and report money laundering and terrorist financing. The regulations include significant penalties for non-compliance.

Subsidiary Bank

Under Federal Reserve policy, the bank holding company, Commerce Bancshares, Inc. (the "Parent"), is expected to act as a source of financial strength to its bank subsidiary and to commit resources to support it in circumstances when it might not otherwise do so. In addition, loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary banks. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Deposit Insurance

Substantially all of the deposits of the Bank are insured up to the applicable limits by the Bank Insurance Fund of the FDIC, generally up to $250,000 per depositor, for each account ownership category. The Bank pays deposit insurance premiums to the FDIC based on an assessment rate established by the FDIC for Bank Insurance Fund member institutions. The FDIC classifies institutions under a risk-based assessment system based on their perceived risk to the federal deposit insurance funds. The current assessment base is defined as average total assets minus average tangible equity, with other adjustments for heavy use of unsecured liabilities, secured liabilities, brokered deposits, and holdings of unsecured bank debt. For banks with more than $10 billion in assets, the FDIC uses a scorecard designed to measure financial performance and ability to withstand stress, in addition to measuring the FDIC's exposure should the bank fail. The Company's FDIC insurance expense was $11.2 million in 2013, $10.4 million in 2012, and $13.1 million in 2011.

Payment of Dividends

The Federal Reserve Board may prohibit the payment of cash dividends to shareholders by bank holding companies if their actions constitute unsafe or unsound practices. The principal source of the Parent's cash revenues is cash dividends paid by the

Bank. The amount of dividends paid by the Bank in any calendar year is limited to the net profit of the current year combined with the retained net profits of the preceding two years, and permission must be obtained from the Federal Reserve Board for dividends exceeding these amounts. The payment of dividends by the Bank may also be affected by factors such as the maintenance of adequate capital.

Capital Adequacy

The Company is required to comply with the capital adequacy standards established by the Federal Reserve. These capital adequacy guidelines generally require bank holding companies to maintain minimum total capital equal to 8% of total risk-adjusted assets and off-balance sheet items (the "Total Risk-Based Capital Ratio"), with at least one-half of that amount consisting of Tier I, or core capital, and the remaining amount consisting of Tier II, or supplementary capital. Tier I capital for bank holding companies generally consists of the sum of common shareholders' equity, qualifying non-cumulative perpetual preferred stock, a limited amount of qualifying cumulative perpetual preferred stock and minority interests in the equity accounts of consolidated subsidiaries, less goodwill and other non-qualifying intangible assets. Tier II capital generally consists of hybrid capital instruments, term subordinated debt and, subject to limitations, general allowances for loan losses. Assets are adjusted under the risk-based guidelines to take into account different risk characteristics.

In addition, the Federal Reserve also requires bank holding companies to comply with minimum leverage ratio requirements. The leverage ratio is the ratio of a banking organization's Tier I capital to its total consolidated quarterly average assets (as defined for regulatory purposes), net of the allowance for loan losses, goodwill and certain other intangible assets. The minimum leverage ratio for bank holding companies is 4%. At December 31, 2013, the Company was "well-capitalized" under regulatory capital adequacy standards, as further discussed on page 91.

In July 2013 the FDIC, the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System approved a final rule to implement in the United States the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). A key goal of the Basel III agreement is to strengthen the capital resources of banking organizations during normal and challenging business environments. The Basel III final rule increases minimum requirements for both the quantity and quality of capital held by banking organizations. The rule includes a new minimum ratio of common equity tier 1 capital to risk-weighted assets of 4.5% and a common equity tier 1 capital conservation buffer of 2.5% of risk-weighted assets. The final rule also adjusted the methodology for calculating risk-weighted assets to enhance risk sensitivity. Beginning January 1, 2015, the Company must be compliant with revised minimum regulatory capital ratios and will begin the transitional period for definitions of regulatory capital and regulatory capital adjustments and deductions established under the final rule. Compliance with the risk-weighted asset calculations is also required on January 1, 2015. Management believes that as of December 31, 2013, the Company's capital levels would remain "well-capitalized" under the new rules.

Significant Legislation Affecting the Company

In July 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act is sweeping legislation intended to overhaul regulation of the financial services industry. Its implementation requires continuous new rulemaking and reporting over the foreseeable future. Among its many provisions, the Dodd-Frank Act established a new council of "systemic risk" regulators, empowers the Federal Reserve to supervise the largest, most complex financial companies, allows the government to seize and liquidate failing financial companies, and gives regulators new powers to oversee the derivatives market.

The Dodd-Frank Act also established the Consumer Financial Protection Bureau (CFPB) and authorized it to supervise certain consumer financial services companies and large depository institutions and their affiliates for consumer protection purposes. Subject to the provisions of the Act, the CFPB has responsibility to implement, examine for compliance with, and enforce "Federal consumer financial law." As a depository institution, the Company is subject to examinations by the CFPB, which focus on the Company's ability to detect, prevent, and correct practices that present a significant risk of violating the law and causing consumer harm.

In 2011, the Federal Reserve, under the provisions of the Dodd-Frank Act, approved a final debit card interchange rule that significantly limited the amount of debit card interchange fees charged by banks. The rule capped an issuer's base fee at 21 cents per transaction and allowed additional fees to help cover fraud losses. The pricing was a reduction of approximately 45% when compared to previous market rates. The rule also limited network exclusivity, requiring issuers to ensure that a debit card transaction can be carried on two unaffiliated networks: one signature-based and one PIN-based. The rules applied to bank issuers with more than $10 billion in assets and took effect in phases, with the base fee cap effective in October 2011 and the network exclusivity rule effective in April 2012. On July 31, 2013, a Federal District Court judge ruled that the Federal Reserve inflated debit interchange fees when implementing the Dodd-Frank provision in 2011. The judge ruled that the Federal Reserve erred in using criteria outside of the scope Congress intended to determine the fee cap. The judge also ruled that the network options for both signature and PIN

transactions were not set appropriately in accordance with the Dodd-Frank Act. The Federal Reserve appealed this decision on August 21, and the decision has been stayed during the appeal process. If not overturned on appeal, this ruling could significantly affect debit fees for the banking industry and for the Company. However, these developments are preliminary and the impact on the Company is not determinable at this time.

In October 2012, the Federal Reserve, as required by the Dodd-Frank Act, approved new stress testing regulations applicable to certain financial companies with total consolidated assets of more than $10 billion but less than $50 billion. The rule requires that these financial companies, including the Company, conduct stress tests on an annual basis. The stress tests will have an as-of date of September 30, 2013 using scenarios provided by the Federal Reserve in November 2013 (projected nine months out). The Company is required to submit regulatory reports on its stress test results to the Federal Reserve by March 31, 2014. By June 30, 2015, the Company will be required to make public disclosures of the results of the 2015 stress tests performed under the severely adverse scenario.

In December 2013, the Volcker Rule of the Dodd-Frank Act was approved by all five of the necessary financial regulatory agencies, and becomes effective on April 1, 2014. The rule places trading restrictions on financial institutions, and separates investment banking, private equity and proprietary trading (hedge fund) sections of financial institutions from their consumer lending arms. Key provisions restrict banks from simultaneously entering into advisory and creditor roles with their clients, such as with private equity firms. The Volcker Rule also restricts financial institutions from investing in and sponsoring certain types of investments, which must be divested by July 21, 2015. The Company does not believe it will be significantly affected by the Volcker Rule provisions.

Available Information

The Company's principal offices are located at 1000 Walnut, Kansas City, Missouri (telephone number 816-234-2000). The Company makes available free of charge, through its Web site at www.commercebank.com, reports filed with the Securities and Exchange Commission as soon as reasonably practicable after the electronic filing. These filings include the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports.

Statistical Disclosure

The information required by Securities Act Guide 3 — "Statistical Disclosure by Bank Holding Companies" is located on the pages noted below.

		Page
I.	Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential	20, 50-53
II.	Investment Portfolio	35-36, 73-78
III.	Loan Portfolio	
	Types of Loans	25
	Maturities and Sensitivities of Loans to Changes in Interest Rates	25
	Risk Elements	30-34
IV.	Summary of Loan Loss Experience	28-30
V.	Deposits	50, 79-80
VI.	Return on Equity and Assets	16
VII.	Short-Term Borrowings	80

Item 1a. RISK FACTORS

Making or continuing an investment in securities issued by Commerce Bancshares, Inc., including its common stock, involves certain risks that you should carefully consider. If any of the following risks actually occur, its business, financial condition or results of operations could be negatively affected, the market price for your securities could decline, and you could lose all or a part of your investment. Further, to the extent that any of the information contained in this Annual Report on Form 10-K constitutes forward-looking statements, the risk factors set forth below also are cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of Commerce Bancshares, Inc.

Difficult market conditions may affect the Company's industry.

The concentration of the Company's banking business in the United States particularly exposes it to downturns in the U.S. economy. While economic conditions have improved significantly over the past several years, there remain risks that could undermine these recent improvements.

In particular, the Company may face the following risks in connection with these market conditions:

- High unemployment levels and weak economic activity may affect consumer confidence levels and may cause declines in consumer credit usage, adverse changes in payment patterns, and higher loan delinquencies and default rates. These could impact the Company's future loan losses and provision for loan losses, as a significant part of the Company's business includes consumer and credit card lending.
- Reduced levels of economic activity may also cause declines in financial service transactions, including bank card, corporate cash management and other fee businesses, as well as the fees earned by the Company on such transactions.
- The Company's ability to assess the creditworthiness of its customers may be impaired if the models and approaches it uses to select, manage, and underwrite its customers become less predictive of future behaviors, causing higher future credit losses.
- The process used to estimate losses inherent in the Company's loan portfolio requires difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of its borrowers to repay their loans. If an instance occurs that renders these predictions no longer capable of accurate estimation, this may in turn impact the reliability of the process.
- Competition in the industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions, thereby reducing market prices for various products and services which could in turn reduce Company revenues.
- If the level of bank failures rise, the Company may be required to pay high levels of FDIC premiums for extended periods of time.
- The U.S. economy is also affected by foreign economic events. Although the Company does not hold foreign debt, global conditions affecting interest rates, business export activity, capital expenditures by businesses, and investor confidence may negatively affect the Company by means of reduced loan demand or reduced transaction volume with the Company.

Significant changes in banking laws and regulations could materially affect the Company's business.

As a result of the 2008 banking crisis, a significant increase in bank regulation has occurred. A number of new laws and regulations have been implemented, including those which reduce overdraft fees, credit card revenues, and revenues from student lending activities. These regulations have resulted in lower revenues and higher operating costs. As discussed in Item 1, the Dodd-Frank Act passed in July 2010 contains significant complex regulations for all financial institutions. Among its many provisions are rules which established a new council of "systemic risk" regulators, created a new consumer protection division within the Federal Reserve, empower the Federal Reserve to supervise the largest, most complex financial companies, allow the government to seize and liquidate failing financial companies, and give regulators new powers to oversee the derivatives market.

Because the Company has maintained a strong balance sheet and has not offered many of the complex financial products that were prevalent in the marketplace, there are a number of provisions within the Dodd-Frank Act, including higher capital standards, improved lending transparency and risk-based FDIC insurance assessments, that management does not expect to negatively affect the Company's future financial results. However, the Company has already been significantly affected by enacted regulation on debit cards, and a number of provisions within the law include the potential for higher costs due to increased regulatory and compliance burdens, which will result in lower revenues or increasing costs for the Company. In addition to these and other new regulations which are already in place and are discussed above, the Company will likely face increased regulation of the industry. Increased regulation, along with possible changes in tax laws and accounting rules, may have a significant impact on the way the Company conducts business, implements strategic initiatives, engages in tax planning and makes financial disclosures. Compliance with such regulation may divert resources from other areas of the business and limit the ability to pursue other opportunities.

The performance of the Company is dependent on the economic conditions of the markets in which the Company operates.

The Company's success is heavily influenced by the general economic conditions of the specific markets in which it operates. Unlike larger national or other regional banks that are more geographically diversified, the Company provides financial services primarily throughout the states of Missouri, Kansas, and central Illinois, and has recently expanded into Oklahoma, Colorado and other surrounding states. As the Company does not have a significant banking presence in other parts of the country, a prolonged economic downturn in these markets could have a material adverse effect on the Company's financial condition and results of operations.

Significant changes in federal monetary policy could materially affect the Company's business.

The Federal Reserve System regulates the supply of money and credit in the United States. Its polices determine in large part the cost of funds for lending and investing by influencing the interest rate earned on loans and paid on borrowings and interest bearing deposits. Credit conditions are influenced by its open market operations in U.S. government securities, changes in the member bank discount rate, and bank reserve requirements. Changes in Federal Reserve Board policies are beyond the Company's control and difficult to predict, and such changes may result in lower interest margins and a continued lack of demand for credit products.

The soundness of other financial institutions could adversely affect the Company.

The Company's ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institution counterparties. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Company has exposure to many different industries and counterparties and routinely executes transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual funds, and other institutional clients. Transactions with these institutions include overnight and term borrowings, interest rate swap agreements, securities purchased and sold, short-term investments, and other such transactions. As a result of this exposure, defaults by, or rumors or questions about, one or more financial services institutions or the financial services industry in general, could lead to market-wide liquidity problems and defaults by other institutions. Many of these transactions expose the Company to credit risk in the event of default of its counterparty or client, while other transactions expose the Company to liquidity risks should funding sources quickly disappear. In addition, the Company's credit risk may be exacerbated when the collateral held cannot be realized or is liquidated at prices not sufficient to recover the full amount of the exposure due to the Company. Any such losses could materially and adversely affect results of operations.

The Company's asset valuation may include methodologies, estimations and assumptions which are subject to differing interpretations and could result in changes to asset valuations that may materially adversely affect its results of operations or financial condition.

The Company uses estimates, assumptions, and judgments when certain financial assets and liabilities are measured and reported at fair value. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. Fair values and the information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices and/or other observable inputs provided by independent third-party sources, when available. When such third-party information is not available, fair value is estimated primarily by using cash flow and other financial modeling techniques utilizing assumptions such as credit quality, liquidity, interest rates and other relevant inputs. Changes in underlying factors, assumptions, or estimates in any of these areas could materially impact the Company's future financial condition and results of operations.

During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain assets if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, certain asset valuations may require more subjectivity and management judgment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of assets as reported within the Company's consolidated financial statements, and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on results of operations or financial condition.

The Company's investment portfolio values may be adversely impacted by deterioration in the credit quality of underlying collateral within the various categories of investment securities it owns.

The Company generally invests in securities issued by municipal entities, government-backed agencies or privately issued securities that are highly rated and evaluated at the time of purchase, however, these securities are subject to changes in market value due to changing interest rates and implied credit spreads. Over the past several years, budget deficits and other financial

problems in a number of states and political subdivisions have occurred. While the Company maintains rigorous risk management practices over bonds issued by municipalities, further credit deterioration in these bonds could occur and result in losses. Certain mortgage and asset-backed securities represent beneficial interests which are collateralized by residential mortgages, credit cards, automobiles, mobile homes or other assets. While these investment securities are highly rated at the time of initial investment, the value of these securities may decline significantly due to actual or expected deterioration in the underlying collateral. Under accounting rules, when the impairment is due to declining expected cash flows, some portion of the impairment, depending on the Company's intent to sell and the likelihood of being required to sell before recovery, must be recognized in current earnings. This could result in significant non-cash losses.

Future loan losses could increase.

The Company maintains an allowance for loan losses that represents management's best estimate of probable losses that have been incurred at the balance sheet date within the existing portfolio of loans. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Although the loan losses have declined significantly in 2013 and 2012, a deterioration of financial market conditions could result in larger loan losses, which may negatively affect the Company's results of operations and could further increase levels of its allowance. In addition, the Company's allowance level is subject to review by regulatory agencies, and that review could result in adjustments to the allowance. See the section captioned "Allowance for Loan Losses" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report for further discussion related to the Company's process for determining the appropriate level of the allowance for possible loan loss.

The Company is subject to both interest rate and liquidity risk.

With oversight from its Asset-Liability Management Committee, the Company devotes substantial resources to monitoring its liquidity and interest rate risk on a monthly basis. The Company's net interest income is the largest source of overall revenue to the Company, representing 60% of total revenue. The interest rate environment in which the Company operates fluctuates in response to general economic conditions and policies of various governmental and regulatory agencies, particularly the Federal Reserve Board. Changes in monetary policy, including changes in interest rates, will influence loan originations, deposit generation, demand for investments and revenues and costs for earning assets and liabilities.

Additionally the Company manages its balance sheet in order to maximize its net interest income from its net earning assets while insuring that there is ample liquidity to meet fluctuating cash flows coming from either funding sources or its earning assets.

Since the financial crisis of 2008, there has been significant growth in deposits from both consumers and businesses, and much of this growth has been invested in the investment securities portfolio, as loan demand has been relatively weak during much of this time. For the past several years, the Federal Reserve has maintained interest rates at unprecedented low levels, and as the securities portfolio has grown, interest margins have been pressured. The securities portfolio, which has averaged 45% of total earning assets over the past three years, generally carries lower rates than loans, Furthermore the Company attempts to diversify its securities portfolio while keeping duration short, in order to ensure it is always able to meet liquidity needs for future changes in loans or deposit balances. Loan demand has recently strengthened, growing 2% on average in 2012 and 10% in 2013. During 2013, growth in loans was mainly funded by maturities of investment securities, and growth in deposits were mostly reinvested in the securities portfolio. At December 31, 2013, the Company's loan to deposit rate was 57%, a sign of strong liquidity.

While further loan growth is expected to accompany a strengthening economy, it is expected that interest margins will continue to be pressured if rates remain low. Should the demand for loans increase in the future while deposit balances decline significantly, the Company's liquidity risk could change, as it is dependent on the Company's ability to manage maturities within its investment portfolio to fund these changing cash flows.

The Company operates in a highly competitive industry and market area.

The Company operates in the financial services industry, which is facing a rapidly changing environment having numerous competitors including other banks and insurance companies, securities dealers, brokers, trust and investment companies and mortgage bankers. Consolidation among financial service providers is likely to occur, and there are many new changes in technology, product offerings and regulation. As consolidation occurs, larger regional banks may acquire smaller banks in our market and add to existing competition. These new banks may lower fees in an effort to grow market share, which could result in a loss of customers and lower fee revenue for the Company. The Company must continue to make investments in its products and delivery systems to stay competitive with the industry as a whole, or its financial performance may suffer.

The Company's reputation and future growth prospects could be impaired if events occur which breach its customers' privacy.

The Company relies heavily on communications and information systems to conduct its business, and as part of its business, the Company maintains significant amounts of data about its customers and the products they use. Additionally, customers rely on online bank products. While the Company has policies and procedures and safeguards designed to prevent or limit the effect of failure, interruption or security breach of its information systems, there can be no assurances that any such failures, interruptions or security breaches will not occur; or if they do occur, that they will be adequately addressed. In addition to unauthorized access, denial-of-service attacks could overwhelm Company Web sites and prevent the Company from adequately serving customers. Should any of the Company's systems become compromised, the reputation of the Company could be damaged, relationships with existing customers may be impaired, the compromise could result in lost business, and as a result, the Company could incur significant expenses trying to remedy the incident. Similarly, because the Company is an issuer of both debit and credit cards, it is periodically exposed to losses related to security breaches which occur at retailers that are unaffiliated with Company (e.g., customer card data being compromised at retail stores). These include, but are not limited to, costs and expenses for card reissuance as well as losses resulting from fraudulent card transactions.

The Company may not attract and retain skilled employees.

The Company's success depends, in large part, on its ability to attract and retain key people. Competition for the best people can be intense, and the Company spends considerable time and resources attracting and hiring qualified people for its various business lines and support units. The unexpected loss of the services of one or more of the Company's key personnel could have a material adverse impact on the Company's business because of their skills, knowledge of the Company's market, and years of industry experience, as well as the difficulty of promptly finding qualified replacement personnel.

Item 1b. UNRESOLVED STAFF COMMENTS

None

Item 2. PROPERTIES

The main offices of the Bank are located in the larger metropolitan areas of its markets in various multi-story office buildings. The Bank owns its main offices and leases unoccupied premises to the public. The larger offices include:

Building	Net rentable square footage	% occupied in total	% occupied by bank
922 Walnut Kansas City, MO	256,000	95%	93%
1000 Walnut Kansas City, MO	403,000	84	39
811 Main Kansas City, MO	237,000	100	100
8000 Forsyth Clayton, MO	178,000	97	97
1551 N. Waterfront Pkwy Wichita, KS	120,000	97	32

Various installment loan, credit card, trust and safe deposit functions operate out of leased offices in downtown Kansas City, Missouri. The Company has an additional 197 branch locations in Missouri, Illinois, Kansas, Oklahoma and Colorado which are owned or leased, and 156 off-site ATM locations.

Item 3. LEGAL PROCEEDINGS

The information required by this item is set forth in Item 8 under Note 20, Commitments, Contingencies and Guarantees on page 106.

Item 4. MINE SAFETY DISCLOSURES

Not applicable

Executive Officers of the Registrant

The following are the executive officers of the Company as of February 24, 2014, each of whom is designated annually. There are no arrangements or understandings between any of the persons so named and any other person pursuant to which such person was designated an executive officer.

Name and Age	Positions with Registrant
Jeffery D. Aberdeen, 59	Controller of the Company since December 1995. He is also Controller of the Company's subsidiary bank, Commerce Bank.
Kevin G. Barth, 53	Executive Vice President of the Company since April 2005 and Executive Vice President of Commerce Bank since October 1998. Senior Vice President of the Company and Officer of Commerce Bank prior thereto.
Jeffrey M. Burik, 55	Senior Vice President of the Company since February 2013. Executive Vice President of Commerce Bank since November 2007.
Daniel D. Callahan, 57	Executive Vice President and Chief Credit Officer of the Company since December 2010 and Senior Vice President of the Company prior thereto. Executive Vice President of Commerce Bank since May 2003.
Sara E. Foster, 53	Executive Vice President of the Company since February 2012 and Senior Vice President of the Company since February 1998.
David W. Kemper, 63	Chairman of the Board of Directors of the Company since November 1991, Chief Executive Officer of the Company since June 1986. He was President of the Company from April 1982 until February 2013. He is Chairman of the Board, President and Chief Executive Officer of Commerce Bank. He is the son of James M. Kemper, Jr. (a former Director and former Chairman of the Board of the Company), the brother of Jonathan M. Kemper, Vice Chairman of the Company, and father of John W. Kemper, President and Chief Operating Officer of the Company.
John W. Kemper, 36	President and Chief Operating Officer of the Company since February 2013, and Executive Vice President and Chief Administrative Officer of the Company prior thereto. Senior Vice President of Commerce Bank since January 2009. Prior to his employment with Commerce Bank in August 2007, he was employed as an engagement manager with a global management consulting firm, managing strategy and operations projects primarily focused in the financial service industry. He is the son of David W. Kemper, Chairman and Chief Executive Officer of the Company and nephew of Jonathan M. Kemper, Vice Chairman of the Company.
Jonathan M. Kemper, 60	Vice Chairman of the Company since November 1991 and Vice Chairman of Commerce Bank since December 1997. Prior thereto, he was Chairman of the Board, Chief Executive Officer, and President of Commerce Bank. He is the son of James M. Kemper, Jr. (a former Director and former Chairman of the Board of the Company), the brother of David W. Kemper, Chairman and Chief Executive Officer of the Company, and uncle of John W. Kemper, President and Chief Operating Officer of the Company.
Charles G. Kim, 53	Chief Financial Officer of the Company since July 2009. Executive Vice President of the Company since April 1995 and Executive Vice President of Commerce Bank since January 2004. Prior thereto, he was Senior Vice President of Commerce Bank.
Seth M. Leadbeater, 63	Vice Chairman of the Company since January 2004. Prior thereto he was Executive Vice President of the Company. Vice Chairman of Commerce Bank since September 2004. Prior thereto he was Executive Vice President of Commerce Bank.
Michael J. Petrie, 57	Senior Vice President of the Company since April 1995. Prior thereto, he was Vice President of the Company.
Robert J. Rauscher, 56	Senior Vice President of the Company since October 1997. Senior Vice President of Commerce Bank prior thereto.
V. Raymond Stranghoener, 62	Executive Vice President of the Company since July 2005 and Senior Vice President of the Company prior thereto.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Commerce Bancshares, Inc.
Common Stock Data

The following table sets forth the high and low prices of actual transactions in the Company's common stock and cash dividends paid for the periods indicated (restated for the 5% stock dividend distributed in December 2013).

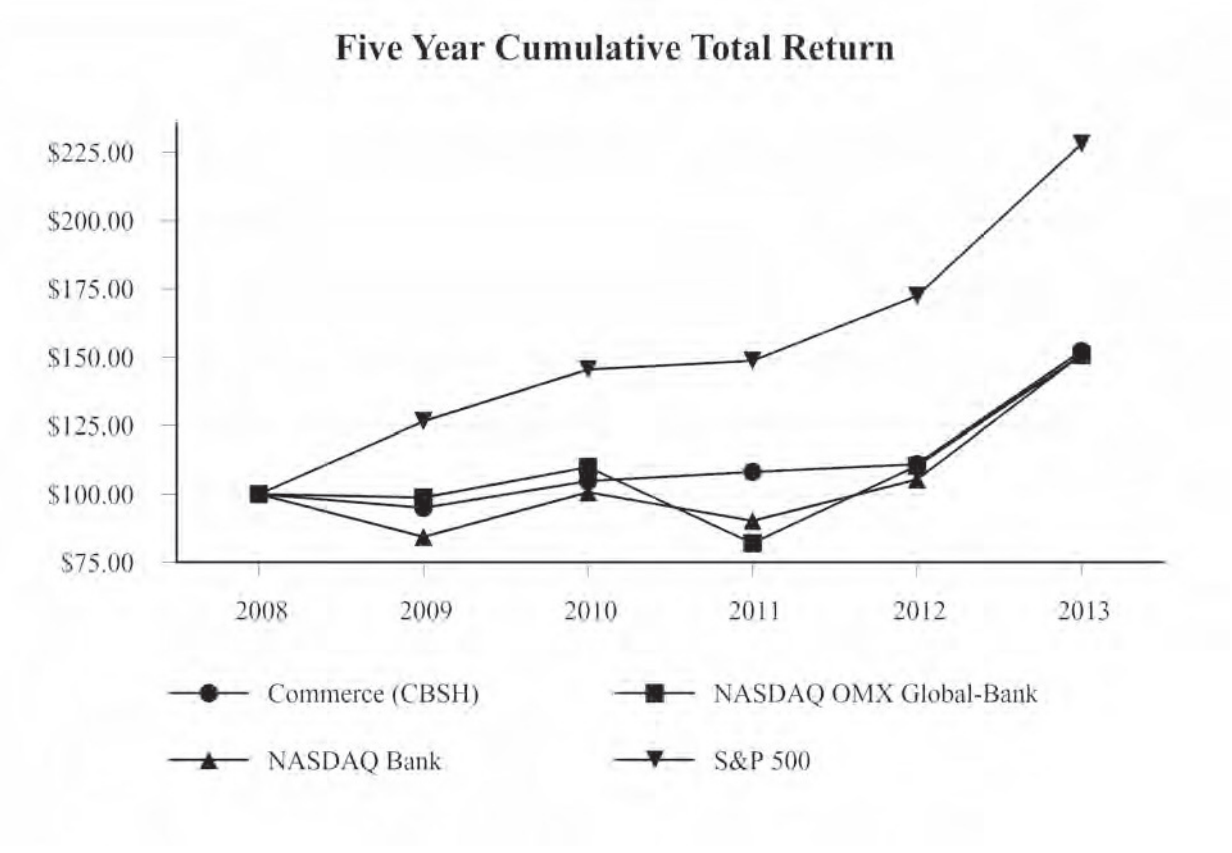
	Quarter	High	Low	Cash Dividends
2013	**First**	**$ 38.94**	**$ 33.71**	**$ .214**
	Second	**42.50**	**36.63**	**.214**
	Third	**45.26**	**40.04**	**.214**
	Fourth	**45.77**	**40.80**	**.214**
2012	First	$ 37.44	$ 34.08	$ .209
	Second	37.19	32.81	.209
	Third	38.77	34.20	.209
	Fourth	36.86	33.04	1.569*
2011	First	$ 36.86	$ 33.29	$ .199
	Second	37.92	34.60	.199
	Third	38.01	28.71	.199
	Fourth	35.07	28.56	.199

** Includes a special dividend of $1.360 per share*

Commerce Bancshares, Inc. common shares are listed on the Nasdaq Global Select Market (NASDAQ) under the symbol CBSH. The Company had 4,116 shareholders of record as of December 31, 2013.

Performance Graph

The following graph presents a comparison of Company (CBSH) performance to the indices named below. It assumes $100 invested on December 31, 2008 with dividends invested on a cumulative total shareholder return basis.



	2008	2009	2010	2011	2012	2013
Commerce (CBSH)	100.00	94.96	104.78	108.07	110.90	152.26
NASDAQ OMX Global-Bank	100.00	98.65	109.85	81.92	110.37	150.79
NASDAQ Bank	100.00	84.30	100.68	90.16	105.38	150.84
S&P 500	100.00	126.46	145.50	148.59	172.37	228.19

As a result of a change in the total return data made available to us through our vendor provider, our performance graphs going forward will be using an index provided by NASDAQ OMX Global Indexes which is comparable to the NASDAQ Bank Stock Index. Please note, information for the NASDAQ Bank Stock Index is provided only from December 31, 2008 through December 31, 2013, the last day this data was available by our third-party provider.

The following table sets forth information about the Company's purchases of its $5 par value common stock, its only class of stock registered pursuant to Section 12 of the Exchange Act, during the fourth quarter of 2013.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number that May Yet Be Purchased Under the Program
October 1—31, 2013	—	$—	—	3,495,733
November 1—30, 2013	2,606	$45.75	2,606	3,493,127
December 1—31, 2013	862	$44.96	862	3,492,265
Total	**3,468**	**$45.55**	**3,468**	**3,492,265**

The Company's stock purchases shown above were made under authorizations by the Board of Directors. Under the most recent authorization in July 2013 of 4,000,000 shares, 3,492,265 shares remained available for purchase at December 31, 2013.

Item 6. SELECTED FINANCIAL DATA

The required information is set forth below in Item 7.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report may contain "forward-looking statements" that are subject to risks and uncertainties and include information about possible or assumed future results of operations. Many possible events or factors could affect the future financial results and performance of Commerce Bancshares, Inc. and its subsidiaries (the "Company"). This could cause results or performance to differ materially from those expressed in the forward-looking statements. Words such as "expects", "anticipates", "believes", "estimates", variations of such words and other similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers should not rely solely on the forward-looking statements and should consider all uncertainties and risks discussed throughout this report. Forward-looking statements speak only as of the date they are made. The Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made or to reflect the occurrence of unanticipated events. Such possible events or factors include the risk factors identified in Item 1a Risk Factors and the following: changes in economic conditions in the Company's market area; changes in policies by regulatory agencies, governmental legislation and regulation; fluctuations in interest rates; changes in liquidity requirements; demand for loans in the Company's market area; changes in accounting and tax principles; estimates made on income taxes; failure of litigation settlement agreements to become final in accordance with their terms; and competition with other entities that offer financial services.

Overview

The Company operates as a super-community bank and offers a broad range of financial products to consumer and commercial customers, delivered with a focus on high-quality, personalized service. It is the largest bank holding company headquartered in Missouri, with its principal offices in Kansas City and St. Louis, Missouri. Customers are served from approximately 360 locations in Missouri, Kansas, Illinois, Oklahoma and Colorado and commercial offices throughout the nation's midsection. A variety of delivery platforms are utilized, including an extensive network of branches and ATM machines, full-featured online banking, and a central contact center.

The core of the Company's competitive advantage is its focus on the local markets it services and its concentration on relationship banking and high touch service. In order to enhance shareholder value, the Company targets core revenue growth. To achieve this growth, the Company focuses on strategies that will expand new and existing customer relationships, offer opportunities for controlled expansion in additional markets, utilize improved technology, and enhance customer satisfaction.

Various indicators are used by management in evaluating the Company's financial condition and operating performance. Among these indicators are the following:

- Net income and earnings per share — Net income attributable to Commerce Bancshares, Inc. was $261.0 million, a decrease of 3.1% compared to the previous year. The return on average assets was 1.19% in 2013, and the return an average equity was 11.99%. Diluted earnings per share decreased 1.4% in 2013 compared to 2012.
- Total revenue — Total revenue is comprised of net interest income and non-interest income. Total revenue in 2013 decreased slightly from 2012, as non-interest income grew $18.8 million and net interest income fell $20.5 million. Non-interest income saw increases in bank card transaction fees, trust fees, and brokerage fees, partly offset by a decline in capital market fees. Although average loan growth of nearly 10% was achieved, the low interest rate environment pressured net interest income and the net interest margin declined to 3.11% in 2013, a 30 basis point decline from 2012.
- Expense control — Total non-interest expense increased 1.8% this year compared to 2012. Salaries and employee benefits, the largest expense component, increased by $6.0 million, or 1.7%, due to higher salaries, which were partly offset by lower incentive compensation and medical costs. Data processing and software expense increased $4.4 million, or 6.0%, driven by growth in bank card processing costs.
- Asset quality — Net loan charge-offs in 2013 decreased $7.9 million from those recorded in 2012 and averaged .30% of loans compared to .42% in the previous year. Total non-performing assets, which include non-accrual loans and foreclosed

real estate, amounted to $55.4 million at December 31, 2013, a decrease of $9.4 million from balances at the previous year end, and represented .51% of loans outstanding.

- Shareholder return — Total shareholder return, including the change in stock price and dividend reinvestment, was 37.3% over the past year, largely due to strong performance in the national stock markets during 2013. Shareholder return over the past 10 years was 6.8%.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes. The historical trends reflected in the financial information presented below are not necessarily reflective of anticipated future results.

Key Ratios

(Based on average balances)	**2013**	2012	2011	2010	2009
Return on total assets	**1.19%**	1.30%	1.32%	1.22%	.96%
Return on total equity	**11.99**	12.00	12.15	11.15	9.76
Equity to total assets	**9.95**	10.84	10.87	10.91	9.83
Loans to deposits [(1)]	**57.12**	55.80	59.15	70.02	79.79
Non-interest bearing deposits to total deposits	**33.01**	32.82	30.26	28.65	26.48
Net yield on interest earning assets (tax equivalent basis)	**3.11**	3.41	3.65	3.89	3.93
(Based on end of period data)					
Non-interest income to revenue [(2)]	**40.32**	38.44	37.82	38.54	38.41
Efficiency ratio [(3)]	**60.49**	59.26	59.10	59.71	59.88
Tier I risk-based capital ratio	**14.06**	13.60	14.71	14.38	13.04
Total risk-based capital ratio	**15.28**	14.93	16.04	15.75	14.39
Tier I leverage ratio	**9.43**	9.14	9.55	10.17	9.58
Tangible common equity to assets ratio [(4)]	**9.00**	9.25	9.91	10.27	9.71
Cash dividend payout ratio	**31.51**	79.48	31.06	35.52	44.15

(1) Includes loans held for sale.

(2) Revenue includes net interest income and non-interest income.

(3) The efficiency ratio is calculated as non-interest expense (excluding intangibles amortization) as a percent of revenue.

(4) The tangible common equity to assets ratio is a measurement which management believes is a useful indicator of capital adequacy and utilization. It provides a meaningful basis for period to period and company to company comparisons, and also assists regulators, investors and analysts in analyzing the financial position of the Company. Tangible common equity is a non-GAAP measure and represents common equity less goodwill, core deposit premium and non-controlling interest in subsidiaries. Tangible assets, also a non-GAAP measure, represents total assets less goodwill and core deposit premium.

The following table is a reconciliation of the GAAP financial measures of total equity and total assets to the non-GAAP measures of total tangible common equity and total tangible assets.

(Dollars in thousands)	**2013**	2012	2011	2010	2009
Total equity	**$ 2,214,397**	$ 2,171,574	$ 2,170,361	$ 2,023,464	$ 1,885,905
Less non-controlling interest	**3,755**	4,447	4,314	1,477	1,677
Less goodwill	**138,921**	125,585	125,585	125,585	125,585
Less core deposit premium	**8,489**	4,828	6,970	9,612	12,754
Total tangible common equity (a)	**$ 2,063,232**	$ 2,036,714	$ 2,033,492	$ 1,886,790	$ 1,745,889
Total assets	**$ 23,072,036**	$ 22,159,589	$ 20,649,367	$ 18,502,339	$ 18,120,189
Less goodwill	**138,921**	125,585	125,585	125,585	125,585
Less core deposit premium	**8,489**	4,828	6,970	9,612	12,754
Total tangible assets (b)	**$ 22,924,626**	$ 22,029,176	$ 20,516,812	$ 18,367,142	$ 17,981,850
Tangible common equity to assets ratio (a)/(b)	**9.00%**	9.25%	9.91%	10.27%	9.71%

Selected Financial Data

(In thousands, except per share data)	**2013**	2012	2011	2010	2009
Net interest income	**$ 619,372**	$ 639,906	$ 646,070	$ 645,932	$ 635,502
Provision for loan losses	**20,353**	27,287	51,515	100,000	160,697
Non-interest income	**418,386**	399,630	392,917	405,111	396,259
Investment securities gains (losses), net	**(4,425)**	4,828	10,812	(1,785)	(7,195)
Non-interest expense	**629,633**	618,469	617,249	631,134	621,737
Net income attributable to Commerce Bancshares, Inc.	**260,961**	269,329	256,343	221,710	169,075
Net income per common share-basic*	**2.73**	2.77	2.57	2.19	1.71
Net income per common share-diluted*	**2.72**	2.76	2.56	2.18	1.70
Cash dividends	**82,104**	211,608	79,140	78,231	74,720
Cash dividends per share*	**.857**	2.195	.795	.773	.752
Market price per share*	**44.91**	33.39	34.58	34.32	31.86
Book value per share*	**23.10**	22.62	22.13	20.18	18.69
Common shares outstanding*	**95,881**	95,985	98,070	100,278	100,897
Total assets	**23,072,036**	22,159,589	20,649,367	18,502,339	18,120,189
Loans, including held for sale	**10,956,836**	9,840,211	9,208,554	9,474,733	10,490,327
Investment securities	**9,042,997**	9,669,735	9,358,387	7,409,534	6,473,388
Deposits	**19,047,348**	18,348,653	16,799,883	15,085,021	14,210,451
Long-term debt	**455,310**	503,710	511,817	512,273	1,236,062
Equity	**2,214,397**	2,171,574	2,170,361	2,023,464	1,885,905
Non-performing assets	**55,439**	64,863	93,803	97,320	116,670

* *Restated for the 5% stock dividend distributed in December 2013.*

Results of Operations

				$ Change		**% Change**	
(Dollars in thousands)	**2013**	2012	2011	**'13-'12**	'12-'11	**'13-'12**	'12-'11
Net interest income	**$ 619,372**	$ 639,906	$ 646,070	**$ (20,534)**	$ (6,164)	**(3.2)%**	(1.0)%
Provision for loan losses	**(20,353)**	(27,287)	(51,515)	**(6,934)**	(24,228)	**(25.4)**	(47.0)
Non-interest income	**418,386**	399,630	392,917	**18,756**	6,713	**4.7**	1.7
Investment securities gains (losses), net	**(4,425)**	4,828	10,812	**(9,253)**	(5,984)	**N.M.**	(55.3)
Non-interest expense	**(629,633)**	(618,469)	(617,249)	**11,164**	1,220	**1.8**	.2
Income taxes	**(122,230)**	(127,169)	(121,412)	**(4,939)**	5,757	**(3.9)**	4.7
Non-controlling interest expense	**(156)**	(2,110)	(3,280)	**(1,954)**	(1,170)	**(92.6)**	(35.7)
Net income attributable to Commerce Bancshares, Inc.	**$ 260,961**	$ 269,329	$ 256,343	**$ (8,368)**	$ 12,986	**(3.1)%**	5.1 %

Net income attributable to Commerce Bancshares, Inc. for 2013 was $261.0 million, a decrease of $8.4 million, or 3.1%, compared to $269.3 million in 2012. Diluted income per share was $2.72 in 2013 compared to $2.76 in 2012. The decrease in net income resulted from a $20.5 million decrease in net interest income, as well as an increase of $11.2 million in non-interest expense and a decrease of $9.3 million in net securities gains. These decreases in net income were partly offset by an increase in non-interest income of $18.8 million and a decline of $6.9 million in the provision for loan losses. The return on average assets was 1.19% in 2013 compared to 1.30% in 2012, and the return on average equity was 11.99% compared to 12.00% in 2012. At December 31, 2013, the ratio of tangible common equity to assets was 9.00% compared to 9.25% at year end 2012.

During 2013, net interest income decreased $20.5 million, or 3.2%, compared to 2012. This decrease continued the trend noted in the previous year of lower rates earned on investment securities and loans, partly offset by higher loan balances and lower rates paid on deposits. The provision for loan losses decreased $6.9 million from the previous year, totaling $20.4 million in 2013, and was $11.0 million lower than net loan charge-offs in 2013. Net charge-offs declined by $7.9 million in 2013 compared to 2012, mainly in construction, business real estate, consumer, and revolving home equity loans.

Non-interest income for 2013 was $418.4 million, an increase of $18.8 million, or 4.7%, compared to $399.6 million in 2012. This increase resulted mainly from increases of $7.9 million in trust fees and $12.4 million in bank card fees. Bank card fees included a $9.9 million increase in corporate card fees, a product line upon which the Company has placed significant focus during

the past few years and which continues to show strong growth. Capital market fees declined $6.9 million due to weak demand from correspondent and commercial customers.

During 2013, investment securities net losses of $4.4 million were incurred, compared to net gains of $4.8 million during 2012. Gains and losses in both years resulted from activity in the private equity investment portfolio, and include fair value adjustments and gains/losses realized upon sale or disposition.

Non-interest expense for 2013 was $629.6 million, an increase of $11.2 million over $618.5 million in 2012. The increase in non-interest expense included a $6.0 million increase in salaries and benefits expense, as well as a $4.4 million increase in data processing and software expense. Occupancy, supplies and communications, marketing and deposit insurance expense increased on a combined basis by only $94 thousand. Partly offsetting these increases in non-interest expense during 2013 was a $1.7 million decrease in equipment expense. Income tax expense was $122.2 million in 2013 compared to $127.2 million in 2012, resulting in an effective tax rate of 31.9% in 2013 and 32.1% in 2012.

Net income attributable to Commerce Bancshares, Inc. for 2012 was $269.3 million, an increase of $13.0 million, or 5.1%, compared to $256.3 million in 2011. Diluted income per share was $2.76 in 2012 compared to $2.56 in 2011. The increase in net income largely resulted from a $24.2 million decrease in the provision for loan losses coupled with an increase of $6.7 million in non-interest income. These increases to net income were partly offset by a decline of $6.2 million in net interest income, $6.0 million in lower net securities gains, and a $5.8 million increase in income tax expense. The return on average assets was 1.30% in 2012 compared to 1.32% in 2011, and the return on average equity was 12.00% compared to 12.15% in 2011. At December 31, 2012, the ratio of tangible common equity to assets was 9.25% compared to 9.91% at year end 2011.

During 2012, net interest income decreased $6.2 million to $639.9 million, as compared to $646.1 million in 2011. This decline was due to lower rates earned on investment securities and loans, partly offset by higher balances in these assets and lower rates paid on deposits. The provision for loan losses totaled $27.3 million in 2012, a decrease of $24.2 million from the prior year. Net loan charge-offs declined by $25.2 million in 2012 compared to 2011, mainly in business, construction, consumer, and consumer credit card loans.

Non-interest income for 2012 was $399.6 million, an increase of $6.7 million, or 1.7%, compared to 2011. This increase resulted mainly from higher trust fees and capital market fees, and a $13.0 million increase in corporate card revenue. Debit card interchange income, which was limited by rules adopted under the Dodd-Frank Act effective in the fourth quarter of 2011, declined $19.3 million. Deposit fees decreased $3.2 million, as declines in overdraft and return items fees were partly offset by increases in other types of deposit fees. Loan fees and sales declined $1.5 million, as sales of home mortgages in the secondary market were discontinued in late 2011.

Non-interest expense for 2012 was $618.5 million, an increase of $1.2 million over 2011. This slight increase included a $15.6 million increase in salaries and benefits expense, as well as a $5.7 million increase in data processing and software expense. During 2012, non-interest expense included a $5.2 million charge related to Visa interchange litigation, which is discussed further in Note 20 to the consolidated financial statements. Offsetting these increases in non-interest expense during 2012 was $18.3 million expensed during 2011 related to debit card overdraft litigation, also discussed further in Note 20. Income tax expense was $127.2 million in 2012 compared to $121.4 million in 2011, resulting in an effective tax rate of 32.1% in both years.

In September 2013, the Company acquired Summit Bancshares, Inc., an Oklahoma-based franchise with $261.6 million in assets and branch locations in Tulsa and Oklahoma City. The acquisition is further discussed in Note 2 to the consolidated financial statements.

The Company distributed a 5% stock dividend for the twentieth consecutive year on December 16, 2013. All per share and average share data in this report has been restated to reflect the 2013 stock dividend.

Critical Accounting Policies

The Company's consolidated financial statements are prepared based on the application of certain accounting policies, the most significant of which are described in Note 1 to the consolidated financial statements. Certain of these policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or be subject to variations which may significantly affect the Company's reported results and financial position for the current period or future periods. The use of estimates, assumptions, and judgments are necessary when financial assets and liabilities are required to be recorded at, or adjusted to reflect, fair value. Current economic conditions may require the use of additional estimates, and some estimates may be subject to a greater degree of uncertainty due to the current instability of the economy. The Company has identified several policies as being critical because they require management to make particularly difficult, subjective and/or complex judgments about matters that

are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. These policies relate to the allowance for loan losses, the valuation of certain investment securities, and accounting for income taxes.

Allowance for Loan Losses

The Company performs periodic and systematic detailed reviews of its loan portfolio to assess overall collectability. The level of the allowance for loan losses reflects the Company's estimate of the losses inherent in the loan portfolio at any point in time. While these estimates are based on substantive methods for determining allowance requirements, actual outcomes may differ significantly from estimated results, especially when determining allowances for business, construction and business real estate loans. These loans are normally larger and more complex, and their collection rates are harder to predict. Personal banking loans, including personal real estate, credit card and consumer loans, are individually smaller and perform in a more homogenous manner, making loss estimates more predictable. Further discussion of the methodology used in establishing the allowance is provided in the Allowance for Loan Losses section of Item 7 and in Note 1 to the consolidated financial statements.

Valuation of Investment Securities

The Company carries its investment securities at fair value and employs valuation techniques which utilize observable inputs when those inputs are available. These observable inputs reflect assumptions market participants would use in pricing the security and are developed based on market data obtained from sources independent of the Company. When such information is not available, the Company employs valuation techniques which utilize unobservable inputs, or those which reflect the Company's own assumptions about market participants, based on the best information available in the circumstances. These valuation methods typically involve cash flow and other financial modeling techniques. Changes in underlying factors, assumptions, estimates, or other inputs to the valuation techniques could have a material impact on the Company's future financial condition and results of operations. Assets and liabilities carried at fair value inherently result in more financial statement volatility. Under the fair value measurement hierarchy, fair value measurements are classified as Level 1 (quoted prices), Level 2 (based on observable inputs) or Level 3 (based on unobservable, internally-derived inputs), as discussed in more detail in Note 16 on Fair Value Measurements. Most of the available for sale investment portfolio is priced utilizing industry-standard models that consider various assumptions observable in the marketplace or which can be derived from observable data. Such securities totaled approximately $8.3 billion, or 92.6% of the available for sale portfolio at December 31, 2013, and were classified as Level 2 measurements. The Company also holds $127.7 million in auction rate securities. These were classified as Level 3 measurements, as no liquid market currently exists for these securities, and fair values were derived from internally generated cash flow valuation models which used unobservable inputs significant to the overall measurement.

Changes in the fair value of available for sale securities, excluding credit losses relating to other-than-temporary impairment, are reported in other comprehensive income. The Company periodically evaluates the available for sale portfolio for other-than-temporary impairment. Evaluation for other-than-temporary impairment is based on the Company's intent to sell the security and whether it is likely that it will be required to sell the security before the anticipated recovery of its amortized cost basis. If either of these conditions is met, the entire loss (the amount by which the amortized cost exceeds the fair value) must be recognized in current earnings. If neither condition is met, but the Company does not expect to recover the amortized cost basis, the Company must determine whether a credit loss has occurred. This credit loss is the amount by which the amortized cost basis exceeds the present value of cash flows expected to be collected from the security. The credit loss, if any, must be recognized in current earnings, while the remainder of the loss, related to all other factors, is recognized in other comprehensive income.

The estimation of whether a credit loss exists and the period over which the security is expected to recover requires significant judgment. The Company must consider available information about the collectability of the security, including information about past events, current conditions, and reasonable forecasts, which includes payment structure, prepayment speeds, expected defaults, and collateral values. Changes in these factors could result in additional impairment, recorded in current earnings, in future periods.

At December 31, 2013, certain non-agency guaranteed mortgage-backed securities with a fair value of $70.4 million were identified as other-than-temporarily impaired. The cumulative credit-related impairment loss initially recorded on these securities amounted to $12.8 million, which was recorded in the consolidated statements of income.

The Company, through its direct holdings and its private equity subsidiaries, has numerous private equity investments, categorized as non-marketable securities in the accompanying consolidated balance sheets. These investments are reported at fair value and totaled $60.7 million at December 31, 2013. Changes in fair value are reflected in current earnings and reported in investment securities gains (losses), net, in the consolidated statements of income. Because there is no observable market data for these securities, fair values are internally developed using available information and management's judgment, and the securities are classified as Level 3 measurements. Although management believes its estimates of fair value reasonably reflect the fair value of these securities, key assumptions regarding the projected financial performance of these companies, the evaluation of the investee

company's management team, and other economic and market factors may affect the amounts that will ultimately be realized from these investments.

Accounting for Income Taxes

Accrued income taxes represent the net amount of current income taxes which are expected to be paid attributable to operations as of the balance sheet date. Deferred income taxes represent the expected future tax consequences of events that have been recognized in the financial statements or income tax returns. Current and deferred income taxes are reported as either a component of other assets or other liabilities in the consolidated balance sheets, depending on whether the balances are assets or liabilities. Judgment is required in applying generally accepted accounting principles in accounting for income taxes. The Company regularly monitors taxing authorities for changes in laws and regulations and their interpretations by the judicial systems. The aforementioned changes, as well as any changes that may result from the resolution of income tax examinations by federal and state taxing authorities, may impact the estimate of accrued income taxes and could materially impact the Company's financial position and results of operations.

Net Interest Income

Net interest income, the largest source of revenue, results from the Company's lending, investing, borrowing, and deposit gathering activities. It is affected by both changes in the level of interest rates and changes in the amounts and mix of interest earning assets and interest bearing liabilities. The following table summarizes the changes in net interest income on a fully taxable equivalent basis, by major category of interest earning assets and interest bearing liabilities, identifying changes related to volumes and rates. Changes not solely due to volume or rate changes are allocated to rate.

	2013			2012		
	Change due to			Change due to		
(In thousands)	**Average Volume**	**Average Rate**	**Total**	Average Volume	Average Rate	Total
Interest income, fully taxable equivalent basis						
Loans	**$ 42,759**	**$ (49,138)**	**$ (6,379)**	$ 7,898	$ (24,813)	$ (16,915)
Loans held for sale	**(194)**	**9**	**(185)**	(882)	128	(754)
Investment securities:						
U.S. government and federal agency obligations	**2,538**	**(6,023)**	**(3,485)**	(1,231)	(3,777)	(5,008)
Government-sponsored enterprise obligations	**3,556**	**(551)**	**3,005**	1,223	(1,351)	(128)
State and municipal obligations	**9,459**	**(4,993)**	**4,466**	8,945	(6,877)	2,068
Mortgage-backed securities	**(18,553)**	**(1,451)**	**(20,004)**	9,548	(16,426)	(6,878)
Asset-backed securities	**1,484**	**(5,949)**	**(4,465)**	6,017	(4,600)	1,417
Other securities	**1,671**	**(3,099)**	**(1,428)**	(555)	3,016	2,461
Short-term federal funds sold and securities purchased under agreements to resell	**41**	**(17)**	**24**	30	(3)	27
Long-term securities purchased under agreements to resell	**6,062**	**(4,117)**	**1,945**	2,165	3,554	5,719
Interest earning deposits with banks	**51**	**(3)**	**48**	(147)	(1)	(148)
Total interest income	**48,874**	**(75,332)**	**(26,458)**	33,011	(51,150)	(18,139)
Interest expense						
Interest bearing deposits:						
Savings	**72**	**(108)**	**(36)**	78	(128)	(50)
Interest checking and money market	**1,245**	**(5,536)**	**(4,291)**	2,273	(9,397)	(7,124)
Time open and C.D.'s of less than $100,000	**(557)**	**(1,359)**	**(1,916)**	(1,445)	(1,989)	(3,434)
Time open and C.D.'s of $100,000 and over	**571**	**(1,362)**	**(791)**	(766)	(1,332)	(2,098)
Federal funds purchased and securities sold under agreements to repurchase	**144**	**(143)**	**1**	219	(1,152)	(933)
Other borrowings	**(160)**	**43**	**(117)**	7	(206)	(199)
Total interest expense	**1,315**	**(8,465)**	**(7,150)**	366	(14,204)	(13,838)
Net interest income, fully taxable equivalent basis	**$ 47,559**	**$ (66,867)**	**$ (19,308)**	$ 32,645	$ (36,946)	$ (4,301)

Net interest income totaled $619.4 million in 2013 compared to $639.9 million in 2012. On a tax equivalent basis, net interest income totaled $645.9 million in 2013 and decreased $19.3 million from the previous year. This decrease was mainly the result of lower yields on loans and investment securities, partially offset by higher loan balances and lower rates paid on deposits. The net yield on earning assets (tax equivalent) was 3.11% in 2013 compared with 3.41% in the previous year.

During 2013, tax equivalent interest income on loans declined $6.4 million from 2012 due to a 50 basis point decrease in average rates earned, offset by a $932.3 million, or 9.9%, increase in average loan balances. The average tax equivalent rate earned on the loan portfolio was 4.32% in 2013 compared to 4.82% in 2012. The lower rates depressed interest income by $49.1 million; however, the higher average balances contributed interest income of $42.8 million, which together resulted in a $6.4 million net decrease in interest income. The largest decline occurred in business real estate loan interest, which decreased $6.1 million as a result of a decline in rates of 39 basis points, partly offset by a $57.8 million, or 2.6% increase in average balances. Interest on revolving home equity loans decreased $1.8 million due to a $21.8 million decline in average balances coupled with a 21 basis point decrease in average rates. Higher levels of interest were earned on business, personal real estate and consumer loans, which increased $834 thousand, $711 thousand, and $897 thousand, respectively. These increases were due to higher average balances, which increased 13.6% in business, 12.7% in personal real estate and 21.7% in consumer loans, partly offset by lower average rates earned. Average consumer loan balances increased $256.7 million, which was mainly the result of increases of $196.2 million in auto loans and $88.7 million in fixed rate home equity loans. These increases were partially offset by an $82.9 million decrease in marine and recreational vehicle (RV) loans as that portfolio continues to pay down. Interest earned on consumer credit card loans decreased by $809 thousand due to a 44 basis point decrease in the average rate earned, partly offset by the impact of a $21.8 million increase in average balances.

Tax equivalent interest income on investment securities decreased by $21.9 million in 2013 due to a 25 basis point decrease in average rates earned on these investments, while total average balances increased only slightly. The average rate earned on the total investment securities portfolio declined from 2.55% in 2012 to 2.30% in 2013. Interest income on mortgage-backed securities decreased $20.0 million in 2013 mainly due to a $665.0 million, or 17.3%, decline in average balances. Other declines occurred in interest on asset-backed securities (down $4.5 million) and U.S. government and federal agency obligations (down $3.5 million) due to rate declines, partly offset by higher average balances. The rate decline in U.S. government obligations was largely due to a decrease in interest of $3.2 million on inflation-protected securities. Interest income on state and municipal obligations and government-sponsored enterprise obligations increased $4.5 million and $3.0 million, respectively, due to higher average invested balances, partly offset by declines in rates earned. State and municipal average balances rose $240.9 million, or 17.5%, offset by a rate decline of 31 basis points. Government-sponsored enterprise obligations rose $193.3 million, or 63.0%, offset by a rate decline of 11 basis points. Interest on long-term resell agreements increased $1.9 million in 2013 compared to the prior year due to a $282.0 million increase in the average balances of these instruments, partly offset by a decrease in the average rate earned from 2.15% in the previous year to 1.80% in 2013.

During 2013, interest expense on deposits decreased $7.0 million compared to 2012. This was the result of lower overall rates paid on total deposits, which declined 8 basis points in 2013 to .22%. Average rates paid on money market accounts declined 7 basis points, and rates paid on certificates of deposit declined 15 basis points. The resulting declines in interest expense were partly offset by the impact of higher average balances of money market accounts, which increased $579.1 million, or 7.1% over 2012. Interest expense on borrowings declined slightly, as the average rate paid fell 3 basis points. The average rate paid on total interest bearing liabilities decreased to .23% compared to .30% in 2012.

During 2012, tax equivalent interest income on loans declined $16.9 million compared to 2011 due to a 27 basis point decrease in average rates earned, partly offset by a $156.7 million increase in average balances. The average tax equivalent rate earned on the loan portfolio was 4.82% compared to 5.09% in the previous year. Interest earned on business loans decreased $2.6 million as a result of a decline in rates of 15 basis points and was partially offset by a 1.8% increase in average balances. Interest on construction loans decreased $3.7 million due to a $63.5 million decline in average balances coupled with a 23 basis point decrease in average rates. Business real estate average loan balances increased $76.2 million, or 3.6%, while average rates earned decreased by 32 basis points, which together resulted in a net $3.3 million decrease in interest income. Interest income on personal real estate loans and consumer loans declined $3.4 million and $3.7 million, respectively, due to lower rates partially offset by higher average loan balances. Average consumer loan balances increased $61.8 million, due to increases in auto loans and fixed rate home equity loans, but partly offset by declines in marine and RV loans. Consumer credit card loan interest increased $1.2 million due to a 41 basis point increase in the average rate earned, partly offset by a decline in the average balance outstanding of $16.0 million.

Tax equivalent interest income on investment securities decreased by $6.1 million in 2012 due to a 38 basis point decrease in average rates earned, partially offset by a $992.7 million, or 12.3%, increase in average balances outstanding. The average rate earned on the total investment securities portfolio declined from 2.93% in 2011 to 2.55% in 2012. Interest income on mortgage-backed securities decreased $6.9 million in 2012 due to a 43 basis point decrease in rates earned on these securities, offset by an

increase of 8.3%, or $296.5 million, in average balances. Interest on asset-backed securities increased slightly due to an increase in average balances of $481.3 million partially offset by a decline in rates of 16 basis points. Interest on municipal securities increased $2.1 million due to higher average balances, which increased $202.1 million in 2012, partially offset by the impact of a 50 basis point decrease in average rates earned. Interest on U.S. government and federal agency securities decreased by $5.0 million in 2012, which was mostly due to a decrease in interest on inflation-protected securities. Interest on long-term resell agreements increased $5.7 million in 2012 over the prior year due to a $123.7 million increase in average balances, coupled with an increase of 40 basis points in the average rate earned.

During 2012, interest expense on deposits decreased $12.7 million compared to 2011. This was the result of lower rates on all deposit products coupled with a $402.2 million decline in average certificate of deposit balances, but partly offset by the effects of higher average balances of money market and interest checking accounts, which grew by $727.7 million. Average rates paid on deposit balances declined 13 basis points in 2012 to .30%. Interest expense on borrowings declined $1.1 million, mainly the result of average rates declining by 14 basis points to .33%, but partly offset by an increase of $151.0 million, or 14.6% in the average balances of federal funds purchased and securities sold under agreements to repurchase. The average rate paid on total interest bearing liabilities decreased to .30% compared to .43% in 2011.

Provision for Loan Losses

The provision for loan losses totaled $20.4 million in 2013, which represented a decrease of $6.9 million from the 2012 provision of $27.3 million. Net loan charge-offs for the year totaled $31.4 million compared with $39.3 million in 2012, or a decrease of $7.9 million. The decrease in net loan charge-offs from the previous year was mainly the result of lower construction and business real estate losses, which declined $4.4 million and $4.2 million, respectively, partly offset by higher business loan losses, which increased $1.6 million. The allowance for loan losses totaled $161.5 million at December 31, 2013, a decrease of $11.0 million compared to the prior year, and represented 1.47% of outstanding loans. The provision for loan losses is recorded to bring the allowance for loan losses to a level deemed adequate by management based on the factors mentioned in the following "Allowance for Loan Losses" section of this discussion.

Non-Interest Income

				% Change	
(Dollars in thousands)	**2013**	2012	2011	**'13-'12**	'12-'11
Bank card transaction fees	**$ 166,627**	$ 154,197	$ 157,077	**8.1%**	(1.8)%
Trust fees	**102,529**	94,679	88,313	**8.3**	7.2
Deposit account charges and other fees	**79,017**	79,485	82,651	**(.6)**	(3.8)
Capital market fees	**14,133**	21,066	19,846	**(32.9)**	6.1
Consumer brokerage services	**11,006**	10,162	10,018	**8.3**	1.4
Loan fees and sales	**5,865**	6,037	7,580	**(2.8)**	(20.4)
Other	**39,209**	34,004	27,432	**15.3**	24.0
Total non-interest income	**$ 418,386**	$ 399,630	$ 392,917	**4.7%**	1.7 %
Non-interest income as a % of total revenue*	**40.3%**	38.4%	37.8%		
Total revenue per full-time equivalent employee	**$ 219.5**	$ 220.8	$ 219.0		

* *Total revenue is calculated as net interest income plus non-interest income.*

Non-interest income totaled $418.4 million, an increase of $18.8 million, or 4.7%, compared to $399.6 million in 2012. Bank card fees increased $12.4 million, or 8.1%, over last year, as a result of continued growth in corporate card fees of $9.9 million, or 13.9%. In addition, higher transaction volumes resulted in growth of 3.3% in merchant fees, while credit card fees also increased by 3.8%. Corporate card, merchant card and credit card fees for 2013 totaled $80.6 million, $27.1 million and $23.4 million, respectively. Trust fee income increased $7.9 million, or 8.3%, resulting mainly from growth in personal and institutional trust fees. The market value of total customer trust assets (on which fees are charged) totaled $35.2 billion at year end 2013 and grew 16.4% over year end 2012. Deposit account fees decreased $468 thousand, or .6%, primarily due to a decline in overdraft and return item fees of $3.4 million. This decline was mainly the result of a new posting routine on debit card transactions which took effect in February 2013. Partly offsetting this effect was an increase in various other deposit fees and cash management fees of $3.0 million. Overdraft fees comprised 39.2% of total deposit account fees in 2013, down from 43.3% in 2012, while corporate cash management fees comprised 42.0% of total deposit account fees in 2013, compared to 40.3% in 2012. Capital market fees decreased $6.9 million, or 32.9%, compared to last year as customer demand for fixed income securities was weak this year. Consumer brokerage services revenue increased $844 thousand, or 8.3%, due to growth in advisory fees, while loan fees and sales revenue decreased $172 thousand, or 2.8%, due to a decline in loan commitment fees. Other non-interest income increased by $5.2 million, or 15.3%, as a result of a $3.0 million fair value loss recorded last year on an office building which was held for sale

and net gains of $1.4 million recorded this year in sales of five retail branch facilities no longer in use. In addition, higher swap and foreign exchange fees were recorded in 2013.

During 2012, non-interest income increased $6.7 million, or 1.7%, over 2011 to $399.6 million. Bank card fees declined $2.9 million, or 1.8%, from 2011, due to a decline in debit card interchange fees of $19.3 million, or 35.7% (mainly the effect of new pricing regulations effective in the fourth quarter of 2011), which was partly offset by growth in corporate card fees of $13.0 million, or 22.4%. Corporate card and debit card fees for 2012 totaled $70.8 million and $34.6 million, respectively. Merchant fees grew by 8.9% due to higher transaction volumes and totaled $26.2 million for the year, while credit card fees grew 5.9% and totaled $22.6 million. Trust fee income increased $6.4 million, or 7.2%. The market value of total customer trust assets totaled $30.2 billion at year end 2012 and grew 10.7% over year end 2011. Deposit account fees decreased $3.2 million, or 3.8%, due to lower overdraft and return item fees of $6.5 million, while other deposit fees increased $3.4 million. Overdraft fees comprised 43.3% of total deposit account fees in 2012, down from 49.5% in 2011. Corporate cash management fees comprised 40.3% of total deposit account fees in 2012 and were flat compared to 2011. Capital market fees increased $1.2 million, or 6.1%. Consumer brokerage services revenue increased $144 thousand, or 1.4%, due to growth in advisory fees, mostly offset by lower life insurance revenue. Loan fees and sales revenue was down $1.5 million, or 20.4%, due to a decline in mortgage banking revenue (mainly because late in 2011 the Company adopted a policy of retaining all first mortgage loan originations). Other non-interest income increased by $6.6 million, or 24.0%, mainly due to higher tax credit sales income, leasing revenue and net gains related to banking properties in 2012.

Investment Securities Gains (Losses), Net

(In thousands)	**2013**	2012	2011
Available for sale:			
Common stock	**$ 1,375**	$ —	$ —
Municipal bonds	**126**	16	177
Agency mortgage-backed bonds	**—**	342	—
OTTI losses on non-agency mortgage-backed bonds	**(1,284)**	(1,490)	(2,537)
Non-marketable:			
Private equity investments	**(4,642)**	5,960	13,172
Total investment securities gains (losses), net	**$ (4,425)**	$ 4,828	$ 10,812

Net gains and losses on investment securities during 2013, 2012 and 2011 are shown in the table above. Included in these amounts are gains and losses arising from sales of bonds from the Company's available for sale portfolio, including credit-related losses on debt securities identified as other-than-temporarily impaired. Also shown are gains and losses relating to non-marketable private equity investments, which are primarily held by the Parent's majority-owned private equity subsidiaries. These include fair value adjustments, in addition to gains and losses realized upon disposition. Portions of the fair value adjustments attributable to minority interests are reported as non-controlling interest in the consolidated statements of income, and resulted in income of $1.1 million in 2013 and expense of $1.3 million and $2.6 million in 2012 and 2011, respectively.

Net securities losses of $4.4 million were recorded in 2013, which included $4.6 million in losses resulting mainly from fair value adjustments on private equity investments, partly offset by a gain of $1.4 million relating to the donation of appreciated stock by the Company. Also included in net losses were credit-related impairment losses of $1.3 million on certain non-agency guaranteed mortgage-backed securities which have been identified as other-than-temporarily impaired. The cumulative credit-related impairment on these bonds totaled $12.8 million. These identified securities had a total fair value of $70.4 million at December 31, 2013, compared to $101.7 million at December 31, 2012.

Net securities gains of $4.8 million were recorded in 2012, compared to net gains of $10.8 million in 2011. In both years, these gains and losses were comprised mainly of fair value adjustments in the private equity investment portfolio, coupled with losses in the available for sale portfolio relating to other-than-temporary impairment (OTTI).

Non-Interest Expense

(Dollars in thousands)	2013	2012	2011	% Change '13-'12	% Change '12-'11
Salaries	**$ 310,179**	$ 302,675	$ 293,318	**2.5%**	3.2%
Employee benefits	**56,688**	58,224	52,007	**(2.6)**	12.0
Net occupancy	**45,639**	45,534	46,434	**.2**	(1.9)
Equipment	**18,425**	20,147	22,252	**(8.5)**	(9.5)
Supplies and communication	**22,511**	22,321	22,448	**.9**	(.6)
Data processing and software	**78,245**	73,798	68,103	**6.0**	8.4
Marketing	**14,176**	15,106	16,767	**(6.2)**	(9.9)
Deposit insurance	**11,167**	10,438	13,123	**7.0**	(20.5)
Debit overdraft litigation	**—**	—	18,300	**NM**	(100.0)
Other	**72,603**	70,226	64,497	**3.4**	8.9
Total non-interest expense	**$ 629,633**	$ 618,469	$ 617,249	**1.8%**	.2%
Efficiency ratio	**60.5%**	59.3%	59.1%		
Salaries and benefits as a % of total non-interest expense	**58.3%**	58.4%	55.9%		
Number of full-time equivalent employees	**4,727**	4,708	4,745		

Non-interest expense was $629.6 million in 2013, an increase of $11.2 million, or 1.8%, over the previous year. Salaries and benefits expense increased by $6.0 million, or 1.7%, mainly due to higher full-time salaries expense, partly offset by lower medical and incentives expense. Growth in salaries expense resulted partly from staffing costs associated with the Summit acquisition, coupled with staffing additions in commercial banking, wealth and commercial card. Full-time equivalent employees totaled 4,727 at December 31, 2013, an increase of .4%. Occupancy expense increased $105 thousand, or .2%, while supplies and communication expense increased $190 thousand, or .9%. Equipment expense decreased $1.7 million, or 8.5%, due to lower depreciation expense. Data processing and software expense increased $4.4 million, or 6.0%, mainly due to higher bank card processing expense and data processing termination fees relating to the Summit acquisition. Marketing expense declined $930 thousand, or 6.2%, while deposit insurance increased $729 thousand, or 7.0%. Other non-interest expense increased $2.4 million, or 3.4%, over the prior year, resulting mainly from an increase of $4.0 million in legal and professional fees, provisions of $2.8 million on letter of credit exposures, contribution expense of $1.5 million on appreciated stock, and higher travel and entertainment expense. These expense increases were partly offset by gains of $3.1 million on sales of foreclosed property in 2013, in addition to a 2012 charge of $5.2 million related to certain Visa-related interchange litigation that did not reoccur in 2013.

In 2012, non-interest expense was $618.5 million, an increase of $1.2 million, or .2%, over 2011. Salaries and benefits expense increased by $15.6 million, or 4.5%, largely due to higher salaries, incentive compensation, medical and retirement expense. Full-time equivalent employees totaled 4,708 at December 31, 2012, a decline of .8% from 2011. Occupancy expense declined $900 thousand, or 1.9%, primarily resulting from lower depreciation and outside services expense, partly offset by a decline in rent income. Equipment expense decreased $2.1 million, or 9.5%, also due to lower depreciation expense. Supplies and communication expense decreased slightly, while marketing expense was lower by $1.7 million, or 9.9%. Data processing and software expense increased $5.7 million, or 8.4%, mainly due to higher bank card processing expense. Deposit insurance expense declined $2.7 million, or 20.5%, as a result of new FDIC assessment rules which became effective in the second quarter of 2011. Other non-interest expense increased $5.7 million, or 8.9%, mainly due to the accrual in 2012 of $5.2 million as mentioned above. Also, during 2011, the Company's indemnification obligation related to certain Visa litigation was reduced by $4.4 million, and further adjustments were not reoccurring. Partly offsetting these increases to other non-interest expense in 2012 were reductions of $853 thousand in regulatory examination fees and $788 thousand in intangible asset amortization, in addition to an increase of $1.7 million in deferred loan origination costs. In addition, results for 2011 included a non-recurring charge of $18.3 million relating to the settlement of a class-wide debit card overdraft suit, discussed further in Note 20.

Income Taxes

Income tax expense was $122.2 million in 2013, compared to $127.2 million in 2012 and $121.4 million in 2011. The decrease in income tax expense in 2013 over 2012 was proportional to the decrease in pre-tax income. The effective tax rate, including the effect of non-controlling interest, was 31.9% in 2013 compared to 32.1% in 2012 and 2011. The Company's effective tax rates in the years noted above were lower than the federal statutory rate of 35% mainly due to tax-exempt interest on state and local municipal obligations.

Financial Condition

Loan Portfolio Analysis

Classifications of consolidated loans by major category at December 31 for each of the past five years are shown in the table below. This portfolio consists of loans which were acquired or originated with the intent of holding to their maturity. Loans held for sale are separately discussed in a following section. A schedule of average balances invested in each loan category below appears on page 50.

	Balance at December 31				
(In thousands)	**2013**	2012	2011	2010	2009
Commercial:					
Business	**$ 3,715,319**	$ 3,134,801	$ 2,808,265	$ 2,957,043	$ 2,877,936
Real estate — construction and land	**406,197**	355,996	386,598	460,853	665,110
Real estate — business	**2,313,550**	2,214,975	2,180,100	2,065,837	2,104,030
Personal banking:					
Real estate — personal	**1,787,626**	1,584,859	1,428,777	1,440,386	1,537,687
Consumer	**1,512,716**	1,289,650	1,114,889	1,164,327	1,333,763
Revolving home equity	**420,589**	437,567	463,587	477,518	489,517
Student	**—**	—	—	—	331,698
Consumer credit card	**796,228**	804,245	788,701	831,035	799,503
Overdrafts	**4,611**	9,291	6,561	13,983	6,080
Total loans	**$ 10,956,836**	$ 9,831,384	$ 9,177,478	$ 9,410,982	$ 10,145,324

The contractual maturities of loan categories at December 31, 2013, and a breakdown of those loans between fixed rate and floating rate loans are as follows:

	Principal Payments Due			
(In thousands)	In One Year or Less	After One Year Through Five Years	After Five Years	Total
Business	$ 1,742,479	$ 1,389,715	$ 583,125	$ 3,715,319
Real estate — construction and land	237,992	156,726	11,479	406,197
Real estate — business	551,360	1,466,073	296,117	2,313,550
Real estate — personal	147,777	492,884	1,146,965	1,787,626
Total business and real estate loans	$ 2,679,608	$ 3,505,398	$ 2,037,686	8,222,692
Consumer [(1)]				1,512,716
Revolving home equity [(2)]				420,589
Consumer credit card [(3)]				796,228
Overdrafts				4,611
Total loans				$ 10,956,836
Loans with fixed rates	$ 647,771	$ 2,103,755	$ 1,032,580	$ 3,784,106
Loans with floating rates	2,031,837	1,401,643	1,005,106	4,438,586
Total business and real estate loans	$ 2,679,608	$ 3,505,398	$ 2,037,686	$ 8,222,692

(1) Consumer loans with floating rates totaled $177.4 million.

(2) Revolving home equity loans with floating rates totaled $420.4 million.

(3) Consumer credit card loans with floating rates totaled $654.1 million.

Total loans at December 31, 2013 were $11.0 billion, an increase of $1.1 billion, or 11.4%, over balances at December 31, 2012. This increase included loan balances of $207.4 million acquired in the Summit transaction on September 1, 2013. On an overall basis, the growth in loans during 2013 occurred in all loan categories except in revolving home equity loans and consumer credit card loans, which experienced small declines. Business loans increased $580.5 million, or 18.5%, reflecting growth in tax-advantaged lending, aircraft lending, leasing, and dealer floor plan loans. Business real estate loans increased $98.6 million, or 4.5%, largely due to loans acquired in the Summit transaction. Construction loans increased $50.2 million, or 14.1%, and resulted from increased activity in residential construction as housing began to recover in 2012 and 2013 and the demand for new construction reduced available housing supplies. Personal real estate loans increased $202.8 million, or 12.8%, as lending activity continued to strengthen in 2013. The growth in personal real estate loans was mainly due to the Company's current practice of retaining all

new loan production, instead of selling the loans in the secondary market, during the recent housing recovery. Consumer loans were higher by $223.1 million, or 17.3%, primarily due to strong demand for consumer automobile and fixed rate home equity lending, while marine and recreational vehicle lending continued to run off during the year. Revolving home equity loans decreased $17.0 million, or 3.9%, as borrowers continue to prefer fixed rate home equity loans with pre-determined payments and amortization schedules. The balance of these fixed rate loans grew $74.8 million. Consumer credit card loans decreased by $8.0 million, or 1.0%, as competition for new card customers remained intense and consumer card borrowers remained conservative in their use of revolving card plans.

The Company currently generates approximately 32% of its loan portfolio in the St. Louis market, 29% in the Kansas City market, and 39% in other regional markets. The portfolio is diversified from a business and retail standpoint, with 59% in loans to businesses and 41% in loans to consumers. A balanced approach to loan portfolio management and an historical aversion toward credit concentrations, from an industry, geographic and product perspective, have contributed to low levels of problem loans and loan losses.

The Company participates in credits of large, publicly traded companies which are defined by regulation as shared national credits, or SNCs. Regulations define SNCs as loans exceeding $20 million that are shared by three or more financial institutions. The Company typically participates in these loans when business operations are maintained in the local communities or regional markets and opportunities to provide other banking services are present. At December 31, 2013, the balance of SNC loans totaled approximately $406.3 million, with an additional $1.2 billion in unfunded commitments, compared to $483.1 million in loans and $1.1 billion in commitments at December 31, 2012.

Commercial Loans

Business

Total business loans amounted to $3.7 billion at December 31, 2013 and include loans used mainly to fund customer accounts receivable, inventories, and capital expenditures. The business loan portfolio includes tax advantaged financings which carry tax free interest rates. These loans totaled $705.0 million at December 31, 2013, which was a 62.0% increase over December 31, 2012 balances, and comprised 6.4% of the Company's total loan portfolio. The portfolio also includes direct financing and sales type leases totaling $368.8 million, which are used by commercial customers to finance capital purchases ranging from computer equipment to office and transportation equipment. These leases increased $57.3 million, or 18.4%, over 2012 and comprised 3.4% of the Company’s total loan portfolio. Also included in this portfolio are corporate card loans, which totaled $189.5 million at December 31, 2013. These loans, which decreased by 9.5% in 2013, are made in conjunction with the Company’s corporate card business, and assist businesses in shifting from paper checks to a credit card payment system in order to automate payment processes. These loans are generally short-term, with outstanding balances averaging between 7 to 13 days in duration, which helps to limit risk in these loans.

Business loans, excluding corporate card loans, are made primarily to customers in the regional trade area of the Company, generally the central Midwest, encompassing the states of Missouri, Kansas, Illinois, and nearby Midwestern markets, including Iowa, Oklahoma, Colorado and Ohio. This portfolio is diversified from an industry standpoint and includes businesses engaged in manufacturing, wholesaling, retailing, agribusiness, insurance, financial services, public utilities, healthcare, and other service businesses. Emphasis is upon middle-market and community businesses with known local management and financial stability. Consistent with management’s strategy and emphasis upon relationship banking, most borrowing customers also maintain deposit accounts and utilize other banking services. Net loan recoveries in this category totaled $867 thousand in 2013, while net loan recoveries of $2.5 million were recorded in 2012. Non-accrual business loans were $11.6 million (.3% of business loans) at December 31, 2013 compared to $13.1 million at December 31, 2012.

Real Estate-Construction and Land

The portfolio of loans in this category amounted to $406.2 million at December 31, 2013 and comprised 3.7% of the Company’s total loan portfolio. These loans are predominantly made to businesses in the local markets of the Company’s banking subsidiary. Commercial construction and land development loans totaled $240.9 million, or 59.3% of total construction loans at December 31, 2013. Commercial construction loans are made during the construction phase for small and medium-sized office and medical buildings, manufacturing and warehouse facilities, apartment complexes, shopping centers, hotels and motels, and other commercial properties. Exposure to larger, speculative commercial properties remains low. Commercial land development loans relate to land owned or developed for use in conjunction with business properties. Residential construction and land development loans at December 31, 2013 totaled $165.3 million, or 40.7% of total construction loans. The largest percentage of residential construction and land development loans are for projects located in the Kansas City and St. Louis metropolitan areas. Recent market stabilization has resulted in 14.1% growth in total construction and land loans during 2013. While credit risk in this sector has been high over the last few years, loss trends continue to improve, with net loan recoveries of $4.7 million and $283 thousand

recorded in 2013 and 2012, respectively. Construction and land loans on non-accrual status declined to $10.2 million at year end 2013 compared to $13.7 million at year end 2012.

Real Estate-Business

Total business real estate loans were $2.3 billion at December 31, 2013 and comprised 21.1% of the Company's total loan portfolio. This category includes mortgage loans for small and medium-sized office and medical buildings, manufacturing and warehouse facilities, shopping centers, hotels and motels, churches, and other commercial properties. Emphasis is placed on owner-occupied (46.4% of this portfolio) and income producing commercial real estate properties, which present lower risk levels. The borrowers and/or the properties are generally located in local and regional markets. Additional information about loans by category is presented on page 32. At December 31, 2013, non-accrual balances amounted to $19.8 million, or .9%, of the loans in this category, up from $17.3 million at year end 2012. The Company experienced net charge-offs of $952 thousand in 2013 compared to net charge-offs of $5.1 million in 2012.

Personal Banking Loans

Real Estate-Personal

At December 31, 2013, there were $1.8 billion in outstanding personal real estate loans, which comprised 16.3% of the Company's total loan portfolio. The mortgage loans in this category are mainly for owner-occupied residential properties. The Company originates both adjustable rate and fixed rate mortgage loans. The Company retains adjustable rate mortgage loans, and in 2012 and 2013 retained all fixed rate loans as directed by its Asset/Liability Management Committee, given the low concentrations of these loans. The Company originates its loans and does not purchase any from outside parties or brokers. Further, it has never maintained or promoted subprime or reduced document products. At December 31, 2013, 34% of the portfolio was comprised of adjustable rate loans while 66% was comprised of fixed rate loans. Levels of mortgage loan origination activity decreased slightly in 2013 compared to 2012, with originations of $410 million in 2013 compared with $414 million in 2012. Interest rates remained at historic lows through mid-year and this resulted in higher mortgage originations from refinancing, however, rates rose significantly mid-year, which reduced new origination volumes. The Company has experienced lower loan losses in this category than many others in the industry and believes this is partly because of its conservative underwriting culture, stable markets, and the fact that it does not offer subprime lending products or purchase loans from brokers. Net loan charge-offs for 2013 amounted to $1.2 million, compared to $1.4 million in the previous year. The non-accrual balances of loans in this category decreased to $5.1 million at December 31, 2013, compared to $6.9 million at year end 2012.

Consumer

Consumer loans consist of auto, marine, tractor/trailer, recreational vehicle (RV), fixed rate home equity, and other consumer installment loans. These loans totaled $1.5 billion at year end 2013. Approximately 59% of consumer loans outstanding were originated indirectly from auto and other dealers, while the remaining 41% were direct loans made to consumers. Approximately 50% of the consumer portfolio consists of automobile loans, 19% in fixed rate home equity loans, and 17% in marine and RV loans. As mentioned above, total consumer loans increased by $223.1 million in 2013, mainly the result of growth in auto lending of $180.4 million, or 32%. Growth of $74.8 million in fixed rate home equity loans was offset by the run-off of $74.7 million in marine and RV loans. Net charge-offs on consumer loans were $7.5 million in 2013 compared to $8.1 million in 2012. Net charge-offs decreased to .5% of average consumer loans in 2013 compared to .7% in 2012. Consumer loan net charge-offs included marine and RV loan net charge-offs of $3.9 million, which were 1.3% of average marine and RV loans in 2013, compared to 1.8% in 2012.

Revolving Home Equity

Revolving home equity loans, of which 99% are adjustable rate loans, totaled $420.6 million at year end 2013. An additional $682.9 million was available in unused lines of credit, which can be drawn at the discretion of the borrower. Home equity loans are secured mainly by second mortgages (and less frequently, first mortgages) on residential property of the borrower. The underwriting terms for the home equity line product permit borrowing availability, in the aggregate, generally up to 80% or 90% of the appraised value of the collateral property at the time of origination. Net charge-offs totaled $986 thousand, or .2% of average revolving home equity loans, compared to $1.8 million in 2012.

Consumer Credit Card

Total consumer credit card loans amounted to $796.2 million at December 31, 2013 and comprised 7.3% of the Company's total loan portfolio. The credit card portfolio is concentrated within regional markets served by the Company. The Company offers a variety of credit card products, including affinity cards, rewards cards, and standard and premium credit cards, and emphasizes its credit card relationship product, Special Connections. Approximately 61% of the households in Missouri that own a Commerce credit card product also maintain a deposit relationship with the subsidiary bank. At December 31, 2013, approximately 82% of

the outstanding credit card loan balances had a floating interest rate, compared to 77% in the prior year. Net charge-offs amounted to $25.1 million in 2013, an increase of $646 thousand over $24.5 million in 2012. The ratio of credit card loan net charge-offs to total average credit card loans totaled 3.3% in both 2013 and 2012. These ratios remain below national loss averages in those years.

Allowance for Loan Losses

The Company has an established process to determine the amount of the allowance for loan losses which assesses the risks and losses inherent in its portfolio. This process provides an allowance consisting of a specific allowance component based on certain individually evaluated loans and a general component based on estimates of reserves needed for pools of loans.

Loans subject to individual evaluation generally consist of business, construction, business real estate and personal real estate loans on non-accrual status, and include troubled debt restructurings that are on non-accrual status. These non-accrual loans are evaluated individually for impairment based on factors such as payment history, borrower financial condition, collateral, current economic conditions and loss experience. For collateral dependent loans, appraisals of collateral (including exit costs) are normally obtained annually but discounted based on date last received and market conditions. From these evaluations of expected cash flows and collateral values, specific allowances are determined.

Loans which are not individually evaluated are segregated by loan type and sub-type and are collectively evaluated. These loans include commercial loans (business, construction and business real estate) which have been graded pass, special mention or substandard and all personal banking loans, except personal real estate loans on non-accrual status. Collectively-evaluated loans include certain troubled debt restructurings with similar risk characteristics. Allowances determined for personal banking loans, which are generally smaller balance homogeneous type loans, use consistent methodologies which consider historical and current loss trends, delinquencies and current economic conditions. Allowances for commercial type loans, which are generally larger and more complex in structure with more unpredictable loss characteristics, use methods which consider historical and current loss trends, current loan grades, delinquencies, industry concentrations, economic conditions throughout the Company's markets as monitored by Company credit officers, and general economic conditions.

The Company’s estimate of the allowance for loan losses and the corresponding provision for loan losses rests upon various judgments and assumptions made by management. Factors that influence these judgments include past loan loss experience, current loan portfolio composition and characteristics, trends in delinquencies, portfolio risk ratings, levels of non-performing assets, and prevailing regional and national economic conditions. The Company has internal credit administration and loan review staffs that continuously review loan quality and report the results of their reviews and examinations to the Company’s senior management and Board of Directors. Such reviews also assist management in establishing the level of the allowance. In using this process and the information available, management must consider various assumptions and exercise considerable judgment to determine the overall level of the allowance for loan losses. Because of these subjective factors, actual outcomes of inherent losses can differ from original estimates. The Company’s subsidiary bank continues to be subject to examination by several regulatory agencies, and examinations are conducted throughout the year, targeting various segments of the loan portfolio for review. Refer to Note 1 to the consolidated financial statements for additional discussion on the allowance and charge-off policies.

At December 31, 2013, the allowance for loan losses was $161.5 million compared to a balance at year end 2012 of $172.5 million. Total loans delinquent 90 days or more and still accruing were $14.0 million at December 31, 2013, a decrease of $1.4 million compared to year end 2012. Non-accrual loans at December 31, 2013 were $48.8 million, a decrease of $2.6 million from the prior year, and were mainly comprised of $19.8 million of business real estate loans, $10.2 million of construction loans and $11.6 million of business loans. As the result of improving credit trends noted in the Company's analysis of the allowance, the provision for loan losses was $11.0 million less than net charge-offs for the year, thereby reducing the allowance for loan losses to $161.5 million. The percentage of allowance to loans, excluding loans held for sale, decreased to 1.47% at December 31, 2013 compared to 1.75% at year end 2012 as a result of the decrease in the allowance balance, in addition to loan growth. The percentage of allowance to non-accrual loans was 331% at December 31, 2013, compared to 336% at December 31, 2012.

Net loan charge-offs totaled $31.4 million in 2013, representing a $7.9 million decrease compared to net charge-offs of $39.3 million in 2012. Net recoveries on construction and land loans were $4.7 million in 2013, compared to $283 thousand in 2012. Business loans also remained in a net recovery position in 2013, with net recoveries of $867 thousand in 2013 compared to $2.5 million in 2012. Net charge-offs on business real estate loans decreased $4.2 million to $952 thousand in 2013, compared to net charge-offs of $5.1 million in 2012. Net charge-offs on consumer credit cards increased $646 thousand to $25.1 million in 2013, compared to $24.5 million in 2012; however, net consumer credit card charge-offs remained consistent at 3.34% of average consumer credit card loans in 2013 compared to 3.35% in 2012, as a result of a stabilizing economy. Consumer credit card loan charge-offs as a percentage of total net charge-offs rose to 80.1% in 2013 compared to 62.3% in 2012, as lower overall net charge-offs in other loan categories offset the slight rise in consumer credit card charge-offs.

The ratio of net charge-offs to total average loans outstanding in 2013 was .30% compared to .42% in 2012 and .70% in 2011. The provision for loan losses in 2013 was $20.4 million, compared to provisions of $27.3 million in 2012 and $51.5 million in 2011.

The Company considers the allowance for loan losses of $161.5 million adequate to cover losses inherent in the loan portfolio at December 31, 2013.

The schedules which follow summarize the relationship between loan balances and activity in the allowance for loan losses:

	Years Ended December 31				
(Dollars in thousands)	**2013**	2012	2011	2010	2009
Loans outstanding at end of year[(A)]	**$ 10,956,836**	$ 9,831,384	$ 9,177,478	$ 9,410,982	$ 10,145,324
Average loans outstanding[(A)]	**$ 10,311,654**	$ 9,379,316	$ 9,222,568	$ 9,698,670	$ 10,629,867
Allowance for loan losses:					
Balance at beginning of year	**$ 172,532**	$ 184,532	$ 197,538	$ 194,480	$ 172,619
Additions to allowance through charges to expense	**20,353**	27,287	51,515	100,000	160,697
Loans charged off:					
Business	**1,869**	2,809	6,749	8,550	15,762
Real estate — construction and land	**621**	1,244	7,893	15,199	34,812
Real estate — business	**2,680**	7,041	4,176	4,780	5,957
Real estate — personal	**1,570**	2,416	3,217	2,484	3,150
Consumer	**11,029**	12,288	16,052	24,587	35,979
Revolving home equity	**1,200**	2,044	1,802	2,014	1,197
Consumer credit card	**33,206**	33,098	39,242	54,287	54,060
Overdrafts	**2,024**	2,221	2,254	2,672	3,493
Total loans charged off	**54,199**	63,161	81,385	114,573	154,410
Recoveries of loans previously charged off:					
Business	**2,736**	5,306	1,761	3,964	2,925
Real estate — construction and land	**5,313**	1,527	943	193	720
Real estate — business	**1,728**	1,933	613	722	709
Real estate — personal	**343**	990	445	428	363
Consumer	**3,489**	4,161	3,896	4,108	3,772
Revolving home equity	**214**	240	135	39	7
Consumer credit card	**8,085**	8,623	7,625	6,556	4,785
Overdrafts	**938**	1,094	1,446	1,621	2,293
Total recoveries	**22,846**	23,874	16,864	17,631	15,574
Net loans charged off	**31,353**	39,287	64,521	96,942	138,836
Balance at end of year	**$ 161,532**	$ 172,532	$ 184,532	$ 197,538	$ 194,480
Ratio of allowance to loans at end of year	**1.47%**	1.75%	2.01%	2.10%	1.92%
Ratio of provision to average loans outstanding	**.20%**	.29%	.56%	1.03%	1.51%

(A) Net of unearned income, before deducting allowance for loan losses, excluding loans held for sale.

	Years Ended December 31				
	2013	2012	2011	2010	2009
Ratio of net charge-offs (recoveries) to average loans outstanding, by loan category:					
Business	**(.03)%**	(.08)%	.17%	.16%	.41%
Real estate — construction and land	**(1.24)**	(.08)	1.66	2.69	4.61
Real estate — business	**.04**	.23	.17	.20	.24
Real estate — personal	**.07**	.09	.19	.14	.18
Consumer	**.52**	.69	1.09	1.64	2.20
Revolving home equity	**.23**	.40	.36	.41	.24
Consumer credit card	**3.34**	3.35	4.23	6.28	6.77
Overdrafts	**18.04**	18.40	11.62	14.42	12.27
Ratio of total net charge-offs to total average loans outstanding	**.30 %**	.42 %	.70%	1.00%	1.31%

The following schedule provides a breakdown of the allowance for loan losses by loan category and the percentage of each loan category to total loans outstanding at year end:

(Dollars in thousands)	**2013**		2012		2011		2010		2009	
	Loan Loss Allowance Allocation	**% of Loans to Total Loans**	Loan Loss Allowance Allocation	% of Loans to Total Loans	Loan Loss Allowance Allocation	% of Loans to Total Loans	Loan Loss Allowance Allocation	% of Loans to Total Loans	Loan Loss Allowance Allocation	% of Loans to Total Loans
Business	**$ 43,146**	**33.9%**	$ 47,729	31.9%	$ 49,217	30.5%	$ 47,534	31.4%	$ 40,455	28.4%
RE — construction and land	**18,617**	**3.7**	20,555	3.6	28,280	4.2	21,316	4.9	33,659	6.6
RE — business	**32,426**	**21.1**	37,441	22.5	45,000	23.8	51,096	22.0	31,515	20.7
RE — personal	**4,490**	**16.3**	3,937	16.1	3,701	15.6	4,016	15.3	5,435	15.2
Consumer	**15,440**	**13.8**	15,165	13.1	15,369	12.1	19,449	12.4	30,257	13.1
Revolving home equity	**3,152**	**3.8**	4,861	4.5	2,220	5.1	2,502	5.1	1,737	4.8
Student	**—**	**—**	—	—	—	—	—	—	229	3.3
Consumer credit card	**43,360**	**7.3**	41,926	8.2	39,703	8.6	50,532	8.8	49,923	7.9
Overdrafts	**901**	**.1**	918	.1	1,042	.1	1,093	.1	1,270	—
Total	**$ 161,532**	**100.0%**	$ 172,532	100.0%	$ 184,532	100.0%	$ 197,538	100.0%	$ 194,480	100.0%

Risk Elements of Loan Portfolio

Management reviews the loan portfolio continuously for evidence of problem loans. During the ordinary course of business, management becomes aware of borrowers that may not be able to meet the contractual requirements of loan agreements. Such loans are placed under close supervision with consideration given to placing the loan on non-accrual status, the need for an additional allowance for loan loss, and (if appropriate) partial or full loan charge-off. Loans are placed on non-accrual status when management does not expect to collect payments consistent with acceptable and agreed upon terms of repayment. After a loan is placed on non-accrual status, any interest previously accrued but not yet collected is reversed against current income. Interest is included in income only as received and only after all previous loan charge-offs have been recovered, so long as management is satisfied there is no impairment of collateral values. The loan is returned to accrual status only when the borrower has brought all past due principal and interest payments current, and, in the opinion of management, the borrower has demonstrated the ability to make future payments of principal and interest as scheduled. Loans that are 90 days past due as to principal and/or interest payments are generally placed on non-accrual, unless they are both well-secured and in the process of collection, or they are comprised of those personal banking loans that are exempt under regulatory rules from being classified as non-accrual. Consumer installment loans and related accrued interest are normally charged down to the fair value of related collateral (or are charged off in full if no collateral) once the loans are more than 120 days delinquent. Credit card loans and the related accrued interest are charged off when the receivable is more than 180 days past due.

The following schedule shows non-performing assets and loans past due 90 days and still accruing interest.

	December 31				
(Dollars in thousands)	**2013**	2012	2011	2010	2009
Total non-accrual loans	**$ 48,814**	$ 51,410	$ 75,482	$ 85,275	$ 106,613
Real estate acquired in foreclosure	**6,625**	13,453	18,321	12,045	10,057
Total non-performing assets	**$ 55,439**	$ 64,863	$ 93,803	$ 97,320	$ 116,670
Non-performing assets as a percentage of total loans	**.51%**	.66%	1.02%	1.03%	1.15%
Non-performing assets as a percentage of total assets	**.24%**	.29%	.45%	.53%	.64%
Total past due 90 days and still accruing interest	**$ 13,966**	$ 15,347	$ 14,958	$ 20,466	$ 42,632

The table below shows the effect on interest income in 2013 of loans on non-accrual status at year end.

(In thousands)		
Gross amount of interest that would have been recorded at original rate	$	3,496
Interest that was reflected in income		283
Interest income not recognized	$	3,213

Non-accrual loans, which are also classified as impaired, totaled $48.8 million at year end 2013, a decrease of $2.6 million from the balance at year end 2012. At December 31, 2013, non-accrual loans were comprised primarily of business real estate loans (40.5%), business loans (23.7%), and construction and land real estate loans (20.8%). Foreclosed real estate decreased $6.8 million to a total of $6.6 million at year end 2013. The decline was mainly due to the sell-off of a large 1-4 family development. Total non-performing assets remain low compared to the overall banking industry in 2013, with the non-performing loans to total loans ratio at .45% at December 31, 2013. Loans past due 90 days and still accruing interest decreased $1.4 million at year end 2013 compared to 2012. Balances by class for non-accrual loans and loans past due 90 days and still accruing interest are shown in the *"Delinquent and non-accrual loans"* section of Note 3 to the consolidated financial statements.

In addition to the non-performing and past due loans mentioned above, the Company also has identified loans for which management has concerns about the ability of the borrowers to meet existing repayment terms. They are classified as substandard under the Company's internal rating system. The loans are generally secured by either real estate or other borrower assets, reducing the potential for loss should they become non-performing. Although these loans are generally identified as potential problem loans, they may never become non-performing. Such loans totaled $98.3 million at December 31, 2013 compared with $141.9 million at December 31, 2012, resulting in a decrease of $43.6 million, or 30.7%. The change in potential problem loans was largely due to decreases of $21.2 million in business loans, and $12.0 million in construction and land real estate loans.

	December 31	
(In thousands)	**2013**	2012
Potential problem loans:		
Business	**$ 23,691**	$ 44,881
Real estate – construction and land	**21,812**	33,762
Real estate – business	**50,349**	55,362
Real estate – personal	**2,486**	7,891
Total potential problem loans	**$ 98,338**	$ 141,896

At December 31, 2013, there were approximately $83.2 million loans outstanding whose terms had been modified or restructured under a troubled debt restructuring. These loans have been extended to borrowers who are experiencing financial difficulty and who have been granted a concession, as defined by accounting guidance, and are further discussed in the *"Troubled debt restructurings"* section in Note 3 to the consolidated financial statements. This balance includes certain commercial loans totaling $38.2 million which are classified as substandard and included in the table above because of this classification.

Loans with Special Risk Characteristics

Management relies primarily on an internal risk rating system, in addition to delinquency status, to assess risk in the loan portfolio, and these statistics are presented in Note 3 to the consolidated financial statements. However, certain types of loans are considered at high risk of loss due to their terms, location, or special conditions. Construction and land loans and business real estate loans are subject to higher risk as a result of the current weak economic climate and issues in the housing industry. Certain personal real estate products (residential first mortgages and home equity loans) have contractual features that could increase credit exposure in a market of declining real estate prices, when interest rates are steadily increasing, or when a geographic area

experiences an economic downturn. For these personal real estate loans, higher risks could exist when 1) loan terms require a minimum monthly payment that covers only interest, or 2) loan-to-collateral value (LTV) ratios at origination are above 80%, with no private mortgage insurance. Information presented below for personal real estate and home equity loans is based on LTV ratios which were calculated with valuations at loan origination date. The Company does not attempt to obtain updated appraisals or valuations unless the loans become significantly delinquent or are in the process of being foreclosed upon. For credit monitoring purposes, the Company relies on delinquency monitoring along with obtaining refreshed FICO scores, and in the case of home equity loans, reviewing line utilization and credit bureau information annually. This has remained an effective means of evaluating credit trends and identifying problem loans, partly because the Company offers standard, conservative lending products.

Real Estate - Construction and Land Loans

The Company's portfolio of construction loans, as shown in the table below, amounted to 3.7% of total loans outstanding at December 31, 2013.

(Dollars in thousands)	**December 31, 2013**	**% of Total**	**% of Total Loans**	December 31, 2012	% of Total	% of Total Loans
Residential land and land development	**$ 79,273**	**19.5%**	**.7%**	$ 61,794	17.4%	.6%
Residential construction	**86,043**	**21.2**	**.8**	68,590	19.2	.7
Commercial land and land development	**77,444**	**19.1**	**.7**	83,491	23.5	.9
Commercial construction	**163,437**	**40.2**	**1.5**	142,121	39.9	1.4
Total real estate – construction and land loans	**$ 406,197**	**100.0%**	**3.7%**	$ 355,996	100.0%	3.6%

Real Estate – Business Loans

Total business real estate loans were $2.3 billion at December 31, 2013 and comprised 21.1% of the Company's total loan portfolio. These loans include properties such as manufacturing and warehouse buildings, small office and medical buildings, churches, hotels and motels, shopping centers, and other commercial properties. Approximately 46% of these loans were for owner-occupied real estate properties, which present lower risk profiles.

(Dollars in thousands)	**December 31, 2013**	**% of Total**	**% of Total Loans**	December 31, 2012	% of Total	% of Total Loans
Owner-occupied	**$ 1,074,074**	**46.4%**	**9.8%**	$ 1,035,407	46.7%	10.5%
Retail	**271,228**	**11.7**	**2.5**	245,021	11.1	2.5
Office	**265,352**	**11.5**	**2.4**	269,756	12.2	2.7
Multi-family	**178,524**	**7.7**	**1.6**	184,208	8.3	1.9
Hotels	**151,483**	**6.5**	**1.4**	155,392	7.0	1.6
Farm	**138,842**	**6.0**	**1.3**	123,613	5.6	1.3
Industrial	**89,045**	**3.9**	**.8**	110,645	5.0	1.1
Other	**145,002**	**6.3**	**1.3**	90,933	4.1	.9
Total real estate - business loans	**$ 2,313,550**	**100.0%**	**21.1%**	$ 2,214,975	100.0%	22.5%

Real Estate - Personal Loans

The Company's $1.8 billion personal real estate loan portfolio is composed of first mortgages on residential real estate. The majority of this portfolio is comprised of approximately $1.5 billion of loans made to the retail customer base and includes both adjustable rate and fixed rate mortgage loans. As shown in Note 3 to the consolidated financial statements, 5.0% of the retail-based portfolio has FICO scores of less than 660, and delinquency levels have been low. Loans of approximately $15.8 million in this portfolio were structured with interest only payments. Interest only loans are typically made to high net-worth borrowers and generally have low LTV ratios or have additional collateral pledged to secure the loan, and, therefore, they are not perceived to represent above normal credit risk. Loans originated with interest only payments were not made to "qualify" the borrower for a lower payment amount. A small portion of the total portfolio is composed of personal real estate loans made to commercial customers, which totaled $244.3 million at December 31, 2013.

The following table presents information about the retail-based personal real estate loan portfolio for 2013 and 2012.

(Dollars in thousands)	**2013** Principal Outstanding at December 31	**2013** % of Loan Portfolio	2012 Principal Outstanding at December 31	2012 % of Loan Portfolio
Loans with interest only payments	**$ 15,849**	**1.0%**	$ 12,730	.9%
Loans with no insurance and LTV:				
Between 80% and 90%	**80,431**	**5.2**	76,023	5.6
Between 90% and 95%	**27,158**	**1.8**	26,871	2.0
Over 95%	**38,518**	**2.5**	33,290	2.4
Over 80% LTV with no insurance	**146,107**	**9.5**	136,184	10.0
Total loan portfolio from which above loans were identified	**1,546,768**		1,360,194	

Revolving Home Equity Loans

The Company also has revolving home equity loans that are generally collateralized by residential real estate. Most of these loans (93.8%) are written with terms requiring interest only monthly payments. These loans are offered in three main product lines: LTV up to 80%, 80% to 90%, and 90% to 100%. As shown in the tables below, the percentage of loans with LTV ratios greater than 80% has remained a small segment of this portfolio, and delinquencies have been low and stable. The weighted average FICO score for the total current portfolio balance is 740. At maturity, the accounts are re-underwritten and if they qualify under the Company's credit, collateral and capacity policies, the borrower is given the option to renew the line of credit, or to convert the outstanding balance to an amortizing loan. If criteria are not met, amortization is required, or the borrower may pay off the loan. Over the next four years, approximately 57% of the Company's current outstanding balances are expected to mature. Of these balances, 79% have a FICO score above 700. The Company does not expect a significant increase in losses as these loans mature, due to their high FICO scores, low LTVs, and low historical loss levels.

(Dollars in thousands)	Principal Outstanding at December 31, 2013	*	New Lines Originated During 2013	*	Unused Portion of Available Lines at December 31, 2013	*	Balances Over 30 Days Past Due	*
Loans with interest only payments	$ 394,714	93.8%	$44,348	10.5%	$656,679	156.1%	$4,284	1.0%
Loans with LTV:								
Between 80% and 90%	42,162	10.0	10,767	2.6	36,274	8.6	284	.1
Over 90%	12,212	2.9	1,941	.4	10,312	2.5	163	—
Over 80% LTV	54,374	12.9	12,708	3.0	46,586	11.1	447	.1
Total loan portfolio from which above loans were identified	420,589		157,197		686,105			

** Percentage of total principal outstanding of $420.6 million at December 31, 2013.*

(Dollars in thousands)	Principal Outstanding at December 31, 2012	*	New Lines Originated During 2012	*	Unused Portion of Available Lines at December 31, 2012	*	Balances Over 30 Days Past Due	*
Loans with interest only payments	$ 409,593	93.6%	$60,673	13.9%	$637,677	145.7%	$4,011	.9%
Loans with LTV:								
Between 80% and 90%	45,698	10.4	9,747	2.2	36,568	8.4	462	.1
Over 90%	15,310	3.5	1,528	.4	11,320	2.5	358	.1
Over 80% LTV	61,008	13.9	11,275	2.6	47,888	10.9	820	.2
Total loan portfolio from which above loans were identified	437,567		135,657		649,963			

** Percentage of total principal outstanding of $437.6 million at December 31, 2012.*

Fixed Rate Home Equity Loans

In addition to the residential real estate mortgage loans and the revolving floating rate line product discussed above, the Company offers a third choice to those consumers desiring a fixed rate loan and a fixed maturity date. This fixed rate home equity loan, typically for home repair or remodeling, is an alternative for individuals who want to finance a specific project or purchase and decide to lock in a specific monthly payment over a defined period. Outstanding balances for these loans were $284.9 million and $210.1 million at December 31, 2013 and 2012, respectively. At times, these loans are written with interest only monthly payments and a balloon payoff at maturity; however, only 2% of this portfolio was comprised of interest only loans at both December 31, 2013 and 2012. The delinquency history on this product has been low, as balances over 30 days past due totaled only $3.5 million, or 1.2% of the portfolio, at year end 2013 and $2.0 million, or .9% of the portfolio, at year end 2012.

	2013				2012			
(Dollars in thousands)	**Principal Outstanding at December 31**	*	**New Loans Originated**	*	Principal Outstanding at December 31	*	New Loans Originated	*
Loans with interest only payments	**$ 5,246**	**1.8%**	**$6,530**	**2.3%**	$ 4,128	2.0%	$5,464	2.6%
Loans with LTV:								
Between 80% and 90%	**52,355**	**18.4**	**30,893**	**10.8**	36,427	17.3	26,438	12.6
Over 90%	**20,589**	**7.2**	**11,652**	**4.1**	17,561	8.4	6,628	3.1
Over 80% LTV	**72,944**	**25.6**	**42,545**	**14.9**	53,988	25.7	33,066	15.7
Total loan portfolio from which above loans were identified	**284,867**				210,064			

** Percentage of total principal outstanding of $284.9 million and $210.1 million at December 31, 2013 and 2012, respectively.*

Management does not believe these loans collateralized by real estate (revolving home equity, personal real estate, and fixed rate home equity) represent any unusual concentrations of risk, as evidenced by net charge-offs in 2013 of $986 thousand, $1.2 million and $318 thousand, respectively. The amount of any increased potential loss on high LTV agreements relates mainly to amounts advanced that are in excess of the 80% collateral calculation, not the entire approved line. The Company currently offers no subprime first mortgage or home equity loans, which are characterized as new loans to customers with FICO scores below 660. The Company does not purchase brokered loans.

Other Consumer Loans

Within the consumer loan portfolio are several direct and indirect product lines comprised mainly of loans secured by automobiles, marine, and RVs. During 2013, $507.7 million of new automobile loans were originated, compared to $440.2 million during 2012. Marine and RV loan production has been significantly curtailed in recent years with few new originations. The loss ratios experienced for marine and RV loans have been higher than for other consumer loan products, at 1.3% and 1.8% in 2013 and 2012, respectively. Balances over 30 days past due are relatively unchanged at year end 2013 compared to 2012. The table below provides the total outstanding principal and other data for this group of direct and indirect lending products at December 31, 2013 and 2012.

	2013			2012		
(In thousands)	**Principal Outstanding at December 31**	**New Loans Originated**	**Balances Over 30 Days Past Due**	Principal Outstanding at December 31	New Loans Originated	Balances Over 30 Days Past Due
Automobiles	**$ 749,970**	**$ 507,678**	**$ 7,220**	$ 569,616	$ 440,206	$ 4,454
Marine	**68,162**	**2,765**	**2,860**	88,858	1,450	2,948
RV	**184,969**	**11**	**4,317**	238,991	—	4,443
Total	**$ 1,003,101**	**$ 510,454**	**$ 14,397**	$ 897,465	$ 441,656	$ 11,845

Additionally, the Company offers low introductory rates on selected consumer credit card products. Out of a portfolio at December 31, 2013 of $796.2 million in consumer credit card loans outstanding, approximately $167.8 million, or 21.1%, carried a low introductory rate. Within the next six months, $46.4 million of these loans are scheduled to convert to the ongoing higher contractual rate. To mitigate some of the risk involved with this credit card product, the Company performs credit checks and detailed analysis of the customer borrowing profile before approving the loan application. Management believes that the risks in the consumer loan portfolio are reasonable and the anticipated loss ratios are within acceptable parameters.

Investment Securities Analysis

Investment securities are comprised of securities which are classified as available for sale, non-marketable, or trading. During 2013, total investment securities decreased $404.2 million, or 4.3%, to $9.0 billion (excluding unrealized gains/losses) compared to $9.4 billion at the previous year end. During 2013, securities of $2.2 billion were purchased in the available for sale and non-marketable portfolios, which included $1.0 billion in asset-backed securities. Total sales, maturities and pay downs in these portfolios were $2.6 billion during 2013. During 2014, maturities and pay downs of approximately $1.6 billion are expected to occur. The average tax equivalent yield earned on total investment securities was 2.30% in 2013 and 2.55% in 2012.

At December 31, 2013, the fair value of available for sale securities was $8.9 billion, including a net unrealized gain in fair value of $41.1 million, compared to a net unrealized gain of $263.7 million at December 31, 2012. The overall unrealized gain in fair value at December 31, 2013 included gains of $28.5 million in agency mortgage-backed securities, $10.4 million in non-agency mortgage-backed securities, and $33.9 million in equity securities held by the Parent. These gains were partially offset by unrealized losses of $25.0 million in government-sponsored enterprise obligations.

Available for sale investment securities at year end for the past two years are shown below:

	December 31	
(In thousands)	**2013**	2012
Amortized Cost		
U.S. government and federal agency obligations	**$ 498,226**	$ 399,971
Government-sponsored enterprise obligations	**766,802**	467,063
State and municipal obligations	**1,624,195**	1,585,926
Agency mortgage-backed securities	**2,743,803**	3,248,007
Non-agency mortgage-backed securities	**236,595**	224,223
Asset-backed securities	**2,847,368**	3,152,913
Other debt securities	**147,581**	174,727
Equity securities	**9,970**	5,695
Total available for sale investment securities	**$ 8,874,540**	$ 9,258,525
Fair Value		
U.S. government and federal agency obligations	**$ 505,696**	$ 438,759
Government-sponsored enterprise obligations	**741,766**	471,574
State and municipal obligations	**1,619,171**	1,615,707
Agency mortgage-backed securities	**2,772,338**	3,380,955
Non-agency mortgage-backed securities	**246,983**	237,011
Asset-backed securities	**2,844,071**	3,167,394
Other debt securities	**141,757**	177,752
Equity securities	**43,898**	33,096
Total available for sale investment securities	**$ 8,915,680**	$ 9,522,248

The available for sale portfolio consists of agency mortgage-backed securities, which are collateralized bonds issued by agencies, including FNMA, GNMA, FHLMC, FHLB, Federal Farm Credit Banks and FDIC. Non-agency mortgage-backed securities totaled $247.0 million, at fair value, at December 31, 2013, and included Alt-A type mortgage-backed securities of $79.7 million and prime/jumbo loan type securities of $84.4 million. Certain of the non-agency mortgage-backed securities are other-than-temporarily impaired, and the processes for determining impairment and the related losses are discussed in Note 4 to the consolidated financial statements.

At December 31, 2013, U.S. government obligations included $505.6 million in U.S. Treasury inflation-protected securities, and state and municipal obligations included $127.7 million in auction rate securities, at fair value. Other debt securities include corporate bonds, notes and commercial paper. Available for sale equity securities are mainly comprised of common stock held by the Parent which totaled $37.2 million at December 31, 2013.

The types of debt securities in the available for sale security portfolio are presented in the table below. Additional detail by maturity category is provided in Note 4 to the consolidated financial statements.

	December 31, 2013		
	Percent of Total Debt Securities	Weighted Average Yield	Estimated Average Maturity*
Available for sale debt securities:			
U.S. government and federal agency obligations	5.7%	1.05%	5.3 years
Government-sponsored enterprise obligations	8.4	1.65	6.2
State and municipal obligations	18.2	2.42	6.2
Agency mortgage-backed securities	31.2	2.74	3.9
Non-agency mortgage-backed securities	2.8	4.51	4.4
Asset-backed securities	32.1	.88	2.4
Other debt securities	1.6	2.40	5.9

**Based on call provisions and estimated prepayment speeds.*

Non-marketable securities, which totaled $107.3 million at December 31, 2013, included $32.2 million in Federal Reserve Bank stock and $14.3 million in Federal Home Loan Bank (Des Moines) stock held by the bank subsidiary in accordance with debt and regulatory requirements. These are restricted securities which, lacking a market, are carried at cost. Other non-marketable securities also include private equity securities which are carried at estimated fair value.

The Company engages in private equity activities primarily through several private equity subsidiaries. These subsidiaries hold investments in various business entities, which are carried at fair value and totaled $56.6 million at December 31, 2013. In addition to investments held by its private equity subsidiaries, the Parent directly holds investments in several private equity concerns, which totaled $3.3 million at year end 2013. Most of the private equity investments are not readily marketable. While the nature of these investments carries a higher degree of risk than the normal lending portfolio, this risk is mitigated by the overall size of the investments and oversight provided by management, and management believes the potential for long-term gains in these investments outweighs the potential risks. Most of the private equity investments are held by a subsidiary qualified as a Small Business Investment Company.

Non-marketable securities at year end for the past two years are shown below:

	December 31	
(In thousands)	**2013**	2012
Debt securities	**$ 28,485**	$ 32,068
Equity securities	**78,839**	86,582
Total non-marketable investment securities	**$ 107,324**	$ 118,650

In addition to its holdings in the investment securities portfolio, the Company holds long-term securities purchased under agreements to resell, which totaled $1.2 billion at December 31, 2013 and 2012. These investments mature in 2014 through 2016, and most have rates that fluctuate with published indices within a fixed range. The counterparties to these agreements are other financial institutions from whom the Company has accepted collateral of $1.2 billion in marketable investment securities at December 31, 2013. The average rate earned on these agreements during 2013 was 1.60%.

The Company also holds $300.0 million in offsetting repurchase and resell agreements at December 31, 2013, which are further discussed in Note 19 to the consolidated financial statements. These agreements involve the exchange of collateral under simultaneous repurchase and resell agreements with the same financial institution counterparty. These repurchase and resell agreements have been offset against each other in the balance sheet, as permitted under current accounting guidance. The agreements mature in 2014 through 2015 and earned an average of 78 basis points during 2013.

Deposits and Borrowings

Deposits are the primary funding source for the Bank and are acquired from a broad base of local markets, including both individual and corporate customers. Total deposits were $19.0 billion at December 31, 2013, compared to $18.3 billion last year, reflecting an increase of $698.7 million, or 3.8%. Most of this growth occurred in the fourth quarter of 2013. Included in the increase are balances of $232.3 million acquired in the Summit transaction. Excluding these balances, total deposits grew 2.6% year over year and reflect a stabilization of the higher growth activity in 2012 and 2011.

Average deposits grew by $1.2 billion, or 7.3%, in 2013 compared to 2012 with most of this growth occurring in business demand deposits, which grew $402.4 million, or 9.9%, and in money market deposits, which increased $579.1 million, or 7.1%. Certificates of deposit with balances under $100,000 fell on average by $82.2 million, or 7.4%, while certificates of deposit over $100,000 increased by $198.6 million, or 16.8%.

The following table shows year end deposits by type as a percentage of total deposits.

	December 31	
	2013	2012
Non-interest bearing	**35.4%**	34.3%
Savings, interest checking and money market	**53.1**	53.5
Time open and C.D.'s of less than $100,000	**5.2**	5.9
Time open and C.D.'s of $100,000 and over	**6.3**	6.3
Total deposits	**100.0%**	100.0%

Core deposits, which include non-interest bearing, interest checking, savings, and money market deposits, supported 75% of average earning assets in 2013 and 74% in 2012. Average balances by major deposit category for the last six years appear on page 50. A maturity schedule of time deposits outstanding at December 31, 2013 is included in Note 7 on Deposits in the consolidated financial statements.

The Company's primary sources of overnight borrowings are federal funds purchased and securities sold under agreements to repurchase (repurchase agreements). Balances in these accounts can fluctuate significantly on a day-to-day basis and generally have one day maturities. These short-term balances totaled $996.6 million at December 31, 2013. The Company also holds $350.0 million in long-term structured repurchase agreements that will mature throughout 2014. Total balances of federal funds purchased and repurchase agreements outstanding at year end 2013 were $1.3 billion, a $263.0 million increase over the $1.1 billion balance outstanding at year end 2012. On an average basis, these borrowings increased $108.7 million, or 9.2%, during 2013, with increases of $97.8 million in federal funds purchased and $10.9 million in repurchase agreements. The average rate paid on total federal funds purchased and repurchase agreements was .06% during 2013 and .07% during 2012.

Most of the Company's long-term debt is comprised of fixed rate advances from the FHLB. These borrowings increased to $105.3 million at December 31, 2013, from $103.7 million outstanding at December 31, 2012. The average rate paid on FHLB advances was 3.56% and 3.60% during 2013 and 2012, respectively. Most of the remaining balance outstanding at December 31, 2013 is due in 2017.

Liquidity and Capital Resources

Liquidity Management

Liquidity is managed within the Company in order to satisfy cash flow requirements of deposit and borrowing customers while at the same time meeting its own cash flow needs. The Company has taken numerous steps to address liquidity risk and has developed a variety of liquidity sources which it believes will provide the necessary funds for future growth. The Company manages its liquidity position through a variety of sources including:

- A portfolio of liquid assets including marketable investment securities and overnight investments,
- A large customer deposit base and limited exposure to large, volatile certificates of deposit,
- Lower long-term borrowings that might place demands on Company cash flow,
- Relatively low loan to deposit ratio promoting strong liquidity,
- Excellent debt ratings from both Standard & Poor's and Moody's national rating services, and
- Available borrowing capacity from outside sources.

During 2013, the Company saw faster growth in average loans (up 9.9%) than in deposits (up 7.3%), and maturities of marketable securities were largely used to fund loan growth, rather than reinvested in the portfolio. As a result, the Company's average loans to deposits ratio, one measure of liquidity, increased to 57.1% in 2013 from 55.8% in 2012.

The Company's most liquid assets include available for sale marketable investment securities, federal funds sold, balances at the Federal Reserve Bank, and securities purchased under agreements to resell (resell agreements). At December 31, 2013 and 2012, such assets were as follows:

(In thousands)		**2013**		2012
Available for sale investment securities	**$**	**8,915,680**	$	9,522,248
Federal funds sold		**43,845**		27,595
Long-term securities purchased under agreements to resell		**1,150,000**		1,200,000
Balances at the Federal Reserve Bank		**707,249**		179,164
Total	**$**	**10,816,774**	$	10,929,007

Federal funds sold are funds lent to the Company's correspondent bank customers with overnight maturities, and totaled $43.8 million at December 31, 2013. At December 31, 2013, the Company had lent funds totaling $1.2 billion under long-term resell agreements to other large financial institutions. The agreements mature in 2014 through 2016. Under these agreements, the Company holds marketable securities, safekept by a third-party custodian, as collateral, which totaled $1.2 billion in fair value at December 31, 2013. Interest earning balances at the Federal Reserve Bank, which have overnight maturities and are used for general liquidity purposes, totaled $707.2 million at December 31, 2013. The Company's available for sale investment portfolio includes scheduled maturities and expected pay downs of approximately $1.6 billion during 2014, and these funds offer substantial resources to meet either new loan demand or help offset reductions in the Company's deposit funding base. The Company pledges portions of its investment securities portfolio to secure public fund deposits, repurchase agreements, trust funds, letters of credit issued by the FHLB, and borrowing capacity at the Federal Reserve Bank. At December 31, 2013 and 2012, total investment securities pledged for these purposes were as follows:

(In thousands)		**2013**		2012
Investment securities pledged for the purpose of securing:				
Federal Reserve Bank borrowings	**$**	**505,690**	$	604,121
FHLB borrowings and letters of credit		**58,445**		46,732
Repurchase agreements		**2,814,597**		2,105,867
Other deposits		**1,646,562**		1,550,114
Total pledged securities		**5,025,294**		4,306,834
Unpledged and available for pledging		**2,339,549**		3,428,781
Ineligible for pledging		**1,550,837**		1,786,633
Total available for sale securities, at fair value	**$**	**8,915,680**	$	9,522,248

Liquidity is also available from the Company's large base of core customer deposits, defined as non-interest bearing, interest checking, savings, and money market deposit accounts. At December 31, 2013, such deposits totaled $16.9 billion and represented 88.5% of the Company's total deposits. These core deposits are normally less volatile, often with customer relationships tied to other products offered by the Company promoting long lasting relationships and stable funding sources. Total core deposits increased $741.1 million in 2013, with growth of $609.2 million in corporate core deposits and $131.9 million in consumer core deposits. Much of this growth occurred in the fourth quarter of 2013, reflecting seasonal patterns. While the Company considers core consumer deposits less volatile, corporate deposits could decline if interest rates increase significantly or if corporate customers increase investing activities and reduce deposit balances. If these corporate deposits decline, the Company's funding needs can be met by liquidity supplied by the investment security portfolio, totaling $1.6 billion as noted above. In addition, as shown on page 39, the Company has borrowing capacity of $3.4 billion through advances from the FHLB and the Federal Reserve.

(In thousands)		**2013**		2012
Core deposit base:				
Non-interest bearing	**$**	**6,750,674**	$	6,299,903
Interest checking		**1,113,110**		976,144
Savings and money market		**8,995,126**		8,841,799
Total	**$**	**16,858,910**	$	16,117,846

Time open and certificates of deposit of $100,000 or greater totaled $1.2 billion at December 31, 2013. These deposits are normally considered more volatile and higher costing and comprised 6.3% of total deposits at December 31, 2013.

Other important components of liquidity are the level of borrowings from third party sources and the availability of future credit. The Company's outside borrowings are mainly comprised of federal funds purchased, repurchase agreements, and advances from the FHLB, as follows:

(In thousands)	**2013**	2012
Borrowings:		
Federal funds purchased	**$ 24,795**	$ 24,510
Repurchase agreements	**1,321,763**	1,059,040
FHLB advances	**105,310**	103,710
Total	**$ 1,451,868**	$ 1,187,260

Federal funds purchased, which totaled $24.8 million at December 31, 2013, are unsecured overnight borrowings obtained mainly from upstream correspondent banks with which the Company maintains approved lines of credit. Repurchase agreements are secured by a portion of the Company's investment portfolio and are comprised of both non-insured customer funds, totaling $971.8 million at December 31, 2013, and structured repurchase agreements of $350.0 million. Customer repurchase agreements are offered to customers wishing to earn interest in highly liquid balances and are used by the Company as a funding source considered to be stable, but short-term in nature. The structured repurchase agreements were borrowed from an upstream financial institution and are due in 2014. The Company also borrows on a secured basis through advances from the FHLB, which totaled $105.3 million at December 31, 2013. All of these advances have fixed interest rates, with the majority maturing in 2017. The overall long-term debt position of the Company is small relative to its overall liability position.

The Company pledges certain assets, including loans and investment securities, to both the Federal Reserve Bank and the FHLB as security to establish lines of credit and borrow from these entities. Based on the amount and type of collateral pledged, the FHLB establishes a collateral value from which the Company may draw advances against the collateral. Also, this collateral is used to enable the FHLB to issue letters of credit in favor of public fund depositors of the Company. The Federal Reserve Bank also establishes a collateral value of assets pledged and permits borrowings from the discount window. The following table reflects the collateral value of assets pledged, borrowings, and letters of credit outstanding, in addition to the estimated future funding capacity available to the Company at December 31, 2013.

	December 31, 2013		
(In thousands)	FHLB	Federal Reserve	Total
Total collateral value pledged	$ 2,382,076	$ 1,507,280	$ 3,889,356
Advances outstanding	(105,310)	—	(105,310)
Letters of credit issued	(353,010)	—	(353,010)
Available for future advances	**$ 1,923,756**	**$ 1,507,280**	**$ 3,431,036**

The Company's average loans to deposits ratio was 57.1% at December 31, 2013, which is considered in the banking industry to be a measure of strong liquidity. Also, the Company receives outside ratings from both Standard & Poor's and Moody's on both the consolidated company and its subsidiary bank, Commerce Bank. These ratings are as follows:

	Standard & Poor's	Moody's
Commerce Bancshares, Inc.		
Issuer rating	A-	
Commercial paper rating		P-1
Rating outlook	Stable	Stable
Commerce Bank		
Issuer rating	A	Aa3
Bank financial strength rating		B
Rating outlook	Stable	Stable

The Company considers these ratings to be indications of a sound capital base and strong liquidity and believes that these ratings would help ensure the ready marketability of its commercial paper, should the need arise. No commercial paper has been outstanding during the past ten years. The Company has no subordinated or hybrid debt instruments which would affect future borrowing capacity. Because of its lack of significant long-term debt, the Company believes that, through its Capital Markets Group or in other public debt markets, it could generate additional liquidity from sources such as jumbo certificates of deposit, privately-placed corporate notes or other forms of debt. Future financing could also include the issuance of common or preferred stock.

The cash flows from the operating, investing and financing activities of the Company resulted in a net increase in cash and cash equivalents of $489.7 million in 2013, as reported in the consolidated statements of cash flows on page 58 of this report. Operating activities, consisting mainly of net income adjusted for certain non-cash items, provided cash flow of $360.9 million and has historically been a stable source of funds. Investing activities used total cash of $713.7 million in 2013 and consisted mainly of purchases and maturities of available for sale investment securities, changes in long-term securities purchased under agreements to resell, and changes in the level of the Company's loan portfolio. Growth in the loan portfolio used cash of $938.2 million. Net sales, pay downs and maturities in the investment securities portfolio provided cash of $147.3 million, net repayments of long-term resell agreements provided cash of $50.0 million, and cash of $47.6 million was acquired in the Summit Bancshares, Inc. transaction. Investing activities are somewhat unique to financial institutions in that, while large sums of cash flow are normally used to fund growth in investment securities, loans, or other bank assets, they are normally dependent on the financing activities described below.

Financing activities provided total cash of $842.4 million, primarily resulting from a $719.2 million increase in deposits and a net increase of $263.0 million in borrowings of federal funds purchased and repurchase agreements. This increase to cash was partly offset by purchases of treasury stock of $69.4 million and cash dividend payments of $82.1 million. Future short-term liquidity needs for daily operations are not expected to vary significantly, and the Company maintains adequate liquidity to meet these cash flows. The Company's sound equity base, along with its low debt level, common and preferred stock availability, and excellent debt ratings, provide several alternatives for future financing. Future acquisitions may utilize partial funding through one or more of these options.

Cash flows resulting from the Company's transactions in its common stock were as follows:

(In millions)	**2013**	2012	2011
Exercise of stock-based awards and sales to affiliate non-employee directors	**$ 10.2**	$ 15.6	$ 15.3
Purchases of treasury stock	**(69.4)**	(104.9)	(101.2)
Cash dividends paid	**(82.1)**	(211.6)	(79.1)
Cash used	**$ (141.3)**	$ (300.9)	$ (165.0)

The Parent faces unique liquidity constraints due to legal limitations on its ability to borrow funds from its bank subsidiary. The Parent obtains funding to meet its obligations from two main sources: dividends received from bank and non-bank subsidiaries (within regulatory limitations) and management fees charged to subsidiaries as reimbursement for services provided by the Parent, as presented below:

(In millions)	**2013**	2012	2011
Dividends received from subsidiaries	**$ 200.4**	$ 235.0	$ 180.1
Management fees	**20.7**	23.7	19.3
Total	**$ 221.1**	$ 258.7	$ 199.4

These sources of funds are used mainly to pay cash dividends on outstanding common stock, pay general operating expenses, and purchase treasury stock. At December 31, 2013, the Parent's available for sale investment securities totaled $57.8 million at fair value, consisting of common stock and non-agency backed collateralized mortgage obligations. To support its various funding commitments, the Parent maintains a $20.0 million line of credit with its subsidiary bank. There were no borrowings outstanding under the line during 2013 or 2012.

Company senior management is responsible for measuring and monitoring the liquidity profile of the organization with oversight by the Company's Asset/Liability Committee. This is done through a series of controls, including a written Contingency Funding Policy and risk monitoring procedures, which include daily, weekly and monthly reporting. In addition, the Company prepares forecasts to project changes in the balance sheet affecting liquidity and to allow the Company to better plan for forecasted changes.

Capital Management

The Company maintains strong regulatory capital ratios, including those of its banking subsidiary, in excess of the "well-capitalized" guidelines under federal banking regulations. The Company's capital ratios at the end of the last three years are as follows:

	2013	2012	2011	Well-Capitalized Regulatory Guidelines
Regulatory risk-based capital ratios:				
Tier I capital	**14.06%**	13.60%	14.71%	6.00%
Total capital	**15.28**	14.93	16.04	10.00
Leverage ratio	**9.43**	9.14	9.55	5.00
Tangible common equity to assets	**9.00**	9.25	9.91	
Dividend payout ratio	**31.51**	79.48	31.06	

The Company's regulatory risked-based capital amounts and risk-weighted assets at the end of the last three years are as follows:

(In thousands)	**2013**	2012	2011
Regulatory risk-based capital:			
Tier I capital	**$ 2,061,761**	$ 1,906,203	$ 1,928,690
Tier II capital	**177,875**	185,938	174,711
Total capital	**2,239,636**	2,092,141	2,103,401
Total risk-weighted assets	**14,660,536**	14,015,648	13,115,261

The Company maintains a stock buyback program and purchases stock in the market under authorizations by its Board of Directors. At a July 2013 meeting, the Board of Directors approved the purchase of additional shares, bringing the total shares authorized for future purchase to 4,000,000 shares. During 2013 the Company purchased 1,741,806 shares of stock at an average cost of $39.82 per share. At December 31, 2013, 3,492,265 shares remained available for purchase under the current Board authorization.

The Company's common stock dividend policy reflects its earnings outlook, desired payout ratios, the need to maintain adequate capital levels and alternative investment options. The Company paid a special cash dividend of $1.36 per share in the fourth quarter of 2012, and the regular per share cash dividends increased 2.7% in 2013 compared with 2012. The Company also paid its twentieth consecutive annual 5% stock dividend in December 2013. The Board of Directors approved a 5% increase in the first quarter 2014 cash dividend.

Commitments, Contractual Obligations, and Off-Balance Sheet Arrangements

In the normal course of business, various commitments and contingent liabilities arise which are not required to be recorded on the balance sheet. The most significant of these are loan commitments totaling $8.4 billion (including approximately $3.8 billion in unused approved credit card lines) and the contractual amount of standby letters of credit totaling $325.6 million at December 31, 2013. As many commitments expire unused or only partially used, these totals do not necessarily reflect future cash requirements. Management does not anticipate any material losses arising from commitments or contingent liabilities and believes there are no material commitments to extend credit that represent risks of an unusual nature.

A table summarizing contractual cash obligations of the Company at December 31, 2013 and the expected timing of these payments follows:

	Payments Due by Period				
(In thousands)	In One Year or Less	After One Year Through Three Years	After Three Years Through Five Years	After Five Years	Total
Long-term debt obligations, including structured repurchase agreements*	$ 351,178	$ 4,132	$ 100,000	$ —	$ 455,310
Operating lease obligations	5,850	8,984	6,172	16,300	37,306
Purchase obligations	59,232	106,843	98,929	12,272	277,276
Time open and C.D.'s *	1,740,247	362,024	84,400	1,767	2,188,438
Total	**$ 2,156,507**	**$ 481,983**	**$ 289,501**	**$ 30,339**	**$ 2,958,330**

** Includes principal payments only.*

As of December 31, 2013, the Company had unrecognized tax benefits of $1.4 million. This liability for unrecognized tax benefits represents an estimate of tax positions that the Company has taken in its tax returns which may not be sustained upon examination by taxing authorities. Since the ultimate amount and timing of any future cash settlements cannot be predicted with reasonable certainty, this estimated liability has been excluded from the table above. Further information about these benefits is located in Note 9 to the consolidated financial statements.

The Company funds a defined benefit pension plan for a portion of its employees. Under the funding policy for the plan, contributions are made as necessary to provide for current service and for any unfunded accrued actuarial liabilities over a reasonable period. During 2012, the Company made a discretionary contribution of $1.5 million to its defined benefit pension plan in order to reduce pension guarantee premiums. No contributions were made to the plan in 2013, and the Company is not required nor does it expect to make a contribution in 2014.

The Company has investments in several low-income housing partnerships within the areas it serves. These partnerships supply funds for the construction and operation of apartment complexes that provide affordable housing to that segment of the population with lower family income. If these developments successfully attract a specified percentage of residents falling in that lower income range, federal (and sometimes state) income tax credits are made available to the partners. The tax credits are normally recognized over ten years, and they play an important part in the anticipated yield from these investments. In order to continue receiving the tax credits each year over the life of the partnership, the low-income residency targets must be maintained. Under the terms of the partnership agreements, the Company has a commitment to fund a specified amount that will be due in installments over the life of the agreements, which ranges from 10 to 15 years. At December 31, 2013, the funded investments totaled $13.9 million and are recorded as other assets in the Company's consolidated balance sheet. Additional unfunded commitments, which are recorded as liabilities, amounted to $11.8 million at December 31, 2013.

The Company regularly purchases various state tax credits arising from third-party property redevelopment. These credits are either resold to third parties or retained for use by the Company. During 2013, purchases and sales of tax credits amounted to $65.1 million and $59.6 million, respectively. At December 31, 2013, the Company had outstanding purchase commitments totaling $181.8 million.

Interest Rate Sensitivity

The Company's Asset/Liability Management Committee (ALCO) measures and manages the Company's interest rate risk on a monthly basis to identify trends and establish strategies to maintain stability in net interest income throughout various rate environments. Analytical modeling techniques provide management insight into the Company's exposure to changing rates. These techniques include net interest income simulations and market value analysis. Management has set guidelines specifying acceptable limits within which net interest income and market value may change under various rate change scenarios. These measurement tools indicate that the Company is currently within acceptable risk guidelines as set by management.

The Company's main interest rate measurement tool, income simulations, projects net interest income under various rate change scenarios in order to quantify the magnitude and timing of potential rate-related changes. Income simulations are able to capture option risks within the balance sheet where expected cash flows may be altered under various rate environments. Modeled rate movements include "shocks, ramps and twists". Shocks are intended to capture interest rate risk under extreme conditions by immediately shifting rates up and down, while ramps measure the impact of gradual changes and twists measure yield curve risk. The size of the balance sheet is assumed to remain constant so that results are not influenced by growth predictions. The following table shows the expected effect that gradual basis point shifts in the swap curve over a twelve month period would have on the Company's net interest income, given a static balance sheet.

(Dollars in millions)	December 31, 2013		September 30, 2013		December 31, 2012	
	$ Change in Net Interest Income	**% Change in Net Interest Income**	$ Change in Net Interest Income	% Change in Net Interest Income	$ Change in Net Interest Income	% Change in Net Interest Income
300 basis points rising	**($5.0)**	**(.81)%**	($6.7)	(1.12)%	($2.1)	(.36)%
200 basis points rising	**1.0**	**.17**	(.8)	(.13)	3.1	.51
100 basis points rising	**3.4**	**.56**	1.8	.30	4.9	.82

The Company also employs a sophisticated simulation technique known as a stochastic income simulation. This technique allows management to see a range of results from hundreds of income simulations. The stochastic simulation creates a vector of potential rate paths around the market's best guess (forward rates) concerning the future path of interest rates and allows rates to randomly follow paths throughout the vector. This allows for the modeling of non-biased rate forecasts around the market consensus. Results give management insight into a likely range of rate-related risk as well as worst and best-case rate scenarios.

The Company also uses market value analyses to help identify longer-term risks that may reside on the balance sheet. This is considered a secondary risk measurement tool by management. The Company measures the market value of equity as the net present value of all asset and liability cash flows discounted along the current swap curve plus appropriate market risk spreads. It is the change in the market value of equity under different rate environments, or effective duration that gives insight into the magnitude of risk to future earnings due to rate changes. Market value analyses also help management understand the price sensitivity of non-marketable bank products under different rate environments.

Under the above scenarios at December 31, 2013, a gradual increase in interest rates of 100 basis points is expected to increase net interest income from the base calculation by $3.4 million, or .56%, and a rise of 200 basis points is expected to increase net interest income by $1.0 million, or .17%. Under a 300 basis points rising rate scenario, net interest income would decrease by $5.0 million, or .81%. Due to the already low interest rate environment, the Company did not model falling rate scenarios. The change in net interest income from the base calculation at December 31, 2013 for the three scenarios shown was higher than projections made at September 30, 2013, largely due to a change in the mix of interest bearing liabilities. Short-term borrowings of federal funds purchased and repurchase agreements, in addition to short-term certificates of deposit, are generally more rate-sensitive, and these balances declined from the previous quarter. They were replaced by higher balances of demand and money market deposits, which are less rate-sensitive. This change resulted in a more asset-sensitive risk pattern and improving income projections. As shown in the above scenarios, as rates rise from 100 to 300 basis points, the effect on projected net interest income generally becomes more negative. This occurs because, in the higher rate scenarios, the non-contractual deposits are modeled to become more rate sensitive, resulting in margin compression. Also, these scenarios project deposit run-off which is replaced by higher costing short-term borrowings. Rising rates also tend to slow prepayments of both residential mortgage loans and mortgage-backed securities, which also negatively affects net interest income.

Through review and oversight by the ALCO, the Company attempts to engage in strategies that neutralize interest rate risk as much as possible. The Company's balance sheet remains well-diversified with moderate interest rate risk and is well-positioned for future growth. The use of derivative products is limited and the deposit base is strong and stable. The loan to deposit ratio is still at relatively low levels, which should present the Company with opportunities to fund future loan growth at reasonable costs. The Company believes that its approach to interest rate risk has appropriately considered its susceptibility to both rising and falling rates and has adopted strategies which minimize impacts of interest rate risk.

Derivative Financial Instruments

The Company maintains an overall interest rate risk management strategy that permits the use of derivative instruments to modify exposure to interest rate risk. The Company's interest rate risk management strategy includes the ability to modify the re-pricing characteristics of certain assets and liabilities so that changes in interest rates do not adversely affect the net interest margin and cash flows. Interest rate swaps are used on a limited basis as part of this strategy. As of December 31, 2013, the Company had entered into two interest rate swaps with a notional amount of $12.2 million which are designated as fair value hedges of certain fixed rate loans. The Company also sells swap contracts to customers who wish to modify their interest rate sensitivity. The Company offsets the interest rate risk of these swaps by purchasing matching contracts with offsetting pay/receive rates from other financial institutions. The notional amount of these types of swaps at December 31, 2013 was $584.8 million.

Credit risk participation agreements arise when the Company contracts, as a guarantor or beneficiary, with other financial institutions to share credit risk associated with certain interest rate swaps. These agreements provide for reimbursement of losses resulting from a third party default on the underlying swap.

The Company enters into foreign exchange derivative instruments as an accommodation to customers and offsets the related foreign exchange risk by entering into offsetting third-party forward contracts with approved, reputable counterparties. In addition, the Company takes proprietary positions in such contracts based on market expectations. This trading activity is managed within a policy of specific controls and limits. Most of the foreign exchange contracts outstanding at December 31, 2013 mature within six months.

In all of these contracts, the Company is exposed to credit risk in the event of nonperformance by counterparties, who may be bank customers or other financial institutions. The Company controls the credit risk of its financial contracts through credit approvals, limits and monitoring procedures. Because the Company generally enters into transactions only with high quality counterparties, there have been no losses associated with counterparty nonperformance on derivative financial instruments.

The following table summarizes the notional amounts and estimated fair values of the Company's derivative instruments at December 31, 2013 and 2012. Notional amount, along with the other terms of the derivative, is used to determine the amounts to be exchanged between the counterparties. Because the notional amount does not represent amounts exchanged by the parties, it is not a measure of loss exposure related to the use of derivatives nor of exposure to liquidity risk.

	2013			2012		
(In thousands)	**Notional Amount**	**Positive Fair Value**	**Negative Fair Value**	Notional Amount	Positive Fair Value	Negative Fair Value
Interest rate swaps	**$ 596,933**	**$ 11,428**	**$ (11,729)**	$ 435,542	$ 16,334	$ (17,060)
Interest rate caps	**9,736**	**1**	**(1)**	27,736	1	(1)
Credit risk participation agreements	**52,456**	**4**	**(69)**	43,243	9	(196)
Foreign exchange contracts	**81,207**	**1,547**	**(1,530)**	47,897	396	(461)
Total at December 31	**$ 740,332**	**$ 12,980**	**$ (13,329)**	$ 554,418	$ 16,740	$ (17,718)

Operating Segments

The Company segregates financial information for use in assessing its performance and allocating resources among three operating segments. The results are determined based on the Company's management accounting process, which assigns balance sheet and income statement items to each responsible segment. These segments are defined by customer base and product type. The management process measures the performance of the operating segments based on the management structure of the Company and is not necessarily comparable with similar information for any other financial institution. Each segment is managed by executives who, in conjunction with the Chief Executive Officer, make strategic business decisions regarding that segment. The three reportable operating segments are Consumer, Commercial and Wealth. Additional information is presented in Note 13 on Segments in the consolidated financial statements.

The Company uses a funds transfer pricing method to value funds used (e.g., loans, fixed assets, cash, etc.) and funds provided (deposits, borrowings, and equity) by the business segments and their components. This process assigns a specific value to each new source or use of funds with a maturity, based on current swap rates, thus determining an interest spread at the time of the transaction. Non-maturity assets and liabilities are valued using weighted average pools. The funds transfer pricing process attempts to remove interest rate risk from valuation, allowing management to compare profitability under various rate environments. The Company also assigns loan charge-offs and recoveries (labeled in the table below as "provision for loan losses") directly to each operating segment instead of allocating an estimated loan loss provision. The operating segments also include a number of allocations of income and expense from various support and overhead centers within the Company.

The table below is a summary of segment pre-tax income results for the past three years.

(Dollars in thousands)	Consumer	Commercial	Wealth	Segment Totals	Other/ Elimination	Consolidated Totals
Year ended December 31, 2013:						
Net interest income	**$ 268,283**	**$ 288,722**	**$ 40,194**	**$ 597,199**	**$ 22,173**	**$ 619,372**
Provision for loan losses	**(34,277)**	**3,772**	**(688)**	**(31,193)**	**10,840**	**(20,353)**
Non-interest income	**113,377**	**186,446**	**116,765**	**416,588**	**1,798**	**418,386**
Investment securities losses, net	**—**	**—**	**—**	**—**	**(4,425)**	**(4,425)**
Non-interest expense	**(270,209)**	**(235,346)**	**(96,530)**	**(602,085)**	**(27,548)**	**(629,633)**
Income before income taxes	**$ 77,174**	**$ 243,594**	**$ 59,741**	**$ 380,509**	**$ 2,838**	**$ 383,347**
Year ended December 31, 2012:						
Net interest income	$ 274,844	$ 290,968	$ 39,498	$ 605,310	$ 34,596	$ 639,906
Provision for loan losses	(35,496)	(2,824)	(695)	(39,015)	11,728	(27,287)
Non-interest income	114,307	179,824	108,472	402,603	(2,973)	399,630
Investment securities gains, net	—	—	—	—	4,828	4,828
Non-interest expense	(266,740)	(226,935)	(90,659)	(584,334)	(34,135)	(618,469)
Income before income taxes	$ 86,915	$ 241,033	$ 56,616	$ 384,564	$ 14,044	$ 398,608
2013 vs 2012						
Increase (decrease) in income before income taxes:						
Amount	**$ (9,741)**	**$ 2,561**	**$ 3,125**	**$ (4,055)**	**$ (11,206)**	**$ (15,261)**
Percent	**(11.2)%**	**1.1%**	**5.5%**	**(1.1)%**	**(79.8)%**	**(3.8)%**
Year ended December 31, 2011:						
Net interest income	$ 283,555	$ 283,790	$ 38,862	$ 606,207	$ 39,863	$ 646,070
Provision for loan losses	(47,273)	(16,195)	(712)	(64,180)	12,665	(51,515)
Non-interest income	131,253	162,533	101,836	395,622	(2,705)	392,917
Investment securities gains, net	—	—	—	—	10,812	10,812
Non-interest expense	(269,435)	(221,273)	(89,108)	(579,816)	(37,433)	(617,249)
Income before income taxes	$ 98,100	$ 208,855	$ 50,878	$ 357,833	$ 23,202	$ 381,035
2012 vs 2011						
Increase (decrease) in income before income taxes:						
Amount	$ (11,185)	$ 32,178	$ 5,738	$ 26,731	$ (9,158)	$ 17,573
Percent	(11.4)%	15.4 %	11.3 %	7.5 %	(39.5)%	4.6 %

Consumer

The Consumer segment includes consumer deposits, consumer finance, and consumer debit and credit cards. Pre-tax profitability for 2013 was $77.2 million, a decrease of $9.7 million, or 11.2%, from 2012. This decrease was mainly due to a decline of $6.6 million, or 2.4%, in net interest income, coupled with an increase of $3.5 million, or 1.3%, in non-interest expense. In addition, non-interest income decreased $930 thousand, while the provision for loan losses decreased $1.2 million, or 3.4%. Net interest income declined due to a $4.7 million decrease in loan interest income and a $7.3 million decrease in net allocated funding credits assigned to the Consumer segment's loan and deposit portfolios, partly offset by a decline of $5.3 million in deposit interest expense. Non-interest income decreased mainly due to declines in deposit account fees (mainly overdraft charges), mortgage banking revenue, and ATM fees, but the declines were partly offset by growth in bank card fees. Non-interest expense increased over the prior year due to higher corporate management fees, bank card related expense, building rent expense and credit card fraud losses, partly offset by lower incentive compensation expense and allocated building security expense. The provision for loan losses totaled $34.3 million, a $1.2 million decrease from 2012, which was mainly due to lower losses on marine and RV loans. Total average loans in this segment increased $170.8 million, or 7.1%, in 2013 compared to the prior year due to growth in auto loan originations, partly offset by repayments of marine and RV loans. Average deposits increased 5.7% over the prior year, resulting mainly from growth in interest checking and money market deposit accounts, partly offset by a decline in certificates of deposit under $100,000.

Pre-tax profitability for 2012 was $86.9 million, a decrease of $11.2 million, or 11.4%, from 2011. This decrease was mainly due to a decline of $8.7 million, or 3.1%, in net interest income, coupled with a decline of $16.9 million, or 12.9%, in non-interest income. These income reductions were partly offset by a decrease of $11.8 million in the provision for loan losses and a $2.7 million decrease in non-interest expense. Net interest income declined due to a $7.9 million decrease in loan interest income and a $9.8 million decrease in net allocated funding credits, partly offset by a decline of $9.0 million in deposit interest expense. Non-interest income decreased mainly due to declines in bank card fee income (primarily debit card fees) and deposit account fees (mainly overdraft charges). Non-interest expense declined from the same period in the previous year due to lower FDIC insurance expense and corporate management fees, partly offset by higher salaries expense. The provision for loan losses totaled $35.5 million, an $11.8 million decrease from 2011, which was due mainly to lower losses on consumer credit card loans and marine and RV loans. Total average loans decreased 3.0% in 2012 compared to the prior year due to declines in held for sale student loans and personal real estate loans. Consumer loans grew, however, due to auto loan growth, which was partly offset by declining marine and RV loans. Average deposits increased 4.2% over the prior period, due mainly to money market and interest checking account growth, partly offset by lower balances of certificates of deposit under $100,000.

Commercial

The Commercial segment provides corporate lending (including the Small Business Banking product line within the branch network), leasing, international services, and business, government deposit, and related commercial cash management services, as well as merchant and commercial bank card products. The segment includes the Capital Markets Group, which sells fixed-income securities to individuals, corporations, correspondent banks, public institutions, and municipalities, and also provides investment safekeeping and bond accounting services. Pre-tax income for 2013 increased $2.6 million, or 1.1%, compared to the prior year, mainly due to higher non-interest income and a decline in the provision for loan losses, partly offset by higher non-interest expense and a decline in net interest income. Net interest income decreased $2.2 million, due to a $5.7 million decline in loan interest income, partly offset by higher net allocated funding credits of $3.0 million. Non-interest income increased by $6.6 million, or 3.7%, over the previous year due to growth in bank card fees (mainly corporate card), partly offset by lower capital market fees. Growth was also seen in corporate cash management fees and tax credit sales fees. Non-interest expense increased $8.4 million, or 3.7%, over the previous year, mainly due to higher full-time salaries expense, a provision recorded on a letter of credit exposure, and higher bank card related expense. These expense increases were partly offset by higher gains on sales of foreclosed property, lower incentive compensation, and lower processing costs. The provision for loan losses declined $6.6 million from last year, as business real estate loan net charge-offs declined $4.2 million and construction and land loan net recoveries increased $4.4 million, while business loan recoveries decreased by $1.6 million. Average segment loans increased $476.0 million, or 8.4%, compared to 2012 as a result of growth in all commercial loan categories. Average deposits increased $542.7 million, or 8.7%, due to growth in non-interest bearing accounts and certificates of deposit over $100,000.

In 2012, pre-tax profitability for the Commercial segment increased $32.2 million, or 15.4%, compared to the prior year, mainly due to a lower provision for loan losses and growth in net interest income and non-interest income. Net interest income increased $7.2 million, or 2.5%, due to higher net allocated funding credits of $15.4 million (related to higher average deposit balances), partly offset by a $10.1 million decline in loan interest income. The provision for loan losses in the segment totaled $2.8 million in 2012, a decrease of $13.4 million from 2011. During 2012, net recoveries of $2.5 million were recorded on business loans, compared to net charge-offs of $4.7 million in 2011. This decline in net charge-offs was partly due to recoveries of $3.6 million on two non-performing loans in 2012. In addition, net charge-offs on construction loans decreased $7.2 million. Non-interest income increased by $17.3 million, or 10.6.%, over the previous year due to growth in bank card fees (mainly corporate card), capital market fees and tax credit sales revenue. Non-interest expense increased $5.7 million, or 2.6%, over 2011, mainly due to higher salaries expense and bank card related expenses, partly offset by lower corporate management fees. Average segment loans increased 1.0% compared to 2011 as a result of a growth in business real estate, lease and tax-free loans, partly offset by a decline in construction loans. Average deposits increased 11.5% due to growth in non-interest bearing accounts, money market deposit accounts and interest checking accounts, partly offset by a decline in certificates of deposit over $100,000.

Wealth

The Wealth segment provides traditional trust and estate planning, advisory and discretionary investment management services, brokerage services, and includes Private Banking accounts. At December 31, 2013, the Trust group managed investments with a market value of $20.4 billion and administered an additional $14.8 billion in non-managed assets. It also provides investment management services to The Commerce Funds, a series of mutual funds with $1.8 billion in total assets at December 31, 2013. Wealth segment pre-tax profitability for 2013 was $59.7 million, compared to $56.6 million in 2012, an increase of $3.1 million, or 5.5%. Net interest income increased $696 thousand, or 1.8%, mainly due to a $1.2 million decline in deposit interest expense and an increase of $529 thousand in loan interest income, which were partly offset by a $1.1 million decrease in net allocated funding credits. Non-interest income increased $8.3 million, or 7.6%, over the prior year due to higher personal and institutional trust fees and brokerage advisory fees. Non-interest expense increased $5.9 million, or 6.5%, mainly due to higher full-time salary costs, incentive compensation and processing costs. Average assets increased $112.4 million, or 15.1%, during 2013 mainly due

to higher loan balances (mainly consumer and personal real estate loans) originated in this segment. Average deposits also increased $195.9 million, or 11.6%, due to growth in money market and interest checking deposit accounts.

In 2012, pre-tax income for the Wealth segment was $56.6 million compared to $50.9 million in 2011, an increase of $5.7 million, or 11.3%. Net interest income increased $636 thousand, or 1.6%, and was impacted by a $1.8 million decline in deposit interest expense, partly offset by a $1.0 million decrease in net allocated funding credits. Non-interest income increased $6.6 million, or 6.5%, over the prior year due to higher personal and institutional trust fees. Non-interest expense increased $1.6 million, or 1.7%, mainly due to higher salary and benefit costs, partly offset by lower fraud losses and legal and professional fees. Average assets increased $62.9 million, or 9.2%, during 2012 mainly due to higher loan balances, while average deposits increased $158.5 million, or 10.3%, on higher money market and interest checking accounts.

The segment activity, as shown above, includes both direct and allocated items. Amounts in the “Other/Elimination” column include activity not related to the segments, such as certain administrative functions, the investment securities portfolio, and the effect of certain expense allocations to the segments. Also included in this category is the difference between the Company’s provision for loan losses and net loan charge-offs, which are generally assigned directly to the segments. In 2013, the pre-tax income in this category was $2.8 million, compared to $14.0 million in 2012. This decrease occurred partly due to a $12.4 million decline in net interest income in this category, related to the earnings of the investment portfolio and interest expense on borrowings not allocated to a segment. In addition, unallocated securities gains declined $9.3 million, while unallocated non-interest expense was lower by $6.6 million.

Impact of Recently Issued Accounting Standards

Other Comprehensive Income In February 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". The amendments require an entity to present, either in the income statement or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This ASU was effective for annual and interim periods beginning January 1, 2013. Adoption of the ASU did not have a significant effect on the Company's consolidated financial statements (see Note 12 to the consolidated financial statements).

Balance Sheet In December 2011, the FASB issued ASU 2011-11, "Disclosures about Offsetting Assets and Liabilities". The ASU is a joint requirement by the FASB and International Accounting Standards Board to enhance current disclosures and increase comparability of GAAP and International Financial Reporting Standards (IFRS) financial statements. Under the ASU, an entity is required to disclose both gross and net information about instruments and transactions eligible for offset in the balance sheet, as well as instruments and transactions subject to an agreement similar to a master netting agreement. ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" was issued in January 2013, and amended ASU 2011-11 to specifically include only derivatives accounted for under Topic 815, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions that are either offset or subject to an enforceable master netting arrangement. Both ASUs were effective for annual and interim periods beginning January 1, 2013, and their required disclosures are included in the accompanying Note 19 to the consolidated financial statements.

Investment Companies In June 2013, the FASB issued ASU 2013-08, "Amendments to the Scope, Measurement, and Disclosure Requirements" for investment companies. The amendments changed the assessment of whether an entity is an investment company by requiring an entity to possess certain fundamental characteristics, while allowing judgment in assessing other typical characteristics. The ASU was effective January 1, 2014, and the Company did not change the status of any subsidiary or the accounting applied to a subsidiary under the new guidelines.

Derivatives The FASB issued ASU 2013-10, "Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes", in July 2013. These amendments allow the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to the current benchmark rates of UST (the rate on direct Treasury obligations of the U.S. government) and LIBOR (the London Interbank Offered Rate on swaps). The amendments were effective on a prospective basis for new or redesignated hedging relationships on July 17, 2013. The adoption did not have a significant effect on the Company's consolidated financial statements.

Investments - Equity Method and Joint Ventures The FASB issued ASU 2014-01, "Accounting for Investments in Qualified Affordable Housing Projects", in January 2014. These amendments allow investors in low income housing tax credit entities to account for the investments using a proportional amortization method, provided that certain conditions are met, and recognize

amortization of the investment as a component of income tax expense. In addition, disclosures are required that will enable users to understand the nature of the investments, and the effect of the measurement of the investments and the related tax credits on the investor's financial statements. This ASU is effective for interim and annual periods beginning January 1, 2015 and should be applied retrospectively to all periods presented. The adoption is not expected to have a significant effect on the Company's consolidated financial statements.

Troubled Debt Restructurings by Creditors The FASB issued ASU 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure", in January 2014. These amendments require companies to disclose the amount of foreclosed residential real estate property held and the recorded investment in consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction. The ASU also defines when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. The amendments are effective for interim and annual periods beginning January 1, 2015. The adoption is not expected to have a significant effect on the Company's consolidated financial statements.

Corporate Governance

The Company has adopted a number of corporate governance measures. These include corporate governance guidelines, a code of ethics that applies to its senior financial officers and the charters for its audit committee, its committee on compensation and human resources, and its committee on governance/directors. This information is available on the Company's Web site www.commercebank.com under Investor Relations.

SUMMARY OF QUARTERLY STATEMENTS OF INCOME

Year ended December 31, 2013	For the Quarter Ended			
(In thousands, except per share data)	12/31/2013	9/30/2013	6/30/2013	3/31/2013
Interest income	$ 162,141	$ 162,144	$ 167,255	$ 158,745
Interest expense	(7,276)	(7,438)	(7,797)	(8,402)
Net interest income	154,865	154,706	159,458	150,343
Non-interest income	109,522	106,311	102,676	99,877
Investment securities gains (losses), net	(1,342)	650	(1,568)	(2,165)
Salaries and employee benefits	(95,012)	(91,405)	(89,569)	(90,881)
Other expense	(66,306)	(64,907)	(67,397)	(64,156)
Provision for loan losses	(5,543)	(4,146)	(7,379)	(3,285)
Income before income taxes	96,184	101,209	96,221	89,733
Income taxes	(30,359)	(32,764)	(30,182)	(28,925)
Non-controlling interest	90	(221)	(234)	209
Net income attributable to Commerce Bancshares, Inc.	$ 65,915	$ 68,224	$ 65,805	$ 61,017
Net income per common share — basic*	$ .69	$ .71	$ .69	$ .64
Net income per common share — diluted*	$ .69	$ .71	$ .69	$ .63
Weighted average shares — basic*	94,843	94,504	94,273	94,722
Weighted average shares — diluted*	95,321	94,975	94,667	94,966

Year ended December 31, 2012	For the Quarter Ended			
(In thousands, except per share data)	12/31/2012	9/30/2012	6/30/2012	3/31/2012
Interest income	$ 170,185	$ 163,194	$ 174,624	$ 169,966
Interest expense	(8,932)	(9,383)	(9,519)	(10,229)
Net interest income	161,253	153,811	165,105	159,737
Non-interest income	103,309	100,922	100,816	94,583
Investment securities gains (losses), net	(3,728)	3,180	1,336	4,040
Salaries and employee benefits	(94,553)	(89,292)	(87,511)	(89,543)
Other expense	(63,724)	(64,099)	(68,829)	(60,918)
Provision for loan losses	(8,326)	(5,581)	(5,215)	(8,165)
Income before income taxes	94,231	98,941	105,702	99,734
Income taxes	(27,628)	(32,155)	(34,466)	(32,920)
Non-controlling interest	188	(780)	(503)	(1,015)
Net income attributable to Commerce Bancshares, Inc.	$ 66,791	$ 66,006	$ 70,733	$ 65,799
Net income per common share — basic*	$ .69	$ .68	$ .73	$ .67
Net income per common share — diluted*	$ .69	$ .68	$ .72	$ .67
Weighted average shares — basic*	95,366	95,801	96,363	97,264
Weighted average shares — diluted*	95,549	96,130	96,658	97,633

Year ended December 31, 2011	For the Quarter Ended			
(In thousands, except per share data)	12/31/2011	9/30/2011	6/30/2011	3/31/2011
Interest income	$ 173,223	$ 170,835	$ 178,087	$ 175,826
Interest expense	(11,466)	(12,205)	(13,377)	(14,853)
Net interest income	161,757	158,630	164,710	160,973
Non-interest income	94,035	101,632	101,344	95,906
Investment securities gains, net	4,942	2,587	1,956	1,327
Salaries and employee benefits	(88,010)	(85,700)	(84,223)	(87,392)
Other expense	(68,020)	(68,046)	(69,290)	(66,568)
Provision for loan losses	(12,143)	(11,395)	(12,188)	(15,789)
Income before income taxes	92,561	97,708	102,309	88,457
Income taxes	(29,514)	(31,699)	(32,692)	(27,507)
Non-controlling interest	(1,543)	(657)	(583)	(497)
Net income attributable to Commerce Bancshares, Inc.	$ 61,504	$ 65,352	$ 69,034	$ 60,453
Net income per common share — basic*	$ .63	$ .66	$ .68	$ .60
Net income per common share — diluted*	$ .63	$ .65	$ .68	$ .60
Weighted average shares — basic*	97,455	98,648	100,180	100,097
Weighted average shares — diluted*	97,740	98,935	100,629	100,524

** Restated for the 5% stock dividend distributed in 2013.*

AVERAGE BALANCE SHEETS — AVERAGE RATES AND YIELDS

	Years Ended December 31								
	2013			2012			2011		
(Dollars in thousands)	**Average Balance**	**Interest Income/ Expense**	**Average Rates Earned/Paid**	Average Balance	Interest Income/ Expense	Average Rates Earned/Paid	Average Balance	Interest Income/ Expense	Average Rates Earned/Paid
ASSETS									
Loans:[(A)]									
Business[(B)]	**$ 3,366,564**	**$ 102,847**	**3.05 %**	$ 2,962,699	$ 102,013	3.44 %	$ 2,910,668	$ 104,624	3.59%
Real estate – construction and land	**378,896**	**15,036**	**3.97**	356,425	15,146	4.25	419,905	18,831	4.48
Real estate – business	**2,251,113**	**92,555**	**4.11**	2,193,271	98,693	4.50	2,117,031	101,988	4.82
Real estate – personal	**1,694,955**	**66,353**	**3.91**	1,503,357	65,642	4.37	1,433,869	69,048	4.82
Consumer	**1,437,270**	**67,299**	**4.68**	1,180,538	66,402	5.62	1,118,700	70,127	6.27
Revolving home equity	**424,358**	**16,822**	**3.96**	446,204	18,586	4.17	468,718	19,952	4.26
Student[(C)]	**—**	**—**	**—**	—	—	—	—	—	—
Consumer credit card	**752,478**	**84,843**	**11.28**	730,697	85,652	11.72	746,724	84,479	11.31
Overdrafts	**6,020**	**—**	**—**	6,125	—	—	6,953	—	—
Total loans	**10,311,654**	**445,755**	**4.32**	9,379,316	452,134	4.82	9,222,568	469,049	5.09
Loans held for sale	**4,488**	**176**	**3.92**	9,688	361	3.73	47,227	1,115	2.36
Investment securities:									
U.S. government & federal agency obligations	**401,162**	**8,775**	**2.19**	332,382	12,260	3.69	357,861	17,268	4.83
Government-sponsored enterprise obligations	**499,947**	**8,658**	**1.73**	306,676	5,653	1.84	253,020	5,781	2.28
State & municipal obligations[(B)]	**1,617,814**	**58,522**	**3.62**	1,376,872	54,056	3.93	1,174,751	51,988	4.43
Mortgage-backed securities	**3,187,648**	**87,523**	**2.75**	3,852,616	107,527	2.79	3,556,106	114,405	3.22
Asset-backed securities	**3,061,415**	**27,475**	**.90**	2,925,249	31,940	1.09	2,443,901	30,523	1.25
Other marketable securities[(B)]	**182,323**	**5,625**	**3.09**	139,499	6,556	4.70	171,409	8,455	4.93
Trading securities[(B)]	**20,986**	**472**	**2.25**	25,107	637	2.54	20,011	552	2.76
Non-marketable securities[(B)]	**116,557**	**12,226**	**10.49**	118,879	12,558	10.56	107,501	8,283	7.71
Total investment securities	**9,087,852**	**209,276**	**2.30**	9,077,280	231,187	2.55	8,084,560	237,255	2.93
Short-term federal funds sold and securities purchased under agreements to resell	**24,669**	**106**	**.43**	16,393	82	.50	10,690	55	.51
Long-term securities purchased under agreements to resell	**1,174,589**	**21,119**	**1.80**	892,624	19,174	2.15	768,904	13,455	1.75
Interest earning deposits with banks	**155,885**	**387**	**.25**	135,319	339	.25	194,176	487	.25
Total interest earning assets	**20,759,137**	**676,819**	**3.26**	19,510,620	703,277	3.60	18,328,125	721,416	3.94
Allowance for loan losses	**(166,846)**			(178,934)			(191,311)		
Unrealized gain on investment securities	**157,910**			257,511			162,984		
Cash and due from banks	**382,500**			369,020			348,875		
Land, buildings and equipment - net	**357,544**			357,336			377,200		
Other assets	**383,739**			385,125			378,642		
Total assets	**$ 21,873,984**			$ 20,700,678			$ 19,404,515		
LIABILITIES AND EQUITY									
Interest bearing deposits:									
Savings	**$ 625,517**	**766**	**.12**	$ 574,336	802	.14	$ 525,371	852	.16
Interest checking and money market	**9,059,524**	**13,589**	**.15**	8,430,559	17,880	.21	7,702,901	25,004	.32
Time open & C.D.'s of less than $100,000	**1,034,991**	**6,002**	**.58**	1,117,236	7,918	.71	1,291,165	11,352	.88
Time open & C.D.'s of $100,000 and over	**1,380,003**	**6,383**	**.46**	1,181,426	7,174	.61	1,409,740	9,272	.66
Total interest bearing deposits	**12,100,035**	**26,740**	**.22**	11,303,557	33,774	.30	10,929,177	46,480	.43
Borrowings:									
Federal funds purchased and securities sold under agreements to repurchase	**1,294,691**	**809**	**.06**	1,185,978	808	.07	1,035,007	1,741	.17
Other borrowings	**103,901**	**3,364**	**3.24**	108,916	3,481	3.20	112,107	3,680	3.28
Total borrowings	**1,398,592**	**4,173**	**.30**	1,294,894	4,289	.33	1,147,114	5,421	.47
Total interest bearing liabilities	**13,498,627**	**30,913**	**.23 %**	12,598,451	38,063	.30 %	12,076,291	51,901	.43%
Non-interest bearing deposits	**5,961,116**			5,522,991			4,742,033		
Other liabilities	**237,130**			334,684			476,249		
Equity	**2,177,111**			2,244,552			2,109,942		
Total liabilities and equity	**$ 21,873,984**			$ 20,700,678			$ 19,404,515		
Net interest margin (T/E)		**$ 645,906**			$ 665,214			$ 669,515	
Net yield on interest earning assets			**3.11 %**			3.41 %			3.65%
Percentage increase (decrease) in net interest margin (T/E) compared to the prior year			**(2.90)%**			(.64)%			.51%

(A) Loans on non-accrual status are included in the computation of average balances. Included in interest income above are loan fees and late charges, net of amortization of deferred loan origination fees and costs, which are immaterial. Credit card income from merchant discounts and net interchange fees are not included in loan income.

(B) Interest income and yields are presented on a fully-taxable equivalent basis using the Federal statutory income tax rate. Loan interest income includes tax free loan income (categorized as business loan income) which includes tax equivalent adjustments of $6,673,000 in 2013, $5,803,000 in 2012, $5,538,000 in 2011, $4,620,000 in 2010, $3,922,000 in 2009 and

Years Ended December 31									
2010			2009			2008			
Average Balance	Interest Income/ Expense	Average Rates Earned/Paid	Average Balance	Interest Income/ Expense	Average Rates Earned/Paid	Average Balance	Interest Income/ Expense	Average Rates Earned/Paid	Average Balance Five Year Compound Growth Rate
$ 2,887,427	$ 110,792	3.84%	$ 3,119,778	$ 116,686	3.74%	$ 3,478,927	$ 170,620	4.90%	(.65)%
557,282	22,384	4.02	739,896	26,746	3.61	701,519	34,445	4.91	(11.59)
2,029,214	102,451	5.05	2,143,675	108,107	5.04	2,281,664	136,955	6.00	(.27)
1,476,031	76,531	5.18	1,585,273	87,085	5.49	1,522,172	88,322	5.80	2.17
1,250,076	84,204	6.74	1,464,170	101,761	6.95	1,674,497	119,837	7.16	(3.01)
484,878	20,916	4.31	495,629	21,456	4.33	474,635	23,960	5.05	(2.21)
246,395	5,783	2.35	344,243	9,440	2.74	13,708	287	2.10	NM
760,079	89,225	11.74	727,422	89,045	12.24	776,810	83,972	10.81	(.63)
7,288	—	—	9,781	—	—	11,926	—	—	(12.78)
9,698,670	512,286	5.28	10,629,867	560,326	5.27	10,935,858	658,398	6.02	(1.17)
358,492	6,091	1.70	397,583	8,219	2.07	347,441	14,968	4.31	(58.10)
439,073	9,673	2.20	169,214	6,754	3.99	7,065	364	5.15	124.31
203,593	4,591	2.25	137,928	4,219	3.06	176,018	7,075	4.02	23.22
966,694	45,469	4.70	873,607	43,882	5.02	695,542	37,770	5.43	18.39
2,821,485	113,222	4.01	2,802,532	136,921	4.89	2,203,921	112,184	5.09	7.66
1,973,734	38,559	1.95	937,435	30,166	3.22	265,546	13,185	4.97	63.06
183,328	8,889	4.85	179,847	9,793	5.45	98,650	4,243	4.30	13.07
21,899	671	3.06	16,927	506	2.99	28,840	1,355	4.70	(6.16)
113,326	7,216	6.37	136,911	6,398	4.67	133,996	7,730	5.77	(2.75)
6,723,132	228,290	3.40	5,254,401	238,639	4.54	3,609,578	183,906	5.09	20.28
6,542	48	.73	43,811	222	.51	425,273	8,287	1.95	(43.42)
150,235	2,549	1.70	—	—	—	—	—	—	NM
171,883	427	.25	325,744	807	.25	46,670	198	.42	27.28
17,108,954	749,691	4.38	16,651,406	808,213	4.85	15,364,820	865,757	5.63	6.20
(195,870)			(181,417)			(145,176)			2.82
149,106			24,105			27,068			42.30
368,340			364,579			451,105			(3.25)
395,108			411,366			412,852			(2.84)
410,361			349,164			343,664			2.23
$ 18,235,999			$ 17,619,203			$ 16,454,333			5.86
$ 478,592	622	.13	$ 438,748	642	.15	$ 400,948	1,186	.30	9.30
6,785,299	28,676	.42	5,807,753	30,789	.53	5,123,709	59,947	1.17	12.07
1,660,462	22,871	1.38	2,055,952	51,982	2.53	2,149,119	77,322	3.60	(13.60)
1,323,952	13,847	1.05	1,858,543	35,371	1.90	1,629,500	55,665	3.42	(3.27)
10,248,305	66,016	.64	10,160,996	118,784	1.17	9,303,276	194,120	2.09	5.40
1,085,121	2,584	.24	968,643	3,699	.38	1,373,625	25,085	1.83	(1.18)
452,810	14,948	3.30	920,467	31,527	3.43	1,092,746	37,905	3.47	(37.54)
1,537,931	17,532	1.14	1,889,110	35,226	1.86	2,466,371	62,990	2.55	(10.73)
11,786,236	83,548	.71%	12,050,106	154,010	1.28%	11,769,647	257,110	2.18%	2.78
4,114,664			3,660,166			2,946,534			15.13
346,312			176,676			140,333			11.06
1,988,787			1,732,255			1,597,819			6.38
$ 18,235,999			$ 17,619,203			$ 16,454,333			5.86 %
	$ 666,143			$ 654,203			$ 608,647		
		3.89%			3.93%			3.96%	
		1.83%			7.48%			9.85%	

$3,553,000 in 2008. Investment securities interest income include tax equivalent adjustments of $19,861,000 in 2013, $19,505,000 in 2012, $17,907,000 in 2011, $15,593,000 in 2010, $14,779,000 in 2009 and $12,355,000 in 2008. These adjustments relate to state and municipal obligations, other marketable securities, trading securities, and non-marketable securities.

(C) In December 2008, the Company purchased $358,451,000 of student loans with the intent to hold to maturity. In October 2010, the seller elected to repurchase the loans under the terms of the original agreement.

QUARTERLY AVERAGE BALANCE SHEETS — AVERAGE RATES AND YIELDS

	Year ended December 31, 2013							
	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
(Dollars in millions)	Average Balance	Average Rates Earned/Paid	Average Balance	Average Rates Earned/Paid	Average Balance	Average Rates Earned/Paid	Average Balance	Average Rates Earned/Paid
ASSETS								
Loans:								
Business[(A)]	$ 3,635	3.04%	$ 3,415	2.96%	$ 3,253	3.07%	$ 3,157	3.17%
Real estate – construction and land	391	3.98	399	4.07	373	3.94	352	3.87
Real estate – business	2,300	4.02	2,257	4.12	2,217	4.14	2,230	4.17
Real estate – personal	1,783	3.80	1,729	3.83	1,665	3.97	1,600	4.08
Consumer	1,500	4.52	1,472	4.53	1,431	4.69	1,343	5.03
Revolving home equity	421	3.88	422	3.94	426	3.96	429	4.08
Consumer credit card	760	11.20	753	11.33	742	11.20	755	11.38
Overdrafts	7	—	6	—	6	—	5	—
Total loans	10,797	4.22	10,453	4.26	10,113	4.34	9,871	4.49
Loans held for sale	—	—	—	—	9	4.05	9	3.79
Investment securities:								
U.S. government & federal agency obligations	405	1.12	402	3.04	400	5.15	398	(.59)
Government-sponsored enterprise obligations	663	1.63	427	1.74	439	1.74	469	1.86
State & municipal obligations[(A)]	1,629	3.53	1,605	3.54	1,634	3.61	1,603	3.79
Mortgage-backed securities	2,944	2.78	3,028	2.86	3,273	2.77	3,514	2.59
Asset-backed securities	2,844	.87	3,000	.87	3,200	.91	3,207	.93
Other marketable securities[(A)]	168	3.25	180	2.92	188	2.97	194	3.21
Trading securities[(A)]	18	2.44	16	2.41	22	2.40	28	1.90
Non-marketable securities[(A)]	114	11.65	114	7.10	119	16.92	119	6.20
Total investment securities	8,785	2.26	8,772	2.31	9,275	2.52	9,532	2.12
Short-term federal funds sold and securities purchased under agreements to resell	35	.39	32	.44	23	.48	9	.42
Long-term securities purchased under agreements to resell	1,150	1.51	1,170	1.73	1,200	1.94	1,178	2.01
Interest earning deposits with banks	260	.25	115	.24	117	.26	130	.24
Total interest earning assets	21,027	3.20	20,542	3.25	20,737	3.36	20,729	3.23
Allowance for loan losses	(163)		(165)		(167)		(172)	
Unrealized gain on investment securities	89		60		229		256	
Cash and due from banks	404		384		366		376	
Land, buildings and equipment – net	353		357		359		361	
Other assets	389		374		397		375	
Total assets	$ 22,099		$ 21,552		$ 21,921		$ 21,925	
LIABILITIES AND EQUITY								
Interest bearing deposits:								
Savings	$ 628	.12	$ 631	.14	$ 640	.11	$ 604	.12
Interest checking and money market	9,199	.14	8,964	.15	8,933	.14	9,142	.17
Time open & C.D.'s under $100,000	998	.48	1,021	.54	1,053	.63	1,069	.66
Time open & C.D.'s $100,000 & over	1,287	.46	1,432	.43	1,464	.46	1,337	.52
Total interest bearing deposits	12,112	.20	12,048	.21	12,090	.22	12,152	.25
Borrowings:								
Federal funds purchased and securities sold under agreements to repurchase	1,186	.05	1,248	.05	1,544	.07	1,201	.07
Other borrowings	106	3.27	104	3.27	103	3.23	103	3.19
Total borrowings	1,292	.31	1,352	.30	1,647	.27	1,304	.32
Total interest bearing liabilities	13,404	.22%	13,400	.22%	13,737	.23%	13,456	.25%
Non-interest bearing deposits	6,271		5,873		5,768		5,929	
Other liabilities	210		145		229		366	
Equity	2,214		2,134		2,187		2,174	
Total liabilities and equity	$ 22,099		$ 21,552		$ 21,921		$ 21,925	
Net interest margin (T/E)	$ 162		$ 161		$ 166		$ 157	
Net yield on interest earning assets		3.06%		3.11%		3.21%		3.07%

(A) Includes tax equivalent calculations.

	Year ended December 31, 2012							
	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
(Dollars in millions)	Average Balance	Average Rates Earned/Paid	Average Balance	Average Rates Earned/Paid	Average Balance	Average Rates Earned/Paid	Average Balance	Average Rates Earned/Paid
ASSETS								
Loans:								
Business[(A)]	$ 3,042	3.29%	$ 3,019	3.39%	$ 2,895	3.58%	$ 2,894	3.52%
Real estate – construction and land	346	4.11	340	4.30	360	4.24	380	4.34
Real estate – business	2,200	4.33	2,183	4.39	2,206	4.71	2,185	4.57
Real estate – personal	1,572	4.15	1,523	4.31	1,476	4.46	1,441	4.58
Consumer	1,273	5.35	1,205	5.54	1,135	5.73	1,108	5.93
Revolving home equity	436	4.13	444	4.17	449	4.17	455	4.18
Consumer credit card	749	11.42	730	11.83	713	11.87	731	11.78
Overdrafts	6	—	5	—	6	—	8	—
Total loans	9,624	4.64	9,449	4.76	9,240	4.95	9,202	4.95
Loans held for sale	9	3.74	9	3.86	9	3.91	12	3.48
Investment securities:								
U.S. government & federal agency obligations	341	5.11	329	(.07)	331	7.58	328	2.08
Government-sponsored enterprise obligations	400	1.72	276	1.65	265	2.06	283	2.01
State & municipal obligations[(A)]	1,532	3.67	1,388	3.89	1,323	4.03	1,263	4.17
Mortgage-backed securities	3,448	2.79	3,767	2.62	4,010	2.89	4,191	2.85
Asset-backed securities	3,158	.99	2,879	1.10	2,900	1.13	2,762	1.16
Other marketable securities[(A)]	138	5.35	122	4.50	136	4.92	163	4.11
Trading securities[(A)]	21	2.01	24	2.34	23	2.65	33	2.95
Non-marketable securities[(A)]	119	17.51	117	7.54	123	8.60	117	8.55
Total investment securities	9,157	2.59	8,902	2.29	9,111	2.75	9,140	2.56
Short-term federal funds sold and securities purchased under agreements to resell	10	.46	19	.49	22	.53	14	.50
Long-term securities purchased under agreements to resell	1,022	2.10	848	2.31	850	2.17	850	2.02
Interest earning deposits with banks	209	.25	81	.20	163	.28	88	.25
Total interest earning assets	20,031	3.52	19,308	3.49	19,395	3.75	19,306	3.66
Allowance for loan losses	(174)		(177)		(181)		(184)	
Unrealized gain on investment securities	282		275		243		230	
Cash and due from banks	385		366		358		367	
Land, buildings and equipment – net	359		353		356		361	
Other assets	382		392		378		387	
Total assets	$ 21,265		$ 20,517		$ 20,549		$ 20,467	
LIABILITIES AND EQUITY								
Interest bearing deposits:								
Savings	$ 581	.13	$ 582	.15	$ 584	.12	$ 550	.15
Interest checking and money market	8,638	.19	8,401	.21	8,369	.21	8,312	.24
Time open & C.D.'s under $100,000	1,084	.68	1,101	.70	1,129	.71	1,156	.73
Time open & C.D.'s $100,000 & over	1,030	.65	1,005	.69	1,250	.59	1,444	.53
Total interest bearing deposits	11,333	.28	11,089	.30	11,332	.30	11,462	.32
Borrowings:								
Federal funds purchased and securities sold under agreements to repurchase	1,130	.07	1,217	.07	1,110	.06	1,287	.07
Other borrowings	104	3.25	109	3.11	111	3.16	112	3.26
Total borrowings	1,234	.33	1,326	.32	1,221	.35	1,399	.33
Total interest bearing liabilities	12,567	.28%	12,415	.30%	12,553	.30%	12,861	.32%
Non-interest bearing deposits	6,013		5,536		5,405		5,132	
Other liabilities	399		296		368		276	
Equity	2,286		2,270		2,223		2,198	
Total liabilities and equity	$ 21,265		$ 20,517		$ 20,549		$ 20,467	
Net interest margin (T/E)	$ 168		$ 160		$ 171		$ 166	
Net yield on interest earning assets		3.35%		3.30%		3.55%		3.45%

(A) Includes tax equivalent calculations.

Item 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is set forth on pages 42 through 44 of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Commerce Bancshares, Inc.:

We have audited the accompanying consolidated balance sheets of Commerce Bancshares, Inc. and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Commerce Bancshares, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Kansas City, Missouri
February 24, 2014

Commerce Bancshares, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	December 31	
	2013	2012
	(In thousands)	
ASSETS		
Loans	**$ 10,956,836**	$ 9,831,384
Allowance for loan losses	**(161,532)**	(172,532)
Net loans	**10,795,304**	9,658,852
Loans held for sale	**—**	8,827
Investment securities:		
Available for sale ($687,680,000 and $736,183,000 pledged in 2013 and 2012, respectively, to secure swap and repurchase agreements)	**8,915,680**	9,522,248
Trading	**19,993**	28,837
Non-marketable	**107,324**	118,650
Total investment securities	**9,042,997**	9,669,735
Short-term federal funds sold and securities purchased under agreements to resell	**43,845**	27,595
Long-term securities purchased under agreements to resell	**1,150,000**	1,200,000
Interest earning deposits with banks	**707,249**	179,164
Cash and due from banks	**518,420**	573,066
Land, buildings and equipment – net	**349,654**	357,612
Goodwill	**138,921**	125,585
Other intangible assets – net	**9,268**	5,300
Other assets	**316,378**	353,853
Total assets	**$ 23,072,036**	$ 22,159,589
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	**$ 6,750,674**	$ 6,299,903
Savings, interest checking and money market	**10,108,236**	9,817,943
Time open and C.D.'s of less than $100,000	**983,689**	1,074,618
Time open and C.D.'s of $100,000 and over	**1,204,749**	1,156,189
Total deposits	**19,047,348**	18,348,653
Federal funds purchased and securities sold under agreements to repurchase	**1,346,558**	1,083,550
Other borrowings	**107,310**	103,710
Other liabilities	**356,423**	452,102
Total liabilities	**20,857,639**	19,988,015
Commerce Bancshares, Inc. stockholders' equity:		
Preferred stock, $1 par value Authorized and unissued 2,000,000 shares	**—**	—
Common stock, $5 par value Authorized 100,000,000 shares; issued 96,244,762 and 91,729,235 shares in 2013 and 2012, respectively	**481,224**	458,646
Capital surplus	**1,279,948**	1,102,507
Retained earnings	**449,836**	477,210
Treasury stock of 235,986 and 196,922 shares in 2013 and 2012, respectively, at cost	**(10,097)**	(7,580)
Accumulated other comprehensive income	**9,731**	136,344
Total Commerce Bancshares, Inc. stockholders' equity	**2,210,642**	2,167,127
Non-controlling interest	**3,755**	4,447
Total equity	**2,214,397**	2,171,574
Total liabilities and equity	**$ 23,072,036**	$ 22,159,589

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)	For the Years Ended December 31		
	2013	2012	2011
INTEREST INCOME			
Interest and fees on loans	**$ 439,082**	$ 446,331	$ 463,511
Interest on loans held for sale	**176**	361	1,115
Interest on investment securities	**189,415**	211,682	219,348
Interest on short-term federal funds sold and securities purchased under agreements to resell	**106**	82	55
Interest on long-term securities purchased under agreements to resell	**21,119**	19,174	13,455
Interest on deposits with banks	**387**	339	487
Total interest income	**650,285**	677,969	697,971
INTEREST EXPENSE			
Interest on deposits:			
Savings, interest checking and money market	**14,355**	18,682	25,856
Time open and C.D.'s of less than $100,000	**6,002**	7,918	11,352
Time open and C.D.'s of $100,000 and over	**6,383**	7,174	9,272
Interest on federal funds purchased and securities sold under agreements to repurchase	**809**	808	1,741
Interest on other borrowings	**3,364**	3,481	3,680
Total interest expense	**30,913**	38,063	51,901
Net interest income	**619,372**	639,906	646,070
Provision for loan losses	**20,353**	27,287	51,515
Net interest income after provision for loan losses	**599,019**	612,619	594,555
NON-INTEREST INCOME			
Bank card transaction fees	**166,627**	154,197	157,077
Trust fees	**102,529**	94,679	88,313
Deposit account charges and other fees	**79,017**	79,485	82,651
Capital market fees	**14,133**	21,066	19,846
Consumer brokerage services	**11,006**	10,162	10,018
Loan fees and sales	**5,865**	6,037	7,580
Other	**39,209**	34,004	27,432
Total non-interest income	**418,386**	399,630	392,917
INVESTMENT SECURITIES GAINS (LOSSES), NET			
Change in fair value of other-than-temporary impairment securities	**278**	11,223	2,190
Portion recognized in other comprehensive income	**(1,562)**	(12,713)	(4,727)
Net impairment losses recognized in earnings	**(1,284)**	(1,490)	(2,537)
Realized gains (losses) on sales and fair value adjustments	**(3,141)**	6,318	13,349
Investment securities gains (losses), net	**(4,425)**	4,828	10,812
NON-INTEREST EXPENSE			
Salaries and employee benefits	**366,867**	360,899	345,325
Net occupancy	**45,639**	45,534	46,434
Equipment	**18,425**	20,147	22,252
Supplies and communication	**22,511**	22,321	22,448
Data processing and software	**78,245**	73,798	68,103
Marketing	**14,176**	15,106	16,767
Deposit insurance	**11,167**	10,438	13,123
Debit overdraft litigation	**—**	—	18,300
Other	**72,603**	70,226	64,497
Total non-interest expense	**629,633**	618,469	617,249
Income before income taxes	**383,347**	398,608	381,035
Less income taxes	**122,230**	127,169	121,412
Net income	**261,117**	271,439	259,623
Less non-controlling interest expense	**156**	2,110	3,280
NET INCOME ATTRIBUTABLE TO COMMERCE BANCSHARES, INC.	**$ 260,961**	$ 269,329	$ 256,343
Net income per common share - basic	**$ 2.73**	$ 2.77	$ 2.57
Net income per common share - diluted	**$ 2.72**	$ 2.76	$ 2.56

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	For the Years Ended December 31		
	2013	2012	2011
Net income	**$ 261,117**	$ 271,439	$ 259,623
Other comprehensive income (loss):			
Net unrealized gains on securities for which a portion of an other-than-temporary impairment has been recorded in earnings	**958**	7,566	3,214
Net unrealized gains (losses) on other securities	**(138,960)**	24,126	48,287
Change in pension loss	**11,389**	(5,886)	(4,308)
Other comprehensive income (loss)	**(126,613)**	25,806	47,193
Comprehensive income	**134,504**	297,245	306,816
Less non-controlling interest expense	**156**	2,110	3,280
Comprehensive income attributable to Commerce Bancshares, Inc.	**$ 134,348**	$ 295,135	$ 303,536

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	For the Years Ended December 31		
	2013	2012	2011
OPERATING ACTIVITIES			
Net income	**$ 261,117**	$ 271,439	$ 259,623
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**20,353**	27,287	51,515
Provision for depreciation and amortization	**41,944**	43,448	46,743
Amortization of investment security premiums, net	**30,419**	36,238	18,972
Deferred income tax (benefit) expense	**9,201**	16,234	(2,836)
Investment securities (gains) losses, net	**4,425**	(4,828)	(10,812)
Net gains on sales of loans held for sale	**—**	(376)	(2,040)
Proceeds from sales of loans held for sale	**—**	22,720	87,732
Originations of loans held for sale	**—**	—	(52,995)
Net (increase) decrease in trading securities	**1,358**	(9,645)	2,354
Stock-based compensation	**6,427**	5,001	4,731
(Increase) decrease in interest receivable	**3,234**	3,149	(2,010)
Decrease in interest payable	**(1,569)**	(1,272)	(4,598)
Increase (decrease) in income taxes payable	**(1,663)**	(13,395)	14,519
Net tax benefit related to equity compensation plans	**(1,003)**	(2,094)	(1,065)
Other changes, net	**(13,310)**	(10,794)	(2,472)
Net cash provided by operating activities	**360,933**	383,112	407,361
INVESTING ACTIVITIES			
Cash and cash equivalents received in acquisition	**47,643**	—	—
Proceeds from sales of investment securities	**16,299**	16,875	19,833
Proceeds from maturities/pay downs of investment securities	**2,542,123**	3,080,664	2,562,551
Purchases of investment securities	**(2,411,153)**	(3,182,857)	(4,517,463)
Net (increase) decrease in loans	**(938,223)**	(693,193)	168,983
Long-term securities purchased under agreements to resell	**(125,000)**	(575,000)	(500,000)
Repayments of long-term securities purchased under agreements to resell	**175,000**	225,000	100,000
Purchases of land, buildings and equipment	**(23,841)**	(34,969)	(21,332)
Sales of land, buildings and equipment	**3,492**	2,643	2,593
Net cash used in investing activities	**(713,660)**	(1,160,837)	(2,184,835)
FINANCING ACTIVITIES			
Net increase in non-interest bearing, savings, interest checking and money market deposits	**801,211**	1,777,058	1,981,201
Net decrease in time open and C.D.'s	**(82,013)**	(257,586)	(255,769)
Repayment of long-term securities sold under agreements to repurchase	**(50,000)**	—	—
Net increase (decrease) in short-term federal funds purchased and securities sold under agreements to repurchase	**313,008**	(172,531)	273,254
Repayment of other long-term borrowings	**(1,578)**	(8,107)	(456)
Net increase in short-term borrowings	**2,000**	—	—
Purchases of treasury stock	**(69,353)**	(104,909)	(101,154)
Issuance of stock under stock purchase and equity compensation plans	**10,242**	15,588	15,349
Net tax benefit related to equity compensation plans	**1,003**	2,094	1,065
Cash dividends paid on common stock	**(82,104)**	(211,608)	(79,140)
Net cash provided by financing activities	**842,416**	1,039,999	1,834,350
Increase in cash and cash equivalents	**489,689**	262,274	56,876
Cash and cash equivalents at beginning of year	**779,825**	517,551	460,675
Cash and cash equivalents at end of year	**$ 1,269,514**	$ 779,825	$ 517,551
Income tax payments, net	**$ 114,336**	$ 119,166	$ 106,653
Interest paid on deposits and borrowings	**$ 32,432**	$ 39,335	$ 56,499
Loans transferred to foreclosed real estate	**$ 8,747**	$ 8,167	$ 22,957
Loans transferred from held for sale to held for investment category	**$ 8,941**	$ —	$ —

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Commerce Bancshares, Inc. Shareholders						
(In thousands, except per share data)	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
Balance, December 31, 2010	$ 433,942	$ 971,293	$ 555,778	$ (2,371)	$ 63,345	$ 1,477	$ 2,023,464
Net income			256,343			3,280	259,623
Other comprehensive income					47,193		47,193
Distributions to non-controlling interest						(443)	(443)
Purchase of treasury stock				(101,154)			(101,154)
Cash dividends paid ($.795 per share)			(79,140)				(79,140)
Net tax benefit related to equity compensation plans		1,065					1,065
Stock-based compensation		4,731					4,731
Issuance under stock purchase and equity compensation plans, net	2,539	4,061		8,749			15,349
5% stock dividend, net	9,906	60,915	(157,562)	86,414			(327)
Balance, December 31, 2011	446,387	1,042,065	575,419	(8,362)	110,538	4,314	2,170,361
Net income			269,329			2,110	271,439
Other comprehensive income					25,806		25,806
Distributions to non-controlling interest						(1,977)	(1,977)
Purchase of treasury stock				(104,909)			(104,909)
Cash dividends paid ($2.195 per share)			(211,608)				(211,608)
Net tax benefit related to equity compensation plans		2,094					2,094
Stock-based compensation		5,001					5,001
Issuance under stock purchase and equity compensation plans, net		(16,905)		32,493			15,588
5% stock dividend, net	12,259	70,252	(155,930)	73,198			(221)
Balance, December 31, 2012	458,646	1,102,507	477,210	(7,580)	136,344	4,447	2,171,574
Net income			**260,961**			**156**	**261,117**
Other comprehensive loss					**(126,613)**		**(126,613)**
Acquisition of Summit Bancshares Inc.	**1,001**	**11,125**		**31,071**			**43,197**
Distributions to non-controlling interest						**(848)**	**(848)**
Purchase of treasury stock				**(69,353)**			**(69,353)**
Cash dividends paid ($.857 per share)			**(82,104)**				**(82,104)**
Net tax benefit related to equity compensation plans		**1,003**					**1,003**
Stock-based compensation		**6,427**					**6,427**
Issuance under stock purchase and equity compensation plans, net		**(14,824)**		**25,066**			**10,242**
5% stock dividend, net	**21,577**	**173,710**	**(206,231)**	**10,699**			**(245)**
Balance, December 31, 2013	**$ 481,224**	**$ 1,279,948**	**$ 449,836**	**$ (10,097)**	**$ 9,731**	**$ 3,755**	**$ 2,214,397**

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

Commerce Bancshares, Inc. and its subsidiaries (the Company) conducts its principal activities from approximately 360 locations throughout Missouri, Illinois, Kansas, Oklahoma and Colorado. Principal activities include retail and commercial banking, investment management, securities brokerage, mortgage banking, credit related insurance and private equity investment activities.

Basis of Presentation

The Company follows accounting principles generally accepted in the United States of America (GAAP) and reporting practices applicable to the banking industry. The preparation of financial statements under GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. These estimates are based on information available to management at the time the estimates are made. While the consolidated financial statements reflect management's best estimates and judgments, actual results could differ from those estimates. The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (after elimination of all material intercompany balances and transactions). Certain amounts for prior years have been reclassified to conform to the current year presentation. Such reclassifications had no effect on net income or total assets.

Cash and Cash Equivalents

In the accompanying consolidated statements of cash flows, cash and cash equivalents include "Cash and due from banks", "Short-term federal funds sold and securities purchased under agreements to resell", and "Interest earning deposits with banks" as segregated in the accompanying consolidated balance sheets.

Loans and Related Earnings

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balances, net of undisbursed loan proceeds, the allowance for loan losses, and any deferred fees and costs on originated loans. Origination fee income received on loans and amounts representing the estimated direct costs of origination are deferred and amortized to interest income over the life of the loan using the interest method. Prepayment premium or yield maintenance agreements are generally required on all term commercial loans with fixed rate intervals of 3 years or more.

Interest on loans is accrued based upon the principal amount outstanding. Interest income is recognized primarily on the level yield method. Loan and commitment fees, net of costs, are deferred and recognized in income over the term of the loan or commitment as an adjustment of yield. Annual fees charged on credit card loans are capitalized to principal and amortized over 12 months to loan fees and sales. Other credit card fees, such as cash advance fees and late payment fees, are recognized in income as an adjustment of yield when charged to the cardholder's account.

Non-Accrual Loans

Loans are placed on non-accrual status when management does not expect to collect payments consistent with acceptable and agreed upon terms of repayment. Business, construction real estate, business real estate, and personal real estate loans that are contractually 90 days past due as to principal and/or interest payments are generally placed on non-accrual, unless they are both well-secured and in the process of collection. Consumer, revolving home equity and credit card loans are exempt under regulatory rules from being classified as non-accrual. When a loan is placed on non-accrual status, any interest previously accrued but not collected is reversed against current income, and the loan is charged off to the extent uncollectible. Principal and interest payments received on non-accrual loans are generally applied to principal. Interest is included in income only after all previous loan charge-offs have been recovered and is recorded only as received. The loan is returned to accrual status only when the borrower has brought all past due principal and interest payments current, and, in the opinion of management, the borrower has demonstrated the ability to make future payments of principal and interest as scheduled. A six month history of sustained payment performance is generally required before reinstatement of accrual status.

Restructured Loans

A loan is accounted for as a troubled debt restructuring if the Company, for economic or legal reasons related to the borrowers' financial difficulties, grants a concession to the borrower that it would not otherwise consider. A troubled debt restructuring typically involves (1) modification of terms such as a reduction of the stated interest rate, loan principal, or accrued interest, (2) a loan renewal at a stated interest rate lower than the current market rate for a new loan with similar risk, or (3) debt that was not reaffirmed in bankruptcy. Business, business real estate, construction real estate and personal real estate troubled debt restructurings with impairment charges are placed on non-accrual status. The Company measures the impairment loss of a troubled debt restructuring in the same manner as described below. Troubled debt restructurings which are performing under their contractual terms continue to accrue interest which is recognized in current earnings.

Impaired Loans

Loans are evaluated regularly by management for impairment. Included in impaired loans are all non-accrual loans, as well as loans that have been classified as troubled debt restructurings. Once a loan has been identified as impaired, impairment is measured based on either the present value of the expected future cash flows at the loan's initial effective interest rate or the fair value of the collateral if collateral dependent. Factors considered in determining impairment include delinquency status, cash flow analysis, credit analysis, and collateral value and availability.

Loans Held for Sale

In prior periods, loans held for sale included student loans and certain fixed rate residential mortgage loans. These loans are typically classified as held for sale upon origination based upon management's intent to sell the production of these loans. They are carried at the lower of aggregate cost or fair value. Fair value is determined based on prevailing market prices for loans with similar characteristics, sale contract prices, or, for those portfolios for which management has concerns about contractual performance, discounted cash flow analyses. Declines in fair value below cost (and subsequent recoveries) are recognized in loan fees and sales. Deferred fees and costs related to these loans are not amortized but are recognized as part of the cost basis of the loan at the time it is sold. Gains or losses on sales are recognized upon delivery and included in loan fees and sales.

Allowance/Provision for Loan Losses

The allowance for loan losses is maintained at a level believed to be appropriate by management to provide for probable loan losses inherent in the portfolio as of the balance sheet date, including losses on known or anticipated problem loans as well as for loans which are not currently known to require specific allowances. Management has established a process to determine the amount of the allowance for loan losses which assesses the risks and losses inherent in its portfolio. Business, construction real estate and business real estate loans are normally larger and more complex, and their collection rates are harder to predict. These loans are more likely to be collateral dependent and are allocated a larger reserve, due to their potential volatility. Personal real estate, credit card, consumer and revolving home equity loans are individually smaller and perform in a more homogenous manner, making loss estimates more predictable. Management's process provides an allowance consisting of a specific allowance component based on certain individually evaluated loans and a general component based on estimates of reserves needed for pools of loans.

Loans subject to individual evaluation generally consist of business, construction real estate, business real estate and personal real estate loans on non-accrual status. These impaired loans are evaluated individually for the impairment of repayment potential and collateral adequacy, and in conjunction with current economic conditions and loss experience, allowances are estimated. Other impaired loans identified as performing troubled debt restructurings are collectively evaluated because they have similar risk characteristics. Loans which have not been identified as impaired are segregated by loan type and sub-type and are collectively evaluated. Reserves calculated for these loan pools are estimated using a consistent methodology that considers historical loan loss experience by loan type, delinquencies, current economic factors, loan risk ratings and industry concentrations.

The Company's estimate of the allowance for loan losses and the corresponding provision for loan losses is based on various judgments and assumptions made by management. The amount of the allowance for loan losses is highly dependent on management's estimates affecting valuation, appraisal of collateral, evaluation of performance and status, and the amount and timing of future cash flows expected to be received on impaired loans. Factors that influence these judgments include past loan loss experience, current loan portfolio composition and characteristics, trends in portfolio risk ratings, levels of non-performing assets, prevailing regional and national economic conditions, and the Company's ongoing loan review process.

The estimates, appraisals, evaluations, and cash flows utilized by management may be subject to frequent adjustments due to changing economic prospects of borrowers or properties. These estimates are reviewed periodically and adjustments, if necessary, are recorded in the provision for loan losses in the periods in which they become known.

Loans, or portions of loans, are charged off to the extent deemed uncollectible. Loan charge-offs reduce the allowance for loan losses, and recoveries of loans previously charged off are added back to the allowance. Business, business real estate, construction real estate and personal real estate loans are generally charged down to estimated collectible balances when they are placed on non-accrual status. Consumer loans and related accrued interest are normally charged down to the fair value of related collateral (or are charged off in full if no collateral) once the loans are more than 120 days delinquent. Credit card loans are charged off against the allowance for loan losses when the receivable is more than 180 days past due. The interest and fee income previously capitalized but not collected on credit card charge-offs is reversed against interest income.

Operating, Direct Financing and Sales Type Leases

The net investment in direct financing and sales type leases is included in loans on the Company's consolidated balance sheets and consists of the present values of the sum of the future minimum lease payments and estimated residual value of the leased asset. Revenue consists of interest earned on the net investment and is recognized over the lease term as a constant percentage return thereon. The net investment in operating leases is included in other assets on the Company's consolidated balance sheets. It is carried at cost, less the amount depreciated to date. Depreciation is recognized, on the straight-line basis, over the lease term to the estimated residual value. Operating lease revenue consists of the contractual lease payments and is recognized over the lease term in other non-interest income. Estimated residual values are established at lease inception utilizing contract terms, past customer experience, and general market data and are reviewed and adjusted, if necessary, on an annual basis.

Investments in Debt and Equity Securities

The Company has classified the majority of its investment portfolio as available for sale. From time to time, the Company sells securities and utilizes the proceeds to reduce borrowings, fund loan growth, or modify its interest rate profile. Securities classified as available for sale are carried at fair value. Changes in fair value, excluding certain losses associated with other-than-temporary impairment (OTTI), are reported in other comprehensive income (loss), a component of stockholders' equity. Securities are periodically evaluated for OTTI in accordance with guidance provided in ASC 320-10-35. For securities with OTTI, the entire loss in fair value is required to be recognized in current earnings if the Company intends to sell the securities or believes it likely that it will be required to sell the security before the anticipated recovery. If neither condition is met, but the Company does not expect to recover the amortized cost basis, the Company determines whether a credit loss has occurred, and the loss is then recognized in current earnings. The noncredit-related portion of the overall loss is reported in other comprehensive income (loss). Mortgage and asset-backed securities whose credit ratings are below AA at their purchase date are evaluated for OTTI under ASC 325-40-35, which requires evaluations for OTTI at purchase date and in subsequent periods. Gains and losses realized upon sales of securities are calculated using the specific identification method and are included in Investment securities gains (losses), net, in the consolidated statements of income. Premiums and discounts are amortized to interest income over the estimated lives of the securities. Prepayment experience is continually evaluated to determine the appropriate estimate of the future rate of prepayment. When a change in a bond's estimated remaining life is necessary, a corresponding adjustment is made in the related amortization of premium or discount accretion.

Non-marketable securities include certain private equity investments, consisting of both debt and equity instruments. These securities are carried at fair value in accordance with ASC 946-10-15, with changes in fair value reported in current earnings. In the absence of readily ascertainable market values, fair value is estimated using internally developed models. Changes in fair value and gains and losses from sales are included in Investment securities gains (losses), net in the consolidated statements of income. Other non-marketable securities acquired for debt and regulatory purposes are accounted for at cost.

Trading account securities, which are bought and held principally for the purpose of resale in the near term, are carried at fair value. Gains and losses, both realized and unrealized, are recorded in non-interest income.

Purchases and sales of securities are recognized on a trade date basis. A receivable or payable is recognized for pending transaction settlements.

Securities Purchased under Agreements to Resell and Securities Sold under Agreements to Repurchase

The Company periodically enters into investments of securities under agreements to resell with large financial institutions. These agreements are accounted for as collateralized financing transactions. Securities pledged by the counterparties to secure these agreements are delivered to a third party custodian. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral, or the Company may return collateral pledged when appropriate to maintain full collateralization for these transactions. At December 31, 2013, the Company had entered into $1.2 billion of long-term agreements to resell and had accepted securities valued at $1.2 billion as collateral.

Securities sold under agreements to repurchase are offered to cash management customers as an automated, collateralized investment account and totaled $971.8 million at December 31, 2013. Securities sold are also used by the Bank to obtain additional borrowed funds at favorable rates, and at December 31, 2013, such securities sold totaled $350.0 million of long-term structured repurchase agreements. As of December 31, 2013, the Company had pledged $2.8 billion of available for sale securities as collateral for repurchase agreements.

As permitted by current accounting guidance, the Company offsets certain securities purchased under agreements to resell against securities sold under agreements to repurchase in its balance sheet presentation. These agreements, which are not included in the balance sheet amounts above, are further discussed in Note 19, Balance Sheet Offsetting.

Land, Buildings and Equipment

Land is stated at cost, and buildings and equipment are stated at cost, including capitalized interest when appropriate, less accumulated depreciation. Depreciation is computed using straight-line and accelerated methods. The Company generally assigns depreciable lives of 30 years for buildings, 10 years for building improvements, and 3 to 8 years for equipment. Leasehold improvements are amortized over the shorter of their estimated useful lives or remaining lease terms. Maintenance and repairs are charged to non-interest expense as incurred.

Foreclosed Assets

Foreclosed assets consist of property that has been repossessed and is comprised of commercial and residential real estate and other non-real estate property, including auto and recreational and marine vehicles. The assets are initially recorded at the lower of the loan balance or fair value less estimated selling costs. Initial valuation adjustments are charged to the allowance for loan losses. Fair values are estimated primarily based on appraisals, third-party price opinions, or internally developed pricing models. After initial recognition, fair value estimates are updated periodically, and the assets may be marked down further, reflecting a new cost basis. These valuation adjustments, in addition to gains and losses realized on sales and net operating expenses, are recorded in other non-interest expense.

Intangible Assets

Goodwill and intangible assets that have indefinite useful lives are not amortized but are tested annually for impairment. Intangible assets that have finite useful lives, such as core deposit intangibles and mortgage servicing rights, are amortized over their estimated useful lives. Core deposit intangibles are amortized over periods of 8 to 14 years, representing their estimated lives, using accelerated methods. Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income, considering appropriate prepayment assumptions.

When facts and circumstances indicate potential impairment of amortizable intangible assets, the Company evaluates the recoverability of the asset carrying value, using estimates of undiscounted future cash flows over the remaining asset life. Any impairment loss is measured by the excess of carrying value over fair value. Goodwill impairment tests are performed on an annual basis or when events or circumstances dictate. In these tests, the fair value of each reporting unit, or segment, is compared to the carrying amount of that reporting unit in order to determine if impairment is indicated. If so, the implied fair value of the reporting unit's goodwill is compared to its carrying amount, and the impairment loss is measured by the excess of the carrying value over fair value. There has been no impairment resulting from goodwill impairment tests. However, adverse changes in the economic environment, operations of the reporting unit, or other factors could result in a decline in the implied fair value.

Income Taxes

Amounts provided for income tax expense are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable under tax laws. Deferred income taxes are provided for temporary differences between the financial reporting bases and income tax bases of the Company's assets and liabilities, net operating losses, and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to apply to taxable income when such assets and liabilities are anticipated to be settled or realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as tax expense or benefit in the period that includes the enactment date of the change. In determining the amount of deferred tax assets to recognize in the financial statements, the Company evaluates the likelihood of realizing such benefits in future periods. A valuation allowance is established if it is more likely than not that all or some portion of the deferred tax asset will not be realized. The Company recognizes interest and penalties related to income taxes within income tax expense in the consolidated statements of income.

The Company and its eligible subsidiaries file a consolidated federal income tax return. State and local income tax returns are filed on a combined, consolidated or separate return basis based upon each jurisdiction's laws and regulations.

Derivatives

As required by current accounting guidance, all derivatives are carried at fair value on the balance sheet. Accounting for changes in the fair value of derivatives (gains and losses) differs depending on whether a qualifying hedge relationship has been designated and on the type of hedge relationship. Derivatives used to hedge the exposure to change in the fair value of an asset, liability, or firm commitment attributable to a particular risk are considered fair value hedges. Under the fair value hedging model, gains or losses attributable to the change in fair value of the derivative, as well as gains and losses attributable to the change in fair value of the hedged item, are recognized in current earnings. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Under the cash flow hedging model, the effective portion of the gain or loss related to the derivative is recognized as a component of other comprehensive income and reclassified to earnings in the same period in which the hedged transaction affects earnings. The ineffective portion is recognized in current earnings. For derivatives that are not part of a hedging relationship, any gain or loss is recognized immediately in current earnings.

The Company formally documents all hedging relationships between hedging instruments and the hedged item, as well as its risk management objective. At December 31, 2013, the Company had two interest rate swaps designated as fair value hedges. The Company performs quarterly assessments, using the regression method, to determine whether the hedging relationship has been highly effective in offsetting changes in fair values.

Other derivatives held by the Company do not qualify for hedge accounting, and gains and losses on these derivatives, as mentioned above, are recognized in current earnings. These include interest rate swaps and caps, which are offered to customers to assist in managing their risks of adverse changes in interest rates. Each contract between the Company and a customer is offset by a contract between the Company and an institutional counterparty, thus minimizing the Company's exposure to rate changes. The Company also enters into certain contracts, known as credit risk participation agreements, to buy or sell credit protection on specific interest rate swaps. It also purchases and sells forward foreign exchange contracts, either in connection with customer transactions, or for its own trading purposes. In addition, in previous years the Company's general practice was to sell fixed rate mortgage loans in the secondary market. Both the mortgage loan commitments and the related sales contracts were accounted for as derivatives.

The Company has master netting arrangements with various counterparties but does not offset derivative assets and liabilities under these arrangements in its consolidated balance sheets.

Additional information about derivatives held by the Company and valuation methods employed is provided in Note 16, Fair Value Measurements and Note 18, Derivative Instruments.

Pension Plan

The Company’s pension plan is described in Note 10, Employee Benefit Plans. The funded status of the plan is recognized as an asset or liability in the consolidated balance sheet, and changes in that funded status are recognized in the year in which the changes occur through other comprehensive income. Plan assets and benefit obligations are measured as of fiscal year end. The measurement of the projected benefit obligation and pension expense involve actuarial valuation methods and the use of various actuarial and economic assumptions. The Company monitors the assumptions and updates them periodically. Due to the long-term nature of the pension plan obligation, actual results may differ significantly from estimations. Such differences are adjusted over time as the assumptions are replaced by facts and values are recalculated.

Stock-Based Compensation

The Company’s stock-based employee compensation plan is described in Note 11, Stock-Based Compensation and Directors Stock Purchase Plan. In accordance with the requirements of ASC 718-10-30-3 and 35-2, the Company measures the cost of stock-based compensation based on the grant-date fair value of the award, recognizing the cost over the requisite service period. The fair value of an award is estimated using the Black-Scholes option-pricing model. The expense recognized is based on an estimation of the number of awards for which the requisite service is expected to be rendered and is included in salaries and employee benefits in the accompanying consolidated statements of income.

Treasury Stock

Purchases of the Company’s common stock are recorded at cost. Upon re-issuance for acquisitions, exercises of stock-based awards or other corporate purposes, treasury stock is reduced based upon the average cost basis of shares held.

Income per Share

Basic income per share is computed using the weighted average number of common shares outstanding during each year. Diluted income per share includes the effect of all dilutive potential common shares (primarily stock options and stock appreciation rights) outstanding during each year. The Company applies the two-class method of computing income per share. The two-class method is an earnings allocation formula that determines income per share for common stock and for participating securities, according to dividends declared and participation rights in undistributed earnings. The Company's restricted share awards are considered to be a class of participating security. All per share data has been restated to reflect the 5% stock dividend distributed in December 2013.

2. Acquisition

On September 1, 2013, the Company acquired Summit Bancshares Inc. (Summit). Summit's results of operations are included in the Company's consolidated financial results beginning on that date. The transaction was accounted for using the acquisition method of accounting, and as such, assets acquired, liabilities assumed and consideration exchanged were recorded at their estimated fair value on the acquisition date. In this transaction, the Company acquired all of the outstanding stock of Summit in exchange for shares of Company stock valued at $43.2 million. The valuation of Company stock was determined on the basis of the closing market price of the Company's common shares on August 30, 2013. The Company's acquisition of Summit added $261.6 million in assets (including $207.4 million in loans), $232.3 million in deposits and two branch locations in Tulsa and Oklahoma City, Oklahoma. Intangible assets recognized as a result of the transaction consisted of approximately $13.3 million in goodwill and $5.6 million in core deposit premium. Most of the goodwill was assigned to the Company's Commercial segment. None of the goodwill recognized is deductible for income tax purposes.

The fair value of core deposit premium was estimated by a third party using an after-tax cost savings method. This methodology calculates the present value of the estimated after-tax cost savings attributable to the core deposit base, relative to alternative costs of funds and tax benefit, if applicable, over the expected remaining economic life of the depositors. Based on an estimation of the expected remaining economic life of the depositors, the core deposit premium is being amortized over a 14 year period, using an accelerated method.

Historical pro forma information for the acquisition has not been presented because the effect on the Company's financial statements was not material. Acquired loans with evidence of deterioration in credit quality were not material to the consolidated financial statements of the Company. Accordingly, the provisions of ASC 310-30, which require special accounting for such loans, were not applied.

On September 3, 2013, the Company granted nonvested restricted stock awards of 42,674 shares of Company stock to various former Summit officers, which are included in the activity shown in Note 11 on Stock-Based Compensation. These awards vest over periods of 3 to 4 years and the Company expects to recognize compensation expense of approximately $1.3 million in future periods.

3. Loans and Allowance for Loan Losses

Major classifications within the Company's held to maturity loan portfolio at December 31, 2013 and 2012 are as follows:

(In thousands)	**2013**	2012
Commercial:		
Business	**$ 3,715,319**	$ 3,134,801
Real estate — construction and land	**406,197**	355,996
Real estate — business	**2,313,550**	2,214,975
Personal Banking:		
Real estate — personal	**1,787,626**	1,584,859
Consumer	**1,512,716**	1,289,650
Revolving home equity	**420,589**	437,567
Consumer credit card	**796,228**	804,245
Overdrafts	**4,611**	9,291
Total loans	**$ 10,956,836**	$ 9,831,384

Loans to directors and executive officers of the Parent and its significant subsidiaries, and to their associates, are summarized as follows:

(In thousands)		
Balance at January 1, 2013	$	61,614
Additions		257,690
Amounts collected		(274,981)
Amounts written off		—
Balance, December 31, 2013	$	44,323

Management believes all loans to directors and executive officers have been made in the ordinary course of business with normal credit terms, including interest rate and collateral considerations, and do not represent more than a normal risk of collection. There were no outstanding loans at December 31, 2013 to principal holders (over 10% ownership) of the Company's common stock.

The Company's lending activity is generally centered in Missouri, Illinois, Kansas and other nearby states including Oklahoma, Colorado, Iowa, Ohio, and others. The Company maintains a diversified portfolio with limited industry concentrations of credit risk. Loans and loan commitments are extended under the Company's normal credit standards, controls, and monitoring features. Most loan commitments are short or intermediate term in nature. Commercial loan maturities generally range from three to seven years. Collateral is commonly required and would include such assets as marketable securities and cash equivalent assets, accounts receivable and inventory, equipment, other forms of personal property, and real estate. At December 31, 2013, unfunded loan commitments totaled $8.4 billion (which included $3.8 billion in unused approved lines of credit related to credit card loan agreements) which could be drawn by customers subject to certain review and terms of agreement. At December 31, 2013, loans totaling $3.6 billion were pledged at the FHLB as collateral for borrowings and letters of credit obtained to secure public deposits. Additional loans of $1.4 billion were pledged at the Federal Reserve Bank as collateral for discount window borrowings.

The Company has a net investment in direct financing and sales type leases of $368.8 million and $311.6 million at December 31, 2013 and 2012, respectively, which is included in business loans on the Company's consolidated balance sheets. This investment includes deferred income of $25.1 million and $23.6 million at December 31, 2013 and 2012, respectively. The net investment in operating leases amounted to $24.4 million and $21.1 million at December 31, 2013 and 2012, respectively, and is included in other assets on the Company's consolidated balance sheets.

Allowance for loan losses

A summary of the activity in the allowance for losses during the previous three years follows:

(In thousands)		Commercial		Personal Banking		Total
Balance at December 31, 2010	$	119,946	$	77,592	$	197,538
Provision for loan losses		18,052		33,463		51,515
Deductions:						
Loans charged off		18,818		62,567		81,385
Less recoveries		3,317		13,547		16,864
Net loans charged off		15,501		49,020		64,521
Balance at December 31, 2011		122,497		62,035		184,532
Provision for loan losses		(14,444)		41,731		27,287
Deductions:						
Loans charged off		11,094		52,067		63,161
Less recoveries		8,766		15,108		23,874
Net loans charged off		2,328		36,959		39,287
Balance at December 31, 2012		105,725		66,807		172,532
Provision for loan losses		**(16,143)**		**36,496**		**20,353**
Deductions:						
Loans charged off		**5,170**		**49,029**		**54,199**
Less recoveries		**9,777**		**13,069**		**22,846**
Net loans charged off (recoveries)		**(4,607)**		**35,960**		**31,353**
Balance at December 31, 2013	**$**	**94,189**	**$**	**67,343**	**$**	**161,532**

The following table shows the balance in the allowance for loan losses and the related loan balance at December 31, 2013 and 2012, disaggregated on the basis of impairment methodology. Impaired loans evaluated under ASC 310-10-35 include loans on non-accrual status which are individually evaluated for impairment and other impaired loans deemed to have similar risk characteristics, which are collectively evaluated. All other loans are collectively evaluated for impairment under ASC 450-20.

	Impaired Loans		All Other Loans	
(In thousands)	Allowance for Loan Losses	Loans Outstanding	Allowance for Loan Losses	Loans Outstanding
December 31, 2013				
Commercial	**$ 8,476**	**$ 78,516**	**$ 85,713**	**$ 6,356,550**
Personal Banking	**2,424**	**29,120**	**64,919**	**4,492,650**
Total	**$ 10,900**	**$ 107,636**	**$ 150,632**	**$ 10,849,200**
December 31, 2012				
Commercial	$ 5,434	$ 80,807	$ 100,291	$ 5,624,965
Personal Banking	2,051	36,111	64,756	4,089,501
Total	$ 7,485	$ 116,918	$ 165,047	$ 9,714,466

Impaired loans

The table below shows the Company's investment in impaired loans at December 31, 2013 and 2012. These loans consist of all loans on non-accrual status and other restructured loans whose terms have been modified and classified as troubled debt restructurings under ASC 310-40. These restructured loans are performing in accordance with their modified terms, and because the Company believes it probable that all amounts due under the modified terms of the agreements will be collected, interest on these loans is being recognized on an accrual basis. They are discussed further in the *"Troubled debt restructurings"* section on page 71.

(In thousands)	**2013**	2012
Non-accrual loans	**$ 48,814**	$ 51,410
Restructured loans (accruing)	**58,822**	65,508
Total impaired loans	**$ 107,636**	$ 116,918

The following table provides additional information about impaired loans held by the Company at December 31, 2013 and 2012, segregated between loans for which an allowance for credit losses has been provided and loans for which no allowance has been provided.

(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
December 31, 2013			
With no related allowance recorded:			
Business	**$ 7,969**	**$ 9,000**	$ —
Real estate – construction and land	**8,766**	**16,067**	—
Real estate – business	**4,089**	**6,417**	—
Revolving home equity	**2,191**	**2,741**	—
	$ 23,015	**$ 34,225**	**$ —**
With an allowance recorded:			
Business	**$ 19,266**	**$ 22,597**	**$ 3,037**
Real estate – construction and land	**17,632**	**19,708**	**2,174**
Real estate – business	**20,794**	**29,287**	**3,265**
Real estate – personal	**10,425**	**13,576**	**1,361**
Consumer	**4,025**	**4,025**	**85**
Revolving home equity	**666**	**666**	**2**
Consumer credit card	**11,813**	**11,813**	**976**
	$ 84,621	**$ 101,672**	**$ 10,900**
Total	**$ 107,636**	**$ 135,897**	**$ 10,900**
December 31, 2012			
With no related allowance recorded:			
Business	$ 9,964	$ 12,697	$ —
Real estate – construction and land	8,440	15,102	—
Real estate – business	5,484	8,200	—
Real estate – personal	1,166	1,380	—
Revolving home equity	510	843	—
	$ 25,564	$ 38,222	$ —
With an allowance recorded:			
Business	$ 19,358	$ 22,513	$ 1,888
Real estate – construction and land	20,446	25,808	1,762
Real estate – business	17,115	23,888	1,784
Real estate – personal	14,157	17,304	857
Consumer	4,779	4,779	93
Revolving home equity	779	779	18
Consumer credit card	14,720	14,720	1,083
	$ 91,354	$ 109,791	$ 7,485
Total	$ 116,918	$ 148,013	$ 7,485

Total average impaired loans during 2013 and 2012 are shown in the table below.

	2013			2012		
(In thousands)	Commercial	Personal Banking	Total	Commercial	Personal Banking	Total
Average impaired loans:						
Non-accrual loans	**$ 35,900**	**$ 5,329**	**$ 41,229**	$ 55,994	$ 7,343	$ 63,337
Restructured loans (accruing)	**40,251**	**24,134**	**64,385**	43,181	22,520	65,701
Total	**$ 76,151**	**$ 29,463**	**$ 105,614**	$ 99,175	$ 29,863	$ 129,038

The table below shows interest income recognized during the years ended December 31, 2013, 2012 and 2011 for impaired loans held at the end of each respective period. This interest relates to accruing restructured loans, as discussed previously.

	For the Year Ended December 31		
(In thousands)	**2013**	2012	2011
Interest income recognized on impaired loans:			
Business	**$ 509**	$ 1,184	$ 284
Real estate – construction and land	**758**	655	947
Real estate – business	**215**	246	327
Real estate – personal	**263**	376	37
Consumer	**346**	415	—
Revolving home equity	**36**	37	—
Consumer credit card	**1,116**	1,341	2,016
Total	**$ 3,243**	$ 4,254	$ 3,611

Delinquent and non-accrual loans

The following table provides aging information on the Company's past due and accruing loans, in addition to the balances of loans on non-accrual status, at December 31, 2013 and 2012.

(In thousands)	Current or Less Than 30 Days Past Due	30 – 89 Days Past Due	90 Days Past Due and Still Accruing	Non-accrual	Total
December 31, 2013					
Commercial:					
Business	**$ 3,697,589**	**$ 5,467**	**$ 671**	**$ 11,592**	**$ 3,715,319**
Real estate – construction and land	**386,423**	**9,601**	**—**	**10,173**	**406,197**
Real estate – business	**2,292,385**	**1,340**	**47**	**19,778**	**2,313,550**
Personal Banking:					
Real estate – personal	**1,771,231**	**9,755**	**1,560**	**5,080**	**1,787,626**
Consumer	**1,492,960**	**17,482**	**2,274**	**—**	**1,512,716**
Revolving home equity	**416,614**	**1,082**	**702**	**2,191**	**420,589**
Consumer credit card	**777,564**	**9,952**	**8,712**	**—**	**796,228**
Overdrafts	**4,315**	**296**	**—**	**—**	**4,611**
Total	**$ 10,839,081**	**$ 54,975**	**$ 13,966**	**$ 48,814**	**$ 10,956,836**
December 31, 2012					
Commercial:					
Business	$ 3,110,403	$ 10,054	$ 1,288	$ 13,056	$ 3,134,801
Real estate – construction and land	325,541	16,721	56	13,678	355,996
Real estate – business	2,194,395	3,276	—	17,304	2,214,975
Personal Banking:					
Real estate – personal	1,564,281	10,862	2,854	6,862	1,584,859
Consumer	1,273,581	13,926	2,143	—	1,289,650
Revolving home equity	433,437	2,121	1,499	510	437,567
Consumer credit card	786,081	10,657	7,507	—	804,245
Overdrafts	8,925	366	—	—	9,291
Total	$ 9,696,644	$ 67,983	$ 15,347	$ 51,410	$ 9,831,384

Credit quality

The following table provides information about the credit quality of the Commercial loan portfolio, using the Company's internal rating system as an indicator. The internal rating system is a series of grades reflecting management's risk assessment, based on its analysis of the borrower's financial condition. The "pass" category consists of a range of loan grades that reflect increasing, though still acceptable, risk. Movement of risk through the various grade levels in the "pass" category is monitored for early identification of credit deterioration. The "special mention" rating is attached to loans where the borrower exhibits material negative financial trends due to borrower specific or systemic conditions that, if left uncorrected, threaten its capacity to meet its debt obligations. The borrower is believed to have sufficient financial flexibility to react to and resolve its negative financial situation. It is a transitional grade that is closely monitored for improvement or deterioration. The "substandard" rating is applied to loans where the borrower exhibits well-defined weaknesses that jeopardize its continued performance and are of a severity that the distinct possibility of default exists. Loans are placed on "non-accrual" when management does not expect to collect payments consistent with acceptable and agreed upon terms of repayment, as discussed in Note 1.

(In thousands)	Commercial Loans			
	Business	Real Estate - Construction	Real Estate - Business	Total
December 31, 2013				
Pass	**$ 3,618,120**	**$ 372,515**	**$ 2,190,344**	**$ 6,180,979**
Special mention	**61,916**	**1,697**	**53,079**	**116,692**
Substandard	**23,691**	**21,812**	**50,349**	**95,852**
Non-accrual	**11,592**	**10,173**	**19,778**	**41,543**
Total	**$ 3,715,319**	**$ 406,197**	**$ 2,313,550**	**$ 6,435,066**
December 31, 2012				
Pass	$ 3,018,062	$ 297,156	$ 2,103,913	$ 5,419,131
Special mention	58,793	11,400	38,396	108,589
Substandard	44,890	33,762	55,362	134,014
Non-accrual	13,056	13,678	17,304	44,038
Total	$ 3,134,801	$ 355,996	$ 2,214,975	$ 5,705,772

The credit quality of Personal Banking loans is monitored primarily on the basis of aging/delinquency, and this information is provided in the table in the above section on *"Delinquency and non-accrual loans"*. In addition, FICO scores are obtained and updated on a quarterly basis for most of the loans in the Personal Banking portfolio. This is a published credit score designed to measure the risk of default by taking into account various factors from a person's financial history. The bank normally obtains a FICO score at the loan's origination and renewal dates, and updates are obtained on a quarterly basis. Excluded from the table below are certain loans for which FICO scores are not obtained because the loans are related to commercial activity. At December 31, 2013, these were comprised of $244.3 million in personal real estate loans and $47.5 million in consumer loans, or 6.5% of the Personal Banking portfolio. At December 31, 2012, these were comprised of $224.5 million in personal real estate loans and $87.4 million in consumer loans, or 7.6% of the Personal Banking portfolio. For the remainder of loans in the Personal Banking portfolio, the table below shows the percentage of balances outstanding at December 31, 2013 and 2012 by FICO score.

	Personal Banking Loans			
	% of Loan Category			
	Real Estate - Personal	Consumer	Revolving Home Equity	Consumer Credit Card
December 31, 2013				
FICO score:				
Under 600	**1.7%**	**5.4%**	**2.1%**	**4.1%**
600 – 659	**3.3**	**10.1**	**7.3**	**11.7**
660 – 719	**10.3**	**23.4**	**15.0**	**32.9**
720 – 779	**25.8**	**28.3**	**28.5**	**27.9**
780 and over	**58.9**	**32.8**	**47.1**	**23.4**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**
December 31, 2012				
FICO score:				
Under 600	2.3 %	6.7 %	2.6 %	4.4 %
600 – 659	3.2	11.3	5.3	11.7
660 – 719	10.4	24.4	15.2	32.1
720 – 779	26.6	26.4	30.0	28.2
780 and over	57.5	31.2	46.9	23.6
Total	100.0 %	100.0 %	100.0 %	100.0 %

Troubled debt restructurings

As mentioned previously, the Company's impaired loans include loans which have been classified as troubled debt restructurings. Total restructured loans amounted to $83.2 million at December 31, 2013. Restructured loans are those extended to borrowers who are experiencing financial difficulty and who have been granted a concession. Restructured loans are placed on non-accrual status if the Company does not believe it probable that amounts due under the contractual terms will be collected, and those non-

accrual loans totaled $24.4 million at December 31, 2013. Other performing restructured loans totaled $58.8 million at December 31, 2013. These are partly comprised of certain business, construction and business real estate loans classified as substandard. Upon maturity, the loans renewed at interest rates judged not to be market rates for new debt with similar risk and as a result were classified as troubled debt restructurings. These commercial loans totaled $38.2 million and $40.3 million at December 31, 2013 and 2012, respectively. These restructured loans are performing in accordance with their modified terms, and because the Company believes it probable that all amounts due under the modified terms of the agreements will be collected, interest on these loans is being recognized on an accrual basis. Troubled debt restructurings also include certain credit card loans under various debt management and assistance programs, which totaled $11.8 million at December 31, 2013 and $14.7 million at December 31, 2012. Modifications to credit card loans generally involve removing the available line of credit, placing loans on amortizing status, and lowering the contractual interest rate. The Company also classifies certain loans as troubled debt restructurings because they were not reaffirmed by the borrower in bankruptcy proceedings. These loans, which are comprised of personal real estate, revolving home equity and consumer loans, totaled $8.8 million and $10.4 million at December 31, 2013 and 2012, respectively. Interest on these loans is being recognized on an accrual basis, as the borrowers are continuing to make payments.

The table below shows the outstanding balance of loans classified as troubled debt restructurings at December 31, 2013, in addition to the period end balances of restructured loans which the Company considers to have been in default at any time during the past twelve months. For purposes of this disclosure, the Company considers "default" to mean 90 days or more past due as to interest or principal.

(In thousands)	December 31, 2013	Balance 90 days past due at any time during previous 12 months
Commercial:		
Business	$ 23,612	$ 7,969
Real estate – construction and land	25,640	4,268
Real estate – business	10,629	3,126
Personal Banking:		
Real estate – personal	6,821	60
Consumer	4,025	138
Revolving home equity	666	—
Consumer credit card	11,813	870
Total restructured loans	$ 83,206	$ 16,431

For those loans on non-accrual status also classified as restructured, the modification did not create any further financial effect on the Company as those loans were already recorded at net realizable value. For those performing commercial loans classified as restructured, there were no concessions involving forgiveness of principal or interest and, therefore, there was no financial impact to the Company as a result of modification to these loans. No financial impact resulted from those performing loans where the debt was not reaffirmed in bankruptcy, as no changes to loan terms occurred in that process . However, the effects of modifications to consumer credit card loans were estimated to decrease interest income by approximately $1.3 million on an annual, pre-tax basis, compared to amounts contractually owed.

The allowance for loan losses related to troubled debt restructurings on non-accrual status is determined by individual evaluation, including collateral adequacy, using the same process as loans on non-accrual status which are not classified as troubled debt restructurings. Those performing loans classified as troubled debt restructurings are accruing loans which management expects to collect under contractual terms. Performing commercial loans have had no other concessions granted other than being renewed at an interest rate judged not to be market. As such, they have similar risk characteristics as non-troubled debt commercial loans and are collectively evaluated based on internal risk rating, loan type, delinquency, historical experience and current economic factors. Performing personal banking loans classified as troubled debt restructurings resulted from the borrower not reaffirming the debt during bankruptcy and have had no other concession granted, other than the Bank's future limitations on collecting payment deficiencies or in pursuing foreclosure actions. As such, they have similar risk characteristics as non-troubled debt personal banking loans and are evaluated collectively based on loan type, delinquency, historical experience and current economic factors.

If a troubled debt restructuring defaults and is already on non-accrual status, the allowance for loan losses continues to be based on individual evaluation, using discounted expected cash flows or the fair value of collateral. If an accruing, troubled debt restructuring defaults, the loan's risk rating is downgraded to non-accrual status and the loan's related allowance for loan losses is determined based on individual evaluation, or if necessary, the loan is charged off and collection efforts begin.

The Company had commitments of $11.2 million at December 31, 2013 to lend additional funds to borrowers with restructured loans.

The Company's holdings of foreclosed real estate totaled $6.6 million and $13.5 million at December 31, 2013 and 2012, respectively. Personal property acquired in repossession, generally autos and marine and recreational vehicles, totaled $2.8 million and $3.5 million at December 31, 2013 and 2012, respectively. These assets are carried at the lower of the amount recorded at acquisition date or the current fair value less estimated selling costs.

4. Investment Securities

Investment securities, at fair value, consisted of the following at December 31, 2013 and 2012.

(In thousands)	**2013**	2012
Available for sale:		
U.S. government and federal agency obligations	**$ 505,696**	$ 438,759
Government-sponsored enterprise obligations	**741,766**	471,574
State and municipal obligations	**1,619,171**	1,615,707
Agency mortgage-backed securities	**2,772,338**	3,380,955
Non-agency mortgage-backed securities	**246,983**	237,011
Asset-backed securities	**2,844,071**	3,167,394
Other debt securities	**141,757**	177,752
Equity securities	**43,898**	33,096
Total available for sale	**8,915,680**	9,522,248
Trading	**19,993**	28,837
Non-marketable	**107,324**	118,650
Total investment securities	**$ 9,042,997**	$ 9,669,735

Most of the Company's investment securities are classified as available for sale, and this portfolio is discussed in more detail below. Securities which are classified as non-marketable include Federal Home Loan Bank (FHLB) stock and Federal Reserve Bank stock held for borrowing and regulatory purposes, which totaled $46.5 million and $45.4 million at December 31, 2013 and December 31, 2012, respectively. Investment in Federal Reserve Bank stock is based on the capital structure of the investing bank, and investment in FHLB stock is mainly tied to the level of borrowings from the FHLB. These holdings are carried at cost. Non-marketable securities also include private equity investments, which amounted to $60.7 million and $73.2 million at December 31, 2013 and December 31, 2012, respectively. In the absence of readily ascertainable market values, these securities are carried at estimated fair value.

A summary of the available for sale investment securities by maturity groupings as of December 31, 2013 is shown in the following table. The weighted average yield for each range of maturities was calculated using the yield on each security within that range weighted by the amortized cost of each security at December 31, 2013. Yields on tax exempt securities have not been adjusted for tax exempt status. The investment portfolio includes agency mortgage-backed securities, which are guaranteed by agencies such as FHLMC, FNMA, GNMA and FDIC, in addition to non-agency mortgage-backed securities which have no guarantee, but are collateralized by residential mortgages. Also included are certain other asset-backed securities, primarily collateralized by credit cards, automobiles and commercial loans. The Company does not have exposure to subprime originated mortgage-backed or collateralized debt obligation instruments, and does not hold any trust preferred securities.

(Dollars in thousands)	Amortized Cost	Fair Value	Weighted Average Yield
U.S. government and federal agency obligations:			
After 1 but within 5 years	$ 274,859	$ 293,742	1.71*%
After 5 but within 10 years	150,790	152,277	.51*
After 10 years	72,577	59,677	(.31)*
Total U.S. government and federal agency obligations	498,226	505,696	1.05*
Government-sponsored enterprise obligations:			
Within 1 year	30,159	30,437	1.58
After 1 but within 5 years	446,124	444,504	1.57
After 5 but within 10 years	143,535	132,930	1.59
After 10 years	146,984	133,895	1.97
Total government-sponsored enterprise obligations	766,802	741,766	1.65
State and municipal obligations:			
Within 1 year	141,912	143,357	2.70
After 1 but within 5 years	734,238	756,570	2.64
After 5 but within 10 years	562,959	543,749	2.21
After 10 years	185,086	175,495	1.94
Total state and municipal obligations	1,624,195	1,619,171	2.42
Mortgage and asset-backed securities:			
Agency mortgage-backed securities	2,743,803	2,772,338	2.74
Non-agency mortgage-backed securities	236,595	246,983	4.51
Asset-backed securities	2,847,368	2,844,071	.88
Total mortgage and asset-backed securities	5,827,766	5,863,392	1.90
Other debt securities:			
Within 1 year	7,695	7,719	
After 1 but within 5 years	49,697	50,125	
After 5 but within 10 years	90,189	83,913	
Total other debt securities	147,581	141,757	
Equity securities	9,970	43,898	
Total available for sale investment securities	$ 8,874,540	$ 8,915,680	

** Rate does not reflect inflation adjustment on inflation-protected securities*

Investments in U.S. government securities are comprised mainly of U.S. Treasury inflation-protected securities, which totaled $505.6 million, at fair value, at December 31, 2013. Interest paid on these securities increases with inflation and decreases with deflation, as measured by the Consumer Price Index. At maturity, the principal paid is the greater of an inflation-adjusted principal or the original principal. Included in state and municipal obligations are $127.7 million, at fair value, of auction rate securities, which were purchased from bank customers in 2008. Interest on these bonds is currently being paid at the maximum failed auction rates. Equity securities are primarily comprised of investments in common stock held by the Parent, which totaled $37.2 million, at fair value, at December 31, 2013.

For securities classified as available for sale, the following table shows the unrealized gains and losses (pre-tax) in accumulated other comprehensive income, by security type.

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2013				
U.S. government and federal agency obligations	**$ 498,226**	**$ 20,614**	**$ (13,144)**	**$ 505,696**
Government-sponsored enterprise obligations	**766,802**	**2,245**	**(27,281)**	**741,766**
State and municipal obligations	**1,624,195**	**28,321**	**(33,345)**	**1,619,171**
Mortgage and asset-backed securities:				
Agency mortgage-backed securities	**2,743,803**	**54,659**	**(26,124)**	**2,772,338**
Non-agency mortgage-backed securities	**236,595**	**12,008**	**(1,620)**	**246,983**
Asset-backed securities	**2,847,368**	**6,872**	**(10,169)**	**2,844,071**
Total mortgage and asset-backed securities	**5,827,766**	**73,539**	**(37,913)**	**5,863,392**
Other debt securities	**147,581**	**671**	**(6,495)**	**141,757**
Equity securities	**9,970**	**33,928**	**—**	**43,898**
Total	**$ 8,874,540**	**$ 159,318**	**$ (118,178)**	**$ 8,915,680**
December 31, 2012				
U.S. government and federal agency obligations	$ 399,971	$ 40,395	$ (1,607)	$ 438,759
Government-sponsored enterprise obligations	467,063	5,188	(677)	471,574
State and municipal obligations	1,585,926	46,076	(16,295)	1,615,707
Mortgage and asset-backed securities:				
Agency mortgage-backed securities	3,248,007	132,953	(5)	3,380,955
Non-agency mortgage-backed securities	224,223	12,906	(118)	237,011
Asset-backed securities	3,152,913	15,848	(1,367)	3,167,394
Total mortgage and asset-backed securities	6,625,143	161,707	(1,490)	6,785,360
Other debt securities	174,727	3,127	(102)	177,752
Equity securities	5,695	27,401	—	33,096
Total	$ 9,258,525	$ 283,894	$ (20,171)	$ 9,522,248

The Company's impairment policy requires a review of all securities for which fair value is less than amortized cost. Special emphasis and analysis is placed on securities whose credit rating has fallen below A3 (Moody's) or A- (Standard & Poor's), whose fair values have fallen more than 20% below purchase price for an extended period of time, or have been identified based on management's judgment. These securities are placed on a watch list, and for all such securities, detailed cash flow models are prepared which use inputs specific to each security. Inputs to these models include factors such as cash flow received, contractual payments required, and various other information related to the underlying collateral (including current delinquencies), collateral loss severity rates (including loan to values), expected delinquency rates, credit support from other tranches, and prepayment speeds. Stress tests are performed at varying levels of delinquency rates, prepayment speeds and loss severities in order to gauge probable ranges of credit loss. At December 31, 2013, the fair value of securities on this watch list was $188.8 million compared to $220.7 million at December 31, 2012.

As of December 31, 2013, the Company had recorded OTTI on certain non-agency mortgage-backed securities, part of the watch list mentioned above, which had an aggregate fair value of $70.4 million. The cumulative credit-related portion of the impairment initially recorded on these securities totaled $12.8 million and was recorded in earnings. The Company does not intend to sell these securities and believes it is not likely that it will be required to sell the securities before the recovery of their amortized cost.

The credit-related portion of the loss on these securities was based on the cash flows projected to be received over the estimated life of the securities, discounted to present value, and compared to the current amortized cost bases of the securities. Significant inputs to the cash flow models used to calculate the credit losses on these securities included the following:

Significant Inputs	Range
Prepayment CPR	0% - 25%
Projected cumulative default	16% - 52%
Credit support	0% - 14%
Loss severity	18% - 81%

The following table shows changes in the credit losses recorded in current earnings, for which a portion of an OTTI was recognized in other comprehensive income.

(In thousands)	**2013**	2012	2011
Balance at January 1	**$ 11,306**	$ 9,931	$ 7,542
Credit losses on debt securities for which impairment was not previously recognized	**—**	—	170
Credit losses on debt securities for which impairment was previously recognized	**1,284**	1,490	2,368
Increase in expected cash flows that are recognized over remaining life of security	**(91)**	(115)	(149)
Balance at December 31	**$ 12,499**	$ 11,306	$ 9,931

Securities with unrealized losses recorded in accumulated other comprehensive income are shown in the table below, along with the length of the impairment period. The table includes securities for which a portion of an OTTI has been recognized in other comprehensive income.

	Less than 12 months		12 months or longer		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2013						
U.S. government and federal agency obligations	**$ 96,172**	**$ 243**	**$ 59,677**	**$ 12,901**	**$ 155,849**	**$ 13,144**
Government-sponsored enterprise obligations	**487,317**	**18,155**	**93,654**	**9,126**	**580,971**	**27,281**
State and municipal obligations	**478,818**	**15,520**	**178,150**	**17,825**	**656,968**	**33,345**
Mortgage and asset-backed securities:						
Agency mortgage-backed securities	**717,778**	**26,124**	**—**	**—**	**717,778**	**26,124**
Non-agency mortgage-backed securities	**53,454**	**918**	**22,289**	**702**	**75,743**	**1,620**
Asset-backed securities	**1,088,556**	**9,072**	**58,398**	**1,097**	**1,146,954**	**10,169**
Total mortgage and asset-backed securities	**1,859,788**	**36,114**	**80,687**	**1,799**	**1,940,475**	**37,913**
Other debt securities	**90,028**	**5,604**	**9,034**	**891**	**99,062**	**6,495**
Total	**$ 3,012,123**	**$ 75,636**	**$ 421,202**	**$ 42,542**	**$ 3,433,325**	**$ 118,178**
December 31, 2012						
U.S. government and federal agency obligations	$ 71,464	$ 1,607	$ —	$ —	$ 71,464	$ 1,607
Government-sponsored enterprise obligations	102,082	677	—	—	102,082	677
State and municipal obligations	173,600	2,107	80,530	14,188	254,130	16,295
Mortgage and asset-backed securities:						
Agency mortgage-backed securities	5,874	5	—	—	5,874	5
Non-agency mortgage-backed securities	—	—	12,609	118	12,609	118
Asset-backed securities	338,007	976	78,684	391	416,691	1,367
Total mortgage and asset-backed securities	343,881	981	91,293	509	435,174	1,490
Other debt securities	39,032	102	—	—	39,032	102
Total	$ 730,059	$ 5,474	$ 171,823	$ 14,697	$ 901,882	$ 20,171

The total available for sale portfolio consisted of approximately 1,800 individual securities at December 31, 2013. The portfolio included 507 securities, having an aggregate fair value of $3.4 billion, that were in a loss position at December 31, 2013, compared to 144 securities, with a fair value of $901.9 million, at December 31, 2012. The total amount of unrealized loss on these securities

increased $98.0 million to $118.2 million, mainly due to higher interest rates in the second half of 2013. At December 31, 2013, the fair value of securities in an unrealized loss position for 12 months or longer totaled $421.2 million, or 4.7% of the total portfolio value, and did not include any securities identified as other-than-temporarily impaired.

The Company's holdings of state and municipal obligations included gross unrealized losses of $33.3 million at December 31, 2013. Of these losses, $10.0 million related to auction rate securities and $23.3 million related to other state and municipal obligations. This portfolio, excluding auction rate securities, totaled $1.5 billion at fair value, or 16.7% of total available for sale securities. The Company does not have exposure to obligations of municipalities which have filed for Chapter 9 bankruptcy. The Company has processes and procedures in place to monitor its holdings, identify signs of financial distress and, if necessary, exit its positions in a timely manner. The portfolio is diversified in order to reduce risk, and information about the top five largest holdings, by state and economic sector, is shown in the following table.

	% of Portfolio	Average Life (in years)	Average Rating (Moody's)
At December 31, 2013			
Texas	9.9%	4.1	Aa1
Florida	9.3	4.6	Aa3
Ohio	6.0	4.9	Aa2
New York	5.5	6.3	Aa2
Washington	5.4	5.0	Aa2
General obligation	30.6%	4.6	Aa2
Lease	16.2	4.6	Aa2
Housing	15.4	4.4	Aa1
Transportation	13.9	4.2	A1
Limited tax	5.6	5.4	Aa1

The credit ratings (Moody's rating or equivalent) at December 31, 2013 in the state and municipal bond portfolio (excluding auction rate securities) are shown in the following table. The average credit quality of the portfolio is Aa2 as rated by Moody's.

	% of Portfolio
Aaa	11.3%
Aa	67.5
A	19.1
Baa	1.3
Not rated	.8
	100.0%

The following table presents proceeds from sales of securities and the components of investment securities gains and losses which have been recognized in earnings.

(In thousands)	**2013**	2012	2011
Proceeds from sales of available for sale securities	**$ 7,076**	$ 5,231	$ 11,202
Proceeds from sales of non-marketable securities	**9,223**	11,644	8,631
Total proceeds	**$ 16,299**	$ 16,875	$ 19,833
Available for sale:			
Gains realized on sales	**$ 126**	$ 358	$ 177
Gain realized on donation	**1,375**	—	—
Other-than-temporary impairment recognized on debt securities	**(1,284)**	(1,490)	(2,537)
Non-marketable:			
Gains realized on sales	**1,808**	1,655	2,388
Losses realized on sales	**(2,979)**	(200)	—
Fair value adjustments, net	**(3,471)**	4,505	10,784
Investment securities gains (losses), net	**$ (4,425)**	$ 4,828	$ 10,812

Investment securities with a fair value of $5.0 billion and $4.3 billion were pledged at December 31, 2013 and 2012, respectively, to secure public deposits, securities sold under repurchase agreements, trust funds, and borrowings at the Federal Reserve Bank. Securities pledged under agreements pursuant to which the collateral may be sold or re-pledged by the secured parties approximated $687.7 million, while the remaining securities were pledged under agreements pursuant to which the secured parties may not sell or re-pledge the collateral. Except for obligations of various government-sponsored enterprises such as FNMA, FHLB and FHLMC, no investment in a single issuer exceeds 10% of stockholders' equity.

5. Land, Buildings and Equipment

Land, buildings and equipment consist of the following at December 31, 2013 and 2012:

(In thousands)	**2013**	2012
Land	**$ 106,005**	$ 107,540
Buildings and improvements	**529,842**	523,662
Equipment	**227,467**	229,370
Total	**863,314**	860,572
Less accumulated depreciation and amortization	**513,660**	502,960
Net land, buildings and equipment	**$ 349,654**	$ 357,612

Depreciation expense of $30.7 million, $32.2 million and $34.5 million for 2013, 2012 and 2011, respectively, was included in occupancy expense and equipment expense in the consolidated income statements. Repairs and maintenance expense of $16.8 million, $17.3 million and $17.7 million for 2013, 2012 and 2011, respectively, was included in occupancy expense and equipment expense. There has been no interest expense capitalized on construction projects in the past three years.

6. Goodwill and Other Intangible Assets

The following table presents information about the Company's intangible assets which have estimable useful lives.

	December 31, 2013				December 31, 2012			
(In thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Valuation Allowance**	**Net Amount**	Gross Carrying Amount	Accumulated Amortization	Valuation Allowance	Net Amount
Amortizable intangible assets:								
Core deposit premium	**$ 31,270**	**$ (22,781)**	**$ —**	**$ 8,489**	$ 25,720	$ (20,892)	$ —	$ 4,828
Mortgage servicing rights	**3,430**	**(2,567)**	**(84)**	**779**	3,132	(2,267)	(393)	472
Total	**$ 34,700**	**$ (25,348)**	**$ (84)**	**$ 9,268**	$ 28,852	$ (23,159)	$ (393)	$ 5,300

As discussed in Note 2 on Acquisition, the Company acquired Summit Bancshares, Inc. on September 1, 2013. As a result of the acquisition, goodwill of $13.3 million and a core deposit intangible asset of $5.6 million were recorded. Based on an estimation of the expected remaining economic life of the depositors, the core deposit premium is being amortized over a 14 year period using an accelerated method.

The carrying amount of goodwill and its allocation among segments at December 31, 2013 and 2012 is shown in the table below. As a result of ongoing assessments, no impairment of goodwill was recorded in 2013, 2012 or 2011. Further, the regular annual review on January 1, 2014 revealed no impairment as of that date.

(In thousands)	**December 31, 2013**	December 31, 2012
Consumer segment	**$ 70,721**	$ 67,765
Commercial segment	**67,454**	57,074
Wealth segment	**746**	746
Total goodwill	**$ 138,921**	$ 125,585

Changes in the net carrying amount of goodwill and other net intangible assets for the years ended December 31, 2013 and 2012 are shown in the following table.

(In thousands)	Goodwill	Core Deposit Premium	Mortgage Servicing Rights
Balance at December 31, 2011	$ 125,585	$ 6,970	$ 744
Originations	—	—	35
Amortization	—	(2,142)	(341)
Impairment reversal	—	—	34
Balance at December 31, 2012	125,585	4,828	472
Summit acquisition	**13,336**	**5,550**	**—**
Originations	**—**	**—**	**298**
Amortization	**—**	**(1,889)**	**(300)**
Impairment reversal	**—**	**—**	**309**
Balance at December 31, 2013	**$ 138,921**	**$ 8,489**	**$ 779**

Mortgage servicing rights (MSRs) are initially recorded at fair value and subsequently amortized over the period of estimated servicing income. They are periodically reviewed for impairment and if impairment is indicated, recorded at fair value. At December 31, 2013, temporary impairment of $84 thousand had been recognized. Temporary impairment, including impairment recovery, is effected through a change in a valuation allowance. The fair value of the MSRs is based on the present value of expected future cash flows, as further discussed in Note 16 on Fair Value Measurements.

Aggregate amortization expense on intangible assets for the years ended December 31, 2013, 2012 and 2011 was $2.2 million, $2.5 million and $3.0 million, respectively. The following table shows the estimated future amortization expense based on existing asset balances and the interest rate environment as of December 31, 2013. The Company's actual amortization expense in any given period may be different from the estimated amounts depending upon the acquisition of intangible assets, changes in mortgage interest rates, prepayment rates and other market conditions.

(In thousands)	
2014	$ 1,999
2015	1,609
2016	1,246
2017	921
2018	688

7. Deposits

At December 31, 2013, the scheduled maturities of total time open and certificates of deposit were as follows:

(In thousands)	
Due in 2014	$ 1,740,247
Due in 2015	235,401
Due in 2016	126,623
Due in 2017	35,402
Due in 2018	48,998
Thereafter	1,767
Total	**$ 2,188,438**

The following table shows a detailed breakdown of the maturities of time open and certificates of deposit, by size category, at December 31, 2013.

(In thousands)	Certificates of Deposit under $100,000	Other Time Deposits under $100,000	Certificates of Deposit over $100,000	Other Time Deposits over $100,000	Total
Due in 3 months or less	$ 159,550	$ 33,313	$ 314,206	$ 19,086	$ 526,155
Due in over 3 through 6 months	179,266	38,196	249,528	32,052	499,042
Due in over 6 through 12 months	308,582	55,173	280,247	71,048	715,050
Due in over 12 months	135,935	73,674	221,906	16,676	448,191
Total	**$ 783,333**	**$ 200,356**	**$ 1,065,887**	**$ 138,862**	**$ 2,188,438**

Regulations of the Federal Reserve System require cash balances to be maintained at the Federal Reserve Bank, based on certain deposit levels. The minimum reserve requirement for the Bank at December 31, 2013 totaled $49.2 million.

8. Borrowings

The following table sets forth selected information for short-term borrowings (borrowings with an original maturity of less than one year).

(Dollars in thousands)	Year End Weighted Rate	Average Weighted Rate	Average Balance Outstanding	Maximum Outstanding at any Month End	Balance at December 31
Federal funds purchased and repurchase agreements:					
2013	**.1%**	**.1%**	**$ 914,554**	**$ 1,479,849**	**$ 996,558**
2012	.1	.1	785,978	1,149,156	683,550
2011	.1	.1	635,009	1,002,092	856,081

Short-term borrowings consist primarily of federal funds purchased and securities sold under agreements to repurchase (repurchase agreements), which generally mature within 90 days. Short-term repurchase agreements at December 31, 2013 were comprised of non-insured customer funds totaling $971.8 million, which were secured by a portion of the Company's investment portfolio.

Long-term borrowings of the Company consisted of the following at December 31, 2013:

(Dollars in thousands)	Borrower	Maturity Date	Year End Weighted Rate	Year End Balance
FHLB advances	Subsidiary bank	2014	4.8 %	$ 1,178
		2015-17	3.5	104,132
Structured repurchase agreements	Subsidiary bank	2014	.0	350,000
Total				**$ 455,310**

The Bank is a member of the Des Moines FHLB and has access to term financing from the FHLB. These borrowings are secured under a blanket collateral agreement including primarily residential mortgages as well as all unencumbered assets and stock of the borrowing bank. Total outstanding advances at December 31, 2013 were $105.3 million. All of the outstanding advances have fixed interest rates and contain prepayment penalties. The FHLB has also issued letters of credit, totaling $353.0 million at December 31, 2013, to secure the Company's obligations to certain depositors of public funds.

Structured repurchase agreements totaled $350.0 million at December 31, 2013. These borrowings have floating interest rates based upon various published constant maturity swap (CMS) rates and will mature in 2014. They are secured by agency mortgage-backed and U.S. government securities in the Company's investment portfolio, which totaled $366.5 million at December 31, 2013. As of year end, these agreements did not bear interest because of low CMS rates.

9. Income Taxes

The components of income tax expense from operations for the years ended December 31, 2013, 2012 and 2011 were as follows:

(In thousands)	Current	Deferred	Total
Year ended December 31, 2013:			
U.S. federal	**$ 102,191**	**$ 7,984**	**$ 110,175**
State and local	**10,838**	**1,217**	**12,055**
Total	**$ 113,029**	**$ 9,201**	**$ 122,230**
Year ended December 31, 2012:			
U.S. federal	$ 100,210	$ 15,125	$ 115,335
State and local	10,725	1,109	11,834
Total	$ 110,935	$ 16,234	$ 127,169
Year ended December 31, 2011:			
U.S. federal	$ 113,920	$ (2,720)	$ 111,200
State and local	10,328	(116)	10,212
Total	$ 124,248	$ (2,836)	$ 121,412

The components of income tax (benefit) expense recorded directly to stockholders' equity for the years ended December 31, 2013, 2012 and 2011 were as follows:

(In thousands)	**2013**	2012	2011
Unrealized gain (loss) on securities available for sale	**$ (84,582)**	$ 19,425	$ 31,565
Accumulated pension (benefit) loss	**6,981**	(3,608)	(2,641)
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	**(1,003)**	(2,094)	(1,065)
Income tax (benefit) expense allocated to stockholders' equity	**$ (78,604)**	$ 13,723	$ 27,859

Significant components of the Company's deferred tax assets and liabilities at December 31, 2013 and 2012 were as follows:

(In thousands)	**2013**	2012
Deferred tax assets:		
Loans, principally due to allowance for loan losses	**$ 70,154**	$ 75,710
Accrued expenses	**15,740**	15,528
Equity-based compensation	**12,407**	12,469
Deferred compensation	**6,980**	6,280
Pension	**728**	7,840
Other	**14,740**	11,799
Total deferred tax assets	**120,749**	129,626
Deferred tax liabilities:		
Equipment lease financing	**64,320**	54,980
Unrealized gain on securities available for sale	**15,633**	100,215
Land, buildings and equipment	**14,757**	16,433
Intangibles	**7,282**	4,867
Accretion on investment securities	**5,972**	6,613
Other	**7,325**	8,399
Total deferred tax liabilities	**115,289**	191,507
Net deferred tax assets (liabilities)	**$ 5,460**	$ (61,881)

The Company acquired a federal net operating loss (NOL) carryforward of approximately $4.3 million in connection with a 2003 acquisition. At December 31, 2013, the NOL had been fully utilized. Management believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize the total deferred tax assets.

A reconciliation between the expected federal income tax expense using the federal statutory tax rate of 35% and the Company's actual income tax expense for 2013, 2012 and 2011 is provided in the table below. The effective tax rate is calculated by dividing income taxes by income before income taxes less the non-controlling interest expense.

(In thousands)	**2013**	2012	2011
Computed "expected" tax expense	**$ 134,117**	$ 138,774	$ 132,214
Increase (decrease) in income taxes resulting from:			
Tax-exempt interest, net of cost to carry	**(16,612)**	(15,516)	(14,815)
State and local income taxes, net of federal tax benefit	**7,836**	7,692	6,638
Tax deductible dividends on allocated shares held by the Company's ESOP	**(1,116)**	(2,991)	(1,058)
Other	**(1,995)**	(790)	(1,567)
Total income tax expense	**$ 122,230**	$ 127,169	$ 121,412

It is the Company's policy to recognize interest and penalties related to income tax matters in income tax expense. The Company recorded tax benefits related to interest and penalties of $5 thousand, $81 thousand and $1 thousand in 2013, 2012 and 2011, respectively. At December 31, 2013 and 2012, liabilities for interest and penalties were $172 thousand and $176 thousand, respectively.

As of December 31, 2013 and 2012, the gross amount of unrecognized tax benefits was $1.4 million and $1.6 million, respectively, and the total amount of unrecognized tax benefits that would impact the effective tax rate, if recognized, was $1.0 million and $1.1 million, respectively.

The Company and its subsidiaries are subject to income tax by federal, state and local government taxing authorities. Tax years 2010 through 2013 remain open to examination for U.S. federal income tax. Tax years 2009 through 2013 remain open to examination in major state taxing jurisdictions.

The activity in the accrued liability for unrecognized tax benefits for the years ended December 31, 2013 and 2012 was as follows:

(In thousands)	**2013**	2012
Unrecognized tax benefits at beginning of year	**$ 1,581**	$ 1,584
Gross increases – tax positions in prior period	**70**	417
Gross decreases – tax positions in prior period	**(2)**	(25)
Gross increases – current-period tax positions	**282**	219
Lapse of statute of limitations	**(503)**	(614)
Unrecognized tax benefits at end of year	**$ 1,428**	$ 1,581

10. Employee Benefit Plans

Employee benefits charged to operating expenses are summarized in the table below. Substantially all of the Company's employees are covered by a defined contribution (401(k)) plan, under which the Company makes matching contributions.

(In thousands)	**2013**	2012	2011
Payroll taxes	**$ 21,705**	$ 21,247	$ 20,703
Medical plans	**18,393**	19,861	16,350
401(k) plan	**12,465**	12,613	11,728
Pension plans	**1,627**	2,441	994
Other	**2,498**	2,062	2,232
Total employee benefits	**$ 56,688**	$ 58,224	$ 52,007

A portion of the Company's employees are covered by a noncontributory defined benefit pension plan, however, participation in the pension plan is not available to employees hired after June 30, 2003. All participants are fully vested in their benefit payable upon normal retirement date, which is based on years of participation and compensation. Certain key executives also participate in a supplemental executive retirement plan (the CERP) that the Company funds only as retirement benefits are disbursed. The CERP carries no segregated assets. Since January 2011, all benefits accrued under the pension plan have been frozen. However, the accounts continue to accrue interest at a stated annual rate. The CERP continues to provide credits based on hypothetical contributions in excess of those permitted under the 401(k) plan. In the tables presented below, the pension plan and the CERP are presented on a combined basis.

Under the Company's funding policy for the defined benefit pension plan, contributions are made to a trust as necessary to satisfy the statutory minimum required contribution as defined by the Pension Protection Act, which is intended to provide for current service accruals and for any unfunded accrued actuarial liabilities over a reasonable period. To the extent that these requirements are fully covered by assets in the trust, a contribution might not be made in a particular year. The Company made a discretionary contribution of $1.5 million to its defined benefit pension plan in 2012 in order to reduce pension guarantee premiums. No contributions to the defined plan were made in 2013 and the minimum required contribution for 2014 is expected to be zero. The Company does not expect to make any further contributions in 2014 other than the necessary funding contributions to the CERP. Contributions to the CERP were $69 thousand, $65 thousand and $18 thousand during 2013, 2012 and 2011, respectively.

The following items are components of the net pension cost for the years ended December 31, 2013, 2012 and 2011.

(In thousands)	**2013**	2012	2011
Service cost-benefits earned during the year	**$ 509**	$ 504	$ 406
Interest cost on projected benefit obligation	**4,509**	5,162	5,366
Expected return on plan assets	**(6,476)**	(6,178)	(6,727)
Amortization of unrecognized net loss	**3,085**	2,953	1,949
Net periodic pension cost	**$ 1,627**	$ 2,441	$ 994

The following table sets forth the pension plans' funded status, using valuation dates of December 31, 2013 and 2012.

(In thousands)	**2013**	2012
Change in projected benefit obligation		
Projected benefit obligation at prior valuation date	**$ 125,147**	$ 110,186
Service cost	**509**	504
Interest cost	**4,509**	5,162
Benefits paid	**(5,904)**	(5,248)
Actuarial (gain) loss	**(10,588)**	14,543
Projected benefit obligation at valuation date	**113,673**	125,147
Change in plan assets		
Fair value of plan assets at prior valuation date	**101,834**	97,228
Actual return on plan assets	**11,173**	8,274
Employer contributions	**69**	1,580
Benefits paid	**(5,904)**	(5,248)
Fair value of plan assets at valuation date	**107,172**	101,834
Funded status and net amount recognized at valuation date	**$ (6,501)**	$ (23,313)

The accumulated benefit obligation, which represents the liability of a plan using only benefits as of the measurement date, was $113.7 million and $125.1 million for the combined plans on December 31, 2013 and 2012, respectively.

Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive income (loss) at December 31, 2013 and 2012 are shown below, including amounts recognized in other comprehensive income during the periods. All amounts are shown on a pre-tax basis.

(In thousands)	**2013**	2012
Prior service credit (cost)	**$ —**	$ —
Accumulated loss	**(25,479)**	(43,849)
Accumulated other comprehensive loss	**(25,479)**	(43,849)
Cumulative employer contributions in excess of net periodic benefit cost	**18,978**	20,536
Net amount recognized as an accrued benefit liability on the December 31 balance sheet	**$ (6,501)**	$ (23,313)
Net gain (loss) arising during period	**$ 15,285**	$ (12,447)
Amortization of net loss	**3,085**	2,953
Total recognized in other comprehensive income	**$ 18,370**	$ (9,494)
Total income (expense) recognized in net periodic pension cost and other comprehensive income	**$ 16,743**	$ (11,935)

The estimated net loss to be amortized from accumulated other comprehensive income into net periodic pension cost in 2014 is $1.4 million.

The following assumptions, on a weighted average basis, were used in accounting for the plans.

	2013	2012	2011
Determination of benefit obligation at year end:			
Discount rate	**4.55%**	3.65%	4.80%
Assumed credit on cash balance accounts	**5.00%**	5.00%	5.00%
Determination of net periodic benefit cost for year ended:			
Discount rate	**3.65%**	4.80%	5.40%
Long-term rate of return on assets	**6.50%**	6.50%	7.00%
Assumed credit on cash balance accounts	**5.00%**	5.00%	5.00%

The following table shows the fair values of the Company's pension plan assets by asset category at December 31, 2013 and 2012. Information about the valuation techniques and inputs used to measure fair value are provided in Note 16 on Fair Value Measurements.

		Fair Value Measurements		
(In thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013				
Assets:				
U.S. government obligations	**$ 901**	**$ 901**	**$ —**	**$ —**
Government-sponsored enterprise obligations [(a)]	**2,512**	**—**	**2,512**	**—**
State and municipal obligations	**7,270**	**—**	**7,270**	**—**
Agency mortgage-backed securities [(b)]	**1,744**	**—**	**1,744**	**—**
Non-agency mortgage-backed securities	**6,156**	**—**	**6,156**	**—**
Asset-backed securities	**5,985**	**—**	**5,985**	**—**
Corporate bonds [(c)]	**36,345**	**—**	**36,345**	**—**
Equity securities and mutual funds: [(d)]				
U.S. large-cap	**23,677**	**23,677**	**—**	**—**
U.S. mid-cap	**13,864**	**13,864**	**—**	**—**
U.S. small-cap	**4,331**	**4,331**	**—**	**—**
International developed markets	**857**	**857**	**—**	**—**
Emerging markets	**659**	**659**	**—**	**—**
Money market funds	**2,871**	**2,871**	**—**	**—**
Total	**$ 107,172**	**$ 47,160**	**$ 60,012**	**$ —**
December 31, 2012				
Assets:				
Cash	$ 31	$ 31	$ —	$ —
U.S. government obligations	343	343	—	—
Government-sponsored enterprise obligations [(a)]	6,930	—	6,930	—
State and municipal obligations	5,700	—	5,700	—
Agency mortgage-backed securities [(b)]	3,000	—	3,000	—
Non-agency mortgage-backed securities	6,936	—	6,936	—
Asset-backed securities	7,125	—	7,125	—
Corporate bonds [(c)]	27,653	—	27,653	—
Equity securities and mutual funds: [(d)]				
U.S. large-cap	22,400	22,400	—	—
U.S. mid-cap	12,600	12,600	—	—
U.S. small-cap	3,792	3,792	—	—
International developed markets	908	908	—	—
Emerging markets	916	916	—	—
Money market funds	3,500	3,500	—	—
Total	$ 101,834	$ 44,490	$ 57,344	$ —

(a) This category represents bonds (excluding mortgage-backed securities) issued by agencies such as the Federal Home Loan Bank, the Federal Home Loan Mortgage Corp and the Federal National Mortgage Association.

(b) This category represents mortgage-backed securities issued by the agencies mentioned in (a).

(c) This category represents investment grade bonds issued in the U.S., primarily by domestic issuers, representing diverse industries.

(d) This category represents investments in individual common stocks and equity funds. These holdings are diversified, largely across the financial services, consumer goods, healthcare, technology, and energy sectors.

The investment policy of the pension plan is designed for growth in value within limits designed to safeguard against significant losses within the portfolio. The policy sets guidelines regarding the types of investments held that may change from time to time, currently including items such as holding bonds rated investment grade or better and prohibiting investment in Company stock. The plan does not utilize derivatives. Management believes there are no significant concentrations of risk within the plan asset portfolio at December 31, 2013. Under the current policy, the long-term investment target mix for the plan is 35% equity securities and 65% fixed income securities. The Company regularly reviews its policies on investment mix and may make changes depending on economic conditions and perceived investment risk.

The discount rate is based on matching the Company's estimated plan cash flows to a yield curve derived from a portfolio of corporate bonds rated AA by either Moody's or Standard and Poor's.

The assumed overall expected long-term rate of return on pension plan assets used in calculating 2013 pension plan expense was 6.5%. Determination of the plan's expected rate of return is based upon historical and anticipated returns of the asset classes invested in by the pension plan and the allocation strategy currently in place among those classes. The rate used in plan calculations may be adjusted by management for current trends in the economic environment. The 10-year annualized return for the Company's pension plan was 7.2%. During 2013, the plan's rate of return was 11.1%, compared to 8.4% in 2012. Because a portion of the plan's investments are equity securities, the actual return for any one plan year is affected by changes in the stock market. Due to positive investment returns experienced in 2013 and an increase in the discount rate, the Company expects to incur pension expense of $773 thousand in 2014, compared to $1.6 million in 2013.

The following future benefit payments are expected to be paid:

(In thousands)		
2014	$	5,958
2015		6,234
2016		6,551
2017		6,731
2018		6,940
2019 - 2023		36,258

11. Stock-Based Compensation and Directors Stock Purchase Plan*

The Company's stock-based compensation is provided under a stockholder-approved plan which allows for issuance of various types of awards, including stock options, stock appreciation rights, restricted stock and restricted stock units, performance awards and stock-based awards. At December 31, 2013, 3,729,477 shares remained available for issuance under the plan. The stock-based compensation expense that was charged against income was $6.4 million, $5.0 million and $4.7 million for the years ended December 31, 2013, 2012 and 2011, respectively. The total income tax benefit recognized in the income statement for share-based compensation arrangements was $2.4 million, $1.9 million and $1.8 million for the years ended December 31, 2013, 2012 and 2011, respectively.

During 2013, stock-based compensation was issued in the form of nonvested stock awards and stock appreciation rights, while in 2012, stock-based compensation was issued solely in the form of nonvested stock awards. Nonvested stock is awarded to key employees, by action of the Company's Compensation and Human Resources Committee and Board of Directors. These awards generally vest after 4 to 7 years of continued employment, but vesting terms may vary according to the specifics of the individual grant agreement. There are restrictions as to transferability, sale, pledging, or assigning, among others, prior to the end of the vesting period. Dividend and voting rights are conferred upon grant. A summary of the status of the Company's nonvested share awards as of December 31, 2013 and changes during the year then ended is presented below.

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2013	926,871	32.97
Granted	421,803	36.67
Vested	(54,922)	32.72
Forfeited	(28,729)	33.03
Canceled	(121,268)	33.64
Nonvested at December 31, 2013	1,143,755	34.27

The total fair value (at vest date) of shares vested during 2013, 2012 and 2011 was $2.1 million, $2.1 million and $1.6 million, respectively.

Stock appreciation rights (SARs) and stock options are granted with exercise prices equal to the market price of the Company's stock at the date of grant. SARs, which the Company granted in 2006 through 2009, and again in 2013, vest ratably over four years of continuous service and have 10-year contractual terms. All SARs must be settled in stock under provisions of the plan. Stock options, which were granted in 2005 and previous years, vested ratably over three years of continuous service, and also have 10-year contractual terms.

In determining compensation cost, the Black-Scholes option-pricing model is used to estimate the fair value of options and SARs on date of grant. The Black-Scholes model is a closed-end model that uses various assumptions as shown in the following table. Expected volatility is based on historical volatility of the Company's stock. The Company uses historical exercise behavior and other factors to estimate the expected term of the options and SARs, which represents the period of time that the options and SARs granted are expected to be outstanding. The risk-free rate for the expected term is based on the U.S. Treasury zero coupon spot rates in effect at the time of grant. The per share average fair value and the model assumptions for SARs granted in 2013 are shown in the table below.

Weighted per share average fair value at grant date	$6.82
Assumptions:	
Dividend yield	2.3%
Volatility	23.2%
Risk-free interest rate	1.2%
Expected term	7.3 years

A summary of option activity during 2013 is presented below.

(Dollars in thousands, except per share data)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2013	807,121	$ 30.01		
Granted	—	—		
Forfeited	—	—		
Expired	—	—		
Exercised	(354,798)	29.32		
Outstanding, exercisable and vested at December 31, 2013	452,323	$ 30.55	0.8 years	$ 6,494

A summary of SAR activity during 2013 is presented below.

(Dollars in thousands, except per share data)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2013	1,876,523	$ 34.35		
Granted	224,282	37.17		
Forfeited	(2,954)	33.19		
Expired	—	—		
Exercised	(339,597)	34.54		
Outstanding at December 31, 2013	1,758,254	$ 34.68	4.0 years	$ 17,993
Exercisable at December 31, 2013	1,535,329	$ 34.32	3.2 years	$ 16,267
Vested and expected to vest at December 31, 2013	1,748,676	$ 34.66	4.0 years	$ 17,919

Additional information about stock options and SARs exercised is presented below.

(In thousands)	**2013**	2012	2011
Intrinsic value of options and SARs exercised	**$ 6,580**	$ 7,769	$ 6,722
Cash received from options and SARs exercised	**$ 9,426**	$ 14,820	$ 14,604
Tax benefit realized from options and SARs exercised	**$ 335**	$ 1,269	$ 847

As of December 31, 2013, there was $20.5 million of unrecognized compensation cost (net of estimated forfeitures) related to unvested SARs and stock awards. That cost is expected to be recognized over a weighted average period of 3.4 years.

The Company has a directors stock purchase plan whereby outside directors of the Company and its subsidiaries may elect to use their directors' fees to purchase Company stock at market value each month end. Remaining shares available for issuance under this plan were 137,337 at December 31, 2013. In 2013, 20,222 shares were purchased at an average price of $40.39 and in 2012, 21,751 shares were purchased at an average price of $35.32.

** All share and per share amounts in this note have been restated for the 5% stock dividend distributed in 2013.*

12. Accumulated Other Comprehensive Income

The table below shows the activity and accumulated balances for components of other comprehensive income. The largest component is the unrealized holding gains and losses on available for sale securities. Unrealized gains and losses on debt securities for which an other-than-temporary impairment (OTTI) has been recorded in current earnings are shown separately below. The other component is amortization from other comprehensive income of losses associated with pension benefits, which occurs as the amortization is included in current net periodic benefit cost.

(In thousands)	Unrealized Gains (Losses) on Securities (1)		Pension Loss (2)	Total Accumulated Other Comprehensive Income
	OTTI	Other		
Balance January 1, 2013	**$ 3,245**	**$ 160,263**	**$ (27,164)**	**$ 136,344**
Other comprehensive income (loss) before reclassifications	**261**	**(222,628)**	**15,285**	**(207,082)**
Amounts reclassified from accumulated other comprehensive income	**1,284**	**(1,501)**	**3,085**	**2,868**
Current period other comprehensive income (loss), before tax	**1,545**	**(224,129)**	**18,370**	**(204,214)**
Income tax (expense) benefit	**(587)**	**85,169**	**(6,981)**	**77,601**
Current period other comprehensive income (loss), net of tax	**958**	**(138,960)**	**11,389**	**(126,613)**
Balance December 31, 2013	**$ 4,203**	**$ 21,303**	**$ (15,775)**	**$ 9,731**
Balance January 1, 2012	$ (4,321)	$ 136,137	$ (21,278)	$ 110,538
Other comprehensive income (loss) before reclassifications	10,713	39,271	(12,447)	37,537
Amounts reclassified from accumulated other comprehensive income	1,490	(357)	2,953	4,086
Current period other comprehensive income (loss), before tax	12,203	38,914	(9,494)	41,623
Income tax (expense) benefit	(4,637)	(14,788)	3,608	(15,817)
Current period other comprehensive income (loss), net of tax	7,566	24,126	(5,886)	25,806
Balance December 31, 2012	$ 3,245	$ 160,263	$ (27,164)	$ 136,344

(1) The pre-tax amounts reclassified from accumulated other comprehensive income are included in "investment securities gains (losses), net" in the consolidated statements of income.
(2) The pre-tax amounts reclassified from accumulated other comprehensive income are included in the computation of net periodic pension cost as "amortization of unrecognized net loss" (see Note 10).

13. Segments

The Company segregates financial information for use in assessing its performance and allocating resources among three operating segments: Consumer, Commercial and Wealth. The Consumer segment includes the consumer portion of the retail branch network (loans, deposits and other personal banking services), indirect and other consumer financing, and consumer debit and credit bank cards. The Commercial segment provides corporate lending (including the Small Business Banking product line within the branch network), leasing, international services, and business, government deposit, and related commercial cash management services, as well as merchant and commercial bank card products. The Commercial segment also includes the Capital Markets Group, which sells fixed income securities and provides investment safekeeping and bond accounting services. The Wealth segment provides traditional trust and estate tax planning, advisory and discretionary investment management, and brokerage services, and includes the Private Banking product portfolio.

The Company's business line reporting system derives segment information from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company. This information is based on internal management accounting policies, which have been developed to reflect the underlying economics of the businesses. The policies address the methodologies applied in connection with funds transfer pricing and assignment of overhead costs among segments. Funds transfer pricing was used in the determination of net interest income by assigning a standard cost (credit) for funds used (provided) by assets and liabilities based on their maturity, prepayment and/or repricing characteristics. Income and expense that

directly relate to segment operations are recorded in the segment when incurred. Expenses that indirectly support the segments are allocated based on the most appropriate method available.

The Company uses a funds transfer pricing method to value funds used (e.g., loans, fixed assets, and cash) and funds provided (e.g., deposits, borrowings, and equity) by the business segments and their components. This process assigns a specific value to each new source or use of funds with a maturity, based on current swap rates, thus determining an interest spread at the time of the transaction. Non-maturity assets and liabilities are valued using weighted average pools. The funds transfer pricing process attempts to remove interest rate risk from valuation, allowing management to compare profitability under various rate environments.

The following tables present selected financial information by segment and reconciliations of combined segment totals to consolidated totals. There were no material intersegment revenues between the three segments. Management periodically makes changes to methods of assigning costs and income to its business segments to better reflect operating results. If appropriate, these changes are reflected in prior year information presented below.

Segment Income Statement Data

(In thousands)	Consumer	Commercial	Wealth	Segment Totals	Other/ Elimination	Consolidated Totals
Year ended December 31, 2013:						
Net interest income	**$ 268,283**	**$ 288,722**	**$ 40,194**	**$ 597,199**	**$ 22,173**	**$ 619,372**
Provision for loan losses	**(34,277)**	**3,772**	**(688)**	**(31,193)**	**10,840**	**(20,353)**
Non-interest income	**113,377**	**186,446**	**116,765**	**416,588**	**1,798**	**418,386**
Investment securities losses, net	**—**	**—**	**—**	**—**	**(4,425)**	**(4,425)**
Non-interest expense	**(270,209)**	**(235,346)**	**(96,530)**	**(602,085)**	**(27,548)**	**(629,633)**
Income before income taxes	**$ 77,174**	**$ 243,594**	**$ 59,741**	**$ 380,509**	**$ 2,838**	**$ 383,347**
Year ended December 31, 2012:						
Net interest income	$ 274,844	$ 290,968	$ 39,498	$ 605,310	$ 34,596	$ 639,906
Provision for loan losses	(35,496)	(2,824)	(695)	(39,015)	11,728	(27,287)
Non-interest income	114,307	179,824	108,472	402,603	(2,973)	399,630
Investment securities gains, net	—	—	—	—	4,828	4,828
Non-interest expense	(266,740)	(226,935)	(90,659)	(584,334)	(34,135)	(618,469)
Income before income taxes	$ 86,915	$ 241,033	$ 56,616	$ 384,564	$ 14,044	$ 398,608
Year ended December 31, 2011:						
Net interest income	$ 283,555	$ 283,790	$ 38,862	$ 606,207	$ 39,863	$ 646,070
Provision for loan losses	(47,273)	(16,195)	(712)	(64,180)	12,665	(51,515)
Non-interest income	131,253	162,533	101,836	395,622	(2,705)	392,917
Investment securities gains, net	—	—	—	—	10,812	10,812
Non-interest expense	(269,435)	(221,273)	(89,108)	(579,816)	(37,433)	(617,249)
Income before income taxes	$ 98,100	$ 208,855	$ 50,878	$ 357,833	$ 23,202	$ 381,035

The segment activity, as shown above, includes both direct and allocated items. Amounts in the "Other/Elimination" column include activity not related to the segments, such as that relating to administrative functions, the investment securities portfolio, and the effect of certain expense allocations to the segments. The provision for loan losses in this category contains the difference between net loan charge-offs assigned directly to the segments and the recorded provision for loan loss expense. Included in this category's net interest income are earnings of the investment portfolio, which are not allocated to a segment.

Segment Balance Sheet Data

(In thousands)	Consumer	Commercial	Wealth	Segment Totals	Other/ Elimination	Consolidated Totals
Average balances for 2013:						
Assets	**$ 2,674,136**	**$ 6,321,153**	**$ 855,721**	**$ 9,851,010**	**$ 12,022,974**	**$ 21,873,984**
Loans, including held for sale	**2,589,179**	**6,124,902**	**845,918**	**9,559,999**	**756,143**	**10,316,142**
Goodwill and other intangible assets	**73,340**	**61,925**	**746**	**136,011**	**—**	**136,011**
Deposits	**9,317,525**	**6,809,265**	**1,885,807**	**18,012,597**	**48,554**	**18,061,151**
Average balances for 2012:						
Assets	$ 2,503,503	$ 5,834,512	$ 743,312	$ 9,081,327	$ 11,619,351	$ 20,700,678
Loans, including held for sale	2,418,428	5,648,923	735,153	8,802,504	586,500	9,389,004
Goodwill and other intangible assets	72,765	58,573	746	132,084	—	132,084
Deposits	8,816,905	6,266,569	1,689,937	16,773,411	53,137	16,826,548

The above segment balances include only those items directly associated with the segment. The "Other/Elimination" column includes unallocated bank balances not associated with a segment (such as investment securities and federal funds sold), balances relating to certain other administrative and corporate functions, and eliminations between segment and non-segment balances. This column also includes the resulting effect of allocating such items as float, deposit reserve and capital for the purpose of computing the cost or credit for funds used/provided.

The Company's reportable segments are strategic lines of business that offer different products and services. They are managed separately because each line services a specific customer need, requiring different performance measurement analyses and marketing strategies. The performance measurement of the segments is based on the management structure of the Company and is not necessarily comparable with similar information for any other financial institution. The information is also not necessarily indicative of the segments' financial condition and results of operations if they were independent entities.

14. Common Stock

On December 16, 2013, the Company distributed a 5% stock dividend on its $5 par common stock for the twentieth consecutive year. All per share data in this report has been restated to reflect the stock dividend.

Basic income per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted income per share gives effect to all dilutive potential common shares that were outstanding during the year. Presented below is a summary of the components used to calculate basic and diluted income per share, which have been restated for all stock dividends.

The Company applies the two-class method of computing income per share. Under current guidance, nonvested share-based awards that contain nonforfeitable rights to dividends are considered securities which participate in undistributed earnings with common stock. The two-class method requires the calculation of separate income per share amounts for the nonvested share-based awards and for common stock. Income per share attributable to common stock is shown in the following table. Nonvested share-based awards are further discussed in Note 11 on Stock-Based Compensation.

(In thousands, except per share data)	**2013**	2012	2011
Basic income per common share:			
Net income attributable to Commerce Bancshares, Inc.	**$ 260,961**	$ 269,329	$ 256,343
Less income allocated to nonvested restricted stockholders	**2,939**	2,563	1,846
Net income available to common stockholders	**$ 258,022**	$ 266,766	$ 254,497
Weighted average common shares outstanding	**94,585**	96,195	99,086
Basic income per common share	**$ 2.73**	$ 2.77	$ 2.57
Diluted income per common share:			
Net income attributable to Commerce Bancshares, Inc.	**$ 260,961**	$ 269,329	$ 256,343
Less income allocated to nonvested restricted stockholders	**2,931**	2,562	1,842
Net income available to common stockholders	**$ 258,030**	$ 266,767	$ 254,501
Weighted average common shares outstanding	**94,585**	96,195	99,086
Net effect of the assumed exercise of stock-based awards -- based on the treasury stock method using the average market price for the respective periods	**398**	294	362
Weighted average diluted common shares outstanding	**94,983**	96,489	99,448
Diluted income per common share	**$ 2.72**	$ 2.76	$ 2.56

Nearly all unexercised stock options and stock appreciation rights were included in the computations of diluted income per share for the years ended December 31, 2013 and 2012. Unexercised options and rights of 1.2 million were excluded from the computation of diluted income per share for the year ended December 31, 2011, because their inclusion would have been anti-dilutive.

The table below shows activity in the outstanding shares of the Company's common stock during the past three years. Shares in the table below are presented on an historical basis and have not been restated for the annual 5% stock dividends.

	Years Ended December 31		
(In thousands)	**2013**	2012	2011
Shares outstanding at January 1	**91,414**	88,952	86,624
Issuance of stock:			
Awards and sales under employee and director plans	**653**	837	724
5% stock dividend	**4,565**	4,352	4,231
Summit acquisition	**1,000**	—	—
Purchases of treasury stock	**(1,742)**	(2,716)	(2,622)
Other	**(9)**	(11)	(5)
Shares outstanding at December 31	**95,881**	91,414	88,952

The Company maintains a treasury stock buyback program authorized by its Board of Directors. At December 31, 2013, 3,492,265 shares were available for purchase under the current Board authorization.

15. Regulatory Capital Requirements

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and additional discretionary actions by regulators that could have a direct material effect on the Company's financial statements. The regulations require the Company to meet specific capital adequacy guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital classification is also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of Tier I capital to total average assets (leverage ratio), and minimum ratios of Tier I and Total capital to risk-weighted assets (as defined). To meet minimum, adequately capitalized regulatory requirements, an institution must maintain a Tier I capital ratio of 4.00%, a Total capital ratio of 8.00% and a leverage ratio of 4.00%. The minimum required ratios for well-capitalized banks (under prompt corrective action provisions) are 6.00% for Tier I capital, 10.00% for Total capital and 5.00% for the leverage ratio.

The following tables show the capital amounts and ratios for the Company (on a consolidated basis) and the Bank, together with the minimum and well-capitalized capital requirements, at the last two year ends.

	Actual		Minimum Capital Requirement		Well-Capitalized Capital Requirement	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2013						
Total Capital (to risk-weighted assets):						
Commerce Bancshares, Inc. (consolidated)	$ 2,239,636	15.28%	$ 1,172,843	8.00%	N.A.	N.A.
Commerce Bank	1,971,850	13.55	1,164,469	8.00	$ 1,455,586	10.00%
Tier I Capital (to risk-weighted assets):						
Commerce Bancshares, Inc. (consolidated)	$ 2,061,761	14.06%	$ 586,421	4.00%	N.A.	N.A.
Commerce Bank	1,809,231	12.43	582,234	4.00	$ 873,351	6.00%
Tier I Capital (to adjusted quarterly average assets):						
(Leverage Ratio)						
Commerce Bancshares, Inc. (consolidated)	$ 2,061,761	9.43%	$ 874,673	4.00%	N.A.	N.A.
Commerce Bank	1,809,231	8.31	871,050	4.00	$ 1,088,812	5.00%
December 31, 2012						
Total Capital (to risk-weighted assets):						
Commerce Bancshares, Inc. (consolidated)	$ 2,092,141	14.93%	$ 1,121,252	8.00%	N.A.	N.A.
Commerce Bank	1,887,251	13.60	1,110,330	8.00	$ 1,387,912	10.00%
Tier I Capital (to risk-weighted assets):						
Commerce Bancshares, Inc. (consolidated)	$ 1,906,203	13.60%	$ 560,626	4.00%	N.A.	N.A.
Commerce Bank	1,713,752	12.35	555,165	4.00	$ 832,747	6.00%
Tier I Capital (to adjusted quarterly average assets):						
(Leverage Ratio)						
Commerce Bancshares, Inc. (consolidated)	$ 1,906,203	9.14%	$ 834,171	4.00%	N.A.	N.A.
Commerce Bank	1,713,752	8.26	829,711	4.00	$ 1,037,139	5.00%

At December 31, 2013, the Company met all capital requirements to which it is subject, and the Bank's capital position exceeded the regulatory definition of well-capitalized.

16. Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain financial and nonfinancial assets and liabilities and to determine fair value disclosures. Various financial instruments such as available for sale and trading securities, certain non-marketable securities relating to private equity activities, and derivatives are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets and liabilities on a nonrecurring basis, such as loans held for sale, mortgage servicing rights and certain other investment securities. These nonrecurring fair value adjustments typically involve lower of cost or fair value accounting, or write-downs of individual assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value. For accounting disclosure purposes, a three-level valuation hierarchy of fair value measurements has been established. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and inputs that are observable for the assets or liabilities, either directly or indirectly (such as interest rates, yield curves, and prepayment speeds).
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value. These may be internally developed, using the Company's best information and assumptions that a market participant would consider.

When determining the fair value measurements for assets and liabilities required or permitted to be recorded or disclosed at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Company looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Company looks to observable market data for similar assets and liabilities. Nevertheless, certain assets and liabilities are not actively traded in observable markets, and the Company must use alternative valuation techniques to derive an estimated fair value measurement.

Instruments Measured at Fair Value on a Recurring Basis

The table below presents the carrying values of assets and liabilities measured at fair value on a recurring basis at December 31, 2013 and 2012. There were no transfers among levels during these years.

		Fair Value Measurements Using		
(In thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013				
Assets:				
Available for sale securities:				
U.S. government and federal agency obligations	**$ 505,696**	**$ 505,696**	**$ —**	**$ —**
Government-sponsored enterprise obligations	**741,766**	**—**	**741,766**	**—**
State and municipal obligations	**1,619,171**	**—**	**1,491,447**	**127,724**
Agency mortgage-backed securities	**2,772,338**	**—**	**2,772,338**	**—**
Non-agency mortgage-backed securities	**246,983**	**—**	**246,983**	**—**
Asset-backed securities	**2,844,071**	**—**	**2,844,071**	**—**
Other debt securities	**141,757**	**—**	**141,757**	**—**
Equity securities	**43,898**	**24,646**	**19,252**	**—**
Trading securities	**19,993**	**—**	**19,993**	**—**
Private equity investments	**56,612**	**—**	**—**	**56,612**
Derivatives *	**12,980**	**—**	**12,976**	**4**
Assets held in trust	**7,511**	**7,511**	**—**	**—**
Total assets	**9,012,776**	**537,853**	**8,290,583**	**184,340**
Liabilities:				
Derivatives *	**13,329**	**—**	**13,260**	**69**
Total liabilities	**$ 13,329**	**$ —**	**$ 13,260**	**$ 69**
December 31, 2012				
Assets:				
Available for sale securities:				
U.S. government and federal agency obligations	$ 438,759	$ 438,759	$ —	$ —
Government-sponsored enterprise obligations	471,574	—	471,574	—
State and municipal obligations	1,615,707	—	1,489,293	126,414
Agency mortgage-backed securities	3,380,955	—	3,380,955	—
Non-agency mortgage-backed securities	237,011	—	237,011	—
Asset-backed securities	3,167,394	—	3,167,394	—
Other debt securities	177,752	—	177,752	—
Equity securities	33,096	17,835	15,261	—
Trading securities	28,837	—	28,837	—
Private equity investments	68,167	—	—	68,167
Derivatives *	16,740	—	16,731	9
Assets held in trust	5,440	5,440	—	—
Total assets	9,641,432	462,034	8,984,808	194,590
Liabilities:				
Derivatives *	17,718	—	17,522	196
Total liabilities	$ 17,718	$ —	$ 17,522	$ 196

* *The fair value of each class of derivative is shown in Note 18.*

Valuation methods for instruments measured at fair value on a recurring basis

Following is a description of the Company's valuation methodologies used for instruments measured at fair value on a recurring basis:

Available for sale investment securities

For available for sale securities, changes in fair value, including that portion of other-than-temporary impairment unrelated to credit loss, are recorded in other comprehensive income. As mentioned in Note 4 on Investment Securities, the Company records the credit-related portion of other-than-temporary impairment in current earnings. This portfolio comprises the majority of the assets which the Company records at fair value. Most of the portfolio, which includes government-sponsored enterprise, mortgage-backed and asset-backed securities, are priced utilizing industry-standard models that consider various assumptions, including time value, yield curves, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. These measurements are classified as Level 2 in the fair value hierarchy. Where quoted prices are available in an active market, the measurements are classified as Level 1. Most of the Level 1 measurements apply to equity securities and U.S. Treasury obligations.

The fair values of Level 1 and 2 securities (excluding equity securities) in the available for sale portfolio are prices provided by a third-party pricing service. The prices provided by the third-party pricing service are based on observable market inputs, as described in the sections below. On a quarterly basis, the Company compares a sample of these prices to other independent sources for the same and similar securities. Variances are analyzed, and, if appropriate, additional research is conducted with the third-party pricing service. Based on this research, the pricing service may affirm or revise its quoted price. No significant adjustments have been made to the prices provided by the pricing service. The pricing service also provides documentation on an ongoing basis that includes reference data, inputs and methodology by asset class, which is reviewed to ensure that security placement within the fair value hierarchy is appropriate.

Valuation methods and inputs, by class of security:

- *U.S. government and federal agency obligations*

  U.S. treasury bills, bonds and notes, including inflation-protected securities, are valued using live data from active market makers and inter-dealer brokers. Valuations for stripped coupon and principal issues are derived from yield curves generated from various dealer contacts and live data sources.

- *Government-sponsored enterprise obligations*

  Government-sponsored enterprise obligations are evaluated using cash flow valuation models. Inputs used are live market data, cash settlements, Treasury market yields, and floating rate indices such as LIBOR, CMT, and Prime.

- *State and municipal obligations, excluding auction rate securities*

  A yield curve is generated and applied to bond sectors, and individual bond valuations are extrapolated. Inputs used to generate the yield curve are bellwether issue levels, established trading spreads between similar issuers or credits, historical trading spreads over widely accepted market benchmarks, new issue scales, and verified bid information. Bid information is verified by corroborating the data against external sources such as broker-dealers, trustees/paying agents, issuers, or non-affiliated bondholders.

- *Mortgage and asset-backed securities*

  Collateralized mortgage obligations and other asset-backed securities are valued at the tranche level. For each tranche valuation, the process generates predicted cash flows for the tranche, applies a market based (or benchmark) yield/spread for each tranche, and incorporates deal collateral performance and tranche level attributes to determine tranche-specific spreads to adjust the benchmark yield. Tranche cash flows are generated from new deal files and prepayment/default assumptions. Tranche spreads are based on tranche characteristics such as average life, type, volatility, ratings, underlying collateral and performance, and prevailing market conditions. The appropriate tranche spread is applied to the corresponding benchmark, and the resulting value is used to discount the cash flows to generate an evaluated price.

  Valuation of agency pass-through securities, typically issued under GNMA, FNMA, FHLMC, and SBA programs, are primarily derived from information from the To Be Announced (TBA) market. This market consists of generic mortgage pools which have not been received for settlement. Snapshots of the TBA market, using live data feeds distributed by multiple electronic platforms, are used in conjunction with other indices to compute a price based on discounted cash flow models.

- *Other debt securities*

  Other debt securities are valued using active markets and inter-dealer brokers as well as bullet spread scales and option adjusted spreads. The spreads and models use yield curves, terms and conditions of the bonds, and any special features (e.g., call or put options and redemption features).

- *Equity securities*

  Equity securities are priced using the market prices for each security from the major stock exchanges or other electronic quotation systems. These are generally classified as Level 1 measurements. Stocks which trade infrequently are classified as Level 2.

The available for sale portfolio includes certain auction rate securities. The auction process by which the auction rate securities are normally priced has not functioned in recent years, and due to the illiquidity in the market, the fair value of these securities cannot be based on observable market prices. The fair values of these securities are estimated using a discounted cash flows analysis which is discussed more fully in the Level 3 Inputs section of this note. Because many of the inputs significant to the measurement are not observable, these measurements are classified as Level 3 measurements.

Trading securities

The securities in the Company's trading portfolio are priced by averaging several broker quotes for similar instruments and are classified as Level 2 measurements.

Private equity investments

These securities are held by the Company's private equity subsidiaries and are included in non-marketable investment securities in the consolidated balance sheets. Due to the absence of quoted market prices, valuation of these nonpublic investments requires significant management judgment. These fair value measurements, which are discussed in the Level 3 Inputs section of this note, are classified as Level 3.

Derivatives

The Company's derivative instruments include interest rate swaps, foreign exchange forward contracts, commitments and sales contracts related to personal mortgage loan origination activity, and certain credit risk guarantee agreements. When appropriate, the impact of credit standing as well as any potential credit enhancements, such as collateral, has been considered in the fair value measurement.

- Valuations for interest rate swaps are derived from a proprietary model whose significant inputs are readily observable market parameters, primarily yield curves used to calculate current exposure. Counterparty credit risk is incorporated into the model and calculated by applying a net credit spread over LIBOR to the swap's total expected exposure over time. The net credit spread is comprised of spreads for both the Company and its counterparty, derived from probability of default and other loss estimate information obtained from a third party credit data provider or from the Company's Credit Department when not otherwise available. The credit risk component is not significant compared to the overall fair value of the swaps. The results of the model are constantly validated through comparison to active trading in the marketplace. These fair value measurements are classified as Level 2.
- Fair value measurements for foreign exchange contracts are derived from a model whose primary inputs are quotations from global market makers and are classified as Level 2.
- The fair values of mortgage loan commitments and forward sales contracts on the associated loans are based on quoted prices for similar loans in the secondary market. These prices include the value of loan servicing rights. However, these prices are adjusted by a factor which considers the likelihood that a commitment will ultimately result in a closed loan. This estimate is based on the Company's historical data and its judgment about future economic trends. Based on the unobservable nature of this adjustment, these measurements are classified as Level 3.
- The Company's contracts related to credit risk guarantees are valued under a proprietary model which uses unobservable inputs and assumptions about the creditworthiness of the counterparty (generally a Bank customer). Customer credit spreads, which are based on probability of default and other loss estimates, are calculated internally by the Company's Credit Department, as mentioned above, and are based on the Company's internal risk rating for each customer. Because these inputs are significant to the measurements, they are classified as Level 3.

Assets held in trust

Assets held in an outside trust for the Company's deferred compensation plan consist of investments in mutual funds. The fair value measurements are based on quoted prices in active markets and classified as Level 1. The Company has recorded an asset representing the total investment amount. The Company has also recorded a corresponding nonfinancial liability, representing the Company's liability to the plan participants.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
(In thousands)	State and Municipal Obligations	Private Equity Investments	Derivatives	Total
Year ended December 31, 2013:				
Balance at January 1, 2013	**$ 126,414**	**$ 68,167**	**$ (187)**	**$ 194,394**
Total gains or losses (realized/unrealized):				
Included in earnings	**—**	**(2,971)**	**234**	**(2,737)**
Included in other comprehensive income	**3,253**	**—**	**—**	**3,253**
Investment securities called	**(2,150)**	**—**	**—**	**(2,150)**
Discount accretion	**207**	**—**	**—**	**207**
Purchases of private equity securities	**—**	**3,950**	**—**	**3,950**
Sale / paydown of private equity securities	**—**	**(12,865)**	**—**	**(12,865)**
Capitalized interest/dividends	**—**	**331**	**—**	**331**
Sale of risk participation agreement	**—**	**—**	**(112)**	**(112)**
Balance at December 31, 2013	**$ 127,724**	**$ 56,612**	**$ (65)**	**$ 184,271**
Total gains or losses for the annual period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2013	**$ —**	**$ (5,297)**	**$ 234**	**$ (5,063)**
Year ended December 31, 2012:				
Balance at January 1, 2012	$ 135,621	$ 66,978	$ (123)	$ 202,476
Total gains or losses (realized/unrealized):				
Included in earnings	—	4,505	16	4,521
Included in other comprehensive income	(1,368)	—	—	(1,368)
Investment securities called	(8,275)	—	—	(8,275)
Discount accretion	436	—	—	436
Purchases of private equity securities	—	8,910	—	8,910
Sale / paydown of private equity securities	—	(12,751)	—	(12,751)
Capitalized interest/dividends	—	525	—	525
Purchase of risk participation agreement	—	—	28	28
Sale of risk participation agreement	—	—	(108)	(108)
Balance at December 31, 2012	$ 126,414	$ 68,167	$ (187)	$ 194,394
Total gains or losses for the annual period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at December 31, 2012	$ —	$ 3,080	$ (21)	$ 3,059

Gains and losses on the Level 3 assets and liabilities in the table above are reported in the following income categories:

(In thousands)	Loan Fees and Sales	Other Non-Interest Income	Investment Securities Gains (Losses), Net	Total
Year ended December 31, 2013:				
Total gains or losses included in earnings	**$ —**	**$ 234**	**$ (2,971)**	**$ (2,737)**
Change in unrealized gains or losses relating to assets still held at December 31, 2013	**$ —**	**$ 234**	**$ (5,297)**	**$ (5,063)**
Year ended December 31, 2012:				
Total gains or losses included in earnings	$ (9)	$ 25	$ 4,505	$ 4,521
Change in unrealized gains or losses relating to assets still held at December 31, 2012	$ —	$ (21)	$ 3,080	$ 3,059

Level 3 Inputs

As shown above, the Company's significant Level 3 measurements which employ unobservable inputs that are readily quantifiable pertain to auction rate securities (ARS) held by the Bank and investments in portfolio concerns held by the Company's private equity subsidiaries. ARS are included in state and municipal securities and totaled $127.7 million at December 31, 2013, while private equity investments, included in non-marketable securities, totaled $56.6 million.

Information about these inputs is presented in the table and discussions below.

	Quantitative Information about Level 3 Fair Value Measurements		
	Valuation Technique	Unobservable Input	Range
Auction rate securities	Discounted cash flow	Estimated market recovery period	4 - 5 years
		Estimated market rate	1.9% - 4.1%
Private equity investments	Market comparable companies	EBITDA multiple	4.0 - 5.5

The fair values of ARS are estimated using a discounted cash flows analysis in which estimated cash flows are based on mandatory interest rates paid under failing auctions and projected over an estimated market recovery period. Under normal conditions, ARS traded in weekly auctions and were considered liquid investments. The Company's estimate of when these auctions might resume is highly judgmental and subject to variation depending on current and projected market conditions. Few auctions of these securities have been held since 2008, and most sales have been privately arranged. Estimated cash flows during the period over which the Company expects to hold the securities are discounted at an estimated market rate. These securities are comprised of bonds issued by various states and municipalities for healthcare and student lending purposes, and market rates are derived for each type. Market rates are calculated at each valuation date using a LIBOR or Treasury based rate plus spreads representing adjustments for liquidity premium and nonperformance risk. The spreads are developed internally by employees in the Company's bond department. An increase in the holding period alone would result in a higher fair value measurement, while an increase in the estimated market rate (the discount rate) alone would result in a lower fair value measurement. The valuation of the ARS portfolio is reviewed on a quarterly basis by the Company's chief investment officers.

The fair values of the Company's private equity investments are based on a determination of fair value of the investee company less preference payments assuming the sale of the investee company. Investee companies are normally non-public entities. The fair value of the investee company is determined by reference to the investee's total earnings before interest, depreciation/amortization, and income taxes (EBITDA) multiplied by an EBITDA factor. EBITDA is normally determined based on a trailing prior period adjusted for specific factors including current economic outlook, investee management, and specific unique circumstances such as sales order information, major customer status, regulatory changes, etc. The EBITDA multiple is based on management's review of published trading multiples for recent private equity transactions and other judgments and is derived for each individual investee. The fair value of the Company's investment (which is usually a partial interest in the investee company) is then calculated based on its ownership percentage in the investee company. On a quarterly basis, these fair value analyses are reviewed by a valuation committee consisting of investment managers and senior Company management.

Instruments Measured at Fair Value on a Nonrecurring Basis

For assets measured at fair value on a nonrecurring basis during 2013 and 2012, and still held as of December 31, 2013 and 2012, the following table provides the adjustments to fair value recognized during the respective periods, the level of valuation assumptions used to determine each adjustment, and the carrying value of the related individual assets or portfolios at December 31, 2013 and 2012.

		Fair Value Measurements Using			
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Balance at December 31, 2013					
Collateral dependent impaired loans	**$ 23,654**	**$ —**	**$ —**	**$ 23,654**	**$ (8,406)**
Private equity investments	**500**	**—**	**—**	**500**	**(500)**
Mortgage servicing rights	**779**	**—**	**—**	**779**	**309**
Foreclosed assets	**1,287**	**—**	**—**	**1,287**	**(430)**
Balance at December 31, 2012					
Collateral dependent impaired loans	$ 24,572	$ —	$ —	$ 24,572	$ (8,411)
Mortgage servicing rights	472	—	—	472	34
Foreclosed assets	297	—	—	297	(170)
Long-lived assets	5,617	—	—	5,617	(3,428)

Valuation methods for instruments measured at fair value on a nonrecurring basis

Following is a description of the Company's valuation methodologies used for other financial and nonfinancial instruments measured at fair value on a nonrecurring basis.

Collateral dependent impaired loans

While the overall loan portfolio is not carried at fair value, the Company periodically records nonrecurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectible portions of those loans. Nonrecurring adjustments also include certain impairment amounts for collateral dependent loans when establishing the allowance for loan losses. Such amounts are generally based on the fair value of the underlying collateral supporting the loan. In determining the value of real estate collateral, the Company relies on external and internal appraisals of property values depending on the size and complexity of the real estate collateral. The Company maintains a staff of qualified appraisers who also review third party appraisal reports for reasonableness. In the case of non-real estate collateral, reliance is placed on a variety of sources, including external estimates of value and judgments based on the experience and expertise of internal specialists. Values of all loan collateral are regularly reviewed by credit administration. Unobservable inputs to these measurements, which include estimates and judgments often used in conjunction with appraisals, are not readily quantifiable. These measurements are classified as Level 3. Changes in fair value recognized for partial charge-offs of loans and loan impairment reserves on loans held by the Company at December 31, 2013 and 2012 are shown in the table above.

Loans held for sale

Loans held for sale are carried at the lower of cost or fair value. In recent periods, this portfolio consisted of student loans. Most of the portfolio was under contract to an agency which was unable to consistently purchase loans under existing contractual terms. Such loans were evaluated using a fair value measurement method based on a discounted cash flows analysis, which was classified as Level 3.

Private equity investments and restricted stock

These assets are included in non-marketable investment securities in the consolidated balance sheets. They include certain investments in private equity concerns held by the Parent company which are carried at cost, reduced by other-than-temporary impairment. These investments are periodically evaluated for impairment based on their estimated fair value as determined by review of available information, most of which is provided as monthly or quarterly internal financial statements, annual audited financial statements, investee tax returns, and in certain situations, through research into and analysis of the assets and investments held by those private equity concerns. Restricted stock consists of stock issued by the Federal Reserve Bank and FHLB which is held by the bank subsidiary as required for regulatory purposes. Generally, there are restrictions on the sale and/or liquidation of these investments, and they are carried at cost, reduced by other-than-temporary impairment. Fair value measurements for these securities are classified as Level 3.

Mortgage servicing rights

The Company initially measures its mortgage servicing rights at fair value and amortizes them over the period of estimated net servicing income. They are periodically assessed for impairment based on fair value at the reporting date. Mortgage servicing rights do not trade in an active market with readily observable prices. Accordingly, the fair value is estimated based on a valuation model which calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds, market discount rates, cost to service, float earnings rates, and other ancillary income, including late fees. The fair value measurements are classified as Level 3.

Goodwill and core deposit premium

Valuation of goodwill to determine impairment is performed on an annual basis, or more frequently if there is an event or circumstance that would indicate impairment may have occurred. The process involves calculations to determine the fair value of each reporting unit on a stand-alone basis. A combination of formulas using current market multiples, based on recent sales of financial institutions within the Company's geographic marketplace, is used to estimate the fair value of each reporting unit. That fair value is compared to the carrying amount of the reporting unit, including its recorded goodwill. Impairment is considered to have occurred if the fair value of the reporting unit is lower than the carrying amount of the reporting unit. The fair value of the Company's common stock relative to its computed book value per share is also considered as part of the overall evaluation. These measurements are classified as Level 3.

Core deposit premiums are recognized at the time a portfolio of deposits is acquired, using valuation techniques which calculate the present value of the estimated net cost savings attributable to the core deposit base, relative to alternative costs of funds and tax benefits, if applicable, over the expected remaining economic life of the depositors. Subsequent evaluations are made when facts or circumstances indicate potential impairment may have occurred. The Company uses estimates of discounted future cash flows, comparisons with alternative sources for deposits, consideration of income potential generated in other product lines by current customers, geographic parameters, and other demographics to estimate a current fair value of a specific deposit base. If the calculated fair value is less than the carrying value, impairment is considered to have occurred. This measurement is classified as Level 3.

Foreclosed assets

Foreclosed assets consist of loan collateral which has been repossessed through foreclosure. This collateral is comprised of commercial and residential real estate and other non-real estate property, including auto, marine and recreational vehicles. Foreclosed assets are recorded as held for sale initially at the lower of the loan balance or fair value of the collateral less estimated selling costs. Subsequent to foreclosure, valuations are updated periodically, and the assets may be marked down further, reflecting a new cost basis. Fair value measurements may be based upon appraisals, third-party price opinions, or internally developed pricing methods. These measurements are classified as Level 3.

Long-lived assets

In accordance with ASC 360-10-35, investments in branch facilities and various office buildings are written down to estimated fair value, or estimated fair value less cost to sell if the property is held for sale. Fair value is estimated in a process which considers current local commercial real estate market conditions and the judgment of the sales agent and often involves obtaining third party appraisals from certified real estate appraisers. The carrying amounts of these real estate holdings are regularly monitored by real estate professionals employed by the Company. These fair value measurements are classified as Level 3. Unobservable inputs to these measurements, which include estimates and judgments often used in conjunction with appraisals, are not readily quantifiable. The loss recognized in 2012 resulted primarily from the Company's decision to market certain property adjacent to a downtown Kansas City office building, also held for sale, which required a write-down to fair value less selling costs.

17. Fair Value of Financial Instruments

The carrying amounts and estimated fair values of financial instruments held by the Company, in addition to a discussion of the methods used and assumptions made in computing those estimates, are set forth below.

Loans

The fair values of loans are estimated by discounting the expected future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. This method of estimating fair value does not incorporate the exit-price concept of fair value prescribed by ASC 820 “Fair Value Measurements and Disclosures”. Expected future cash flows for each individual loan are based on contractual features, and for loans with optionality, such as variable rates and prepayment features, are based on a multi-rate path process. Each loan's expected future cash flows are discounted using the LIBOR/swap curve plus an appropriate spread. For business, construction and business real estate loans, internally-developed pricing spreads are developed which are based on loan type, term and credit score. The spread for personal real estate loans is generally based on newly originated loans with similar characteristics. For consumer loans, the spread is calculated at loan origination as part of the Bank's funds transfer pricing process, which is indicative of individual borrower creditworthiness. All consumer credit card loans are discounted at the same spread, depending on whether the rate is variable or fixed.

Loans Held for Sale, Investment Securities and Derivative Instruments

Detailed descriptions of the fair value measurements of these instruments are provided in Note 16 on Fair Value Measurements.

Federal Funds Purchased and Sold, Interest Earning Deposits With Banks and Cash and Due From Banks

The carrying amounts of federal funds purchased and sold, interest earning deposits with banks, and cash and due from banks approximates fair value, as these instruments are payable on demand or mature overnight.

Securities Purchased/Sold under Agreements to Resell/Repurchase

The fair values of these investments and borrowings are estimated by discounting contractual maturities using an estimate of the current market rate for similar instruments.

Deposits

The fair value of deposits with no stated maturity is equal to the amount payable on demand. Such deposits include savings and interest and non-interest bearing demand deposits. These fair value estimates do not recognize any benefit the Company receives as a result of being able to administer, or control, the pricing of these accounts. Because they are payable on demand, they are classified as Level 1 in the fair value hierarchy. The fair value of time open and certificates of deposit is based on the discounted value of cash flows, taking early withdrawal optionality into account. Discount rates are based on the Company’s approximate cost of obtaining similar maturity funding in the market. Their fair value measurement is classified as Level 3.

Other Borrowings

The fair value of other borrowings, which consists mainly of long-term debt, is estimated by discounting contractual maturities using an estimate of the current market rate for similar instruments.

The estimated fair values of the Company's financial instruments are as follows:

(In thousands)	Fair Value Hierarchy Level	**2013** Carrying Amount	**2013** Estimated Fair Value	2012 Carrying Amount	2012 Estimated Fair Value
Financial Assets					
Loans:					
Business	Level 3	**$ 3,715,319**	**$ 3,723,263**	$ 3,134,801	$ 3,144,989
Real estate - construction and land	Level 3	**406,197**	**410,022**	355,996	352,547
Real estate - business	Level 3	**2,313,550**	**2,345,124**	2,214,975	2,240,796
Real estate - personal	Level 3	**1,787,626**	**1,802,364**	1,584,859	1,642,820
Consumer	Level 3	**1,512,716**	**1,519,830**	1,289,650	1,309,403
Revolving home equity	Level 3	**420,589**	**424,811**	437,567	441,651
Consumer credit card	Level 3	**796,228**	**811,550**	804,245	823,560
Overdrafts	Level 3	**4,611**	**4,611**	9,291	9,291
Loans held for sale	Level 2	**—**	**—**	3,017	3,030
Loans held for sale	Level 3	**—**	**—**	5,810	5,810
Investment securities:					
Available for sale	Level 1	**530,342**	**530,342**	456,594	456,594
Available for sale	Level 2	**8,257,614**	**8,257,614**	8,939,240	8,939,240
Available for sale	Level 3	**127,724**	**127,724**	126,414	126,414
Trading	Level 2	**19,993**	**19,993**	28,837	28,837
Non-marketable	Level 3	**107,324**	**107,324**	118,650	118,650
Federal funds sold	Level 1	**43,845**	**43,845**	27,595	27,595
Securities purchased under agreements to resell	Level 3	**1,150,000**	**1,149,625**	1,200,000	1,215,234
Interest earning deposits with banks	Level 1	**707,249**	**707,249**	179,164	179,164
Cash and due from banks	Level 1	**518,420**	**518,420**	573,066	573,066
Derivative instruments	Level 2	**12,976**	**12,976**	16,731	16,731
Derivative instruments	Level 3	**4**	**4**	9	9
Financial Liabilities					
Non-interest bearing deposits	Level 1	**$ 6,750,674**	**$ 6,750,674**	$ 6,299,903	$ 6,299,903
Savings, interest checking and money market deposits	Level 1	**10,108,236**	**10,108,236**	9,817,943	9,817,943
Time open and certificates of deposit	Level 3	**2,188,438**	**2,190,610**	2,230,807	2,239,595
Federal funds purchased	Level 1	**24,795**	**24,795**	24,510	24,510
Securities sold under agreements to repurchase	Level 3	**1,321,763**	**1,321,633**	1,059,040	1,057,462
Other borrowings	Level 3	**107,310**	**116,843**	103,710	117,527
Derivative instruments	Level 2	**13,260**	**13,260**	17,522	17,522
Derivative instruments	Level 3	**69**	**69**	196	196

Off-Balance Sheet Financial Instruments

The fair value of letters of credit and commitments to extend credit is based on the fees currently charged to enter into similar agreements. The aggregate of these fees is not material. These instruments are also referenced in Note 20 on Commitments, Contingencies and Guarantees.

Limitations

Fair value estimates are made at a specific point in time based on relevant market information. They do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for many of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, risk characteristics and economic conditions. These estimates are subjective, involve uncertainties and cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

18. Derivative Instruments

The notional amounts of the Company's derivative instruments are shown in the table below. These contractual amounts, along with other terms of the derivative, are used to determine amounts to be exchanged between counterparties and are not a measure of loss exposure. The largest group of notional amounts relate to interest rate swaps, which are discussed in more detail below.

	December 31	
(In thousands)	**2013**	2012
Interest rate swaps	**$ 596,933**	$ 435,542
Interest rate caps	**9,736**	27,736
Credit risk participation agreements	**52,456**	43,243
Foreign exchange contracts	**81,207**	47,897
Total notional amount	**$ 740,332**	$ 554,418

The Company's foreign exchange activity involves the purchase and sale of forward foreign exchange contracts, which are commitments to purchase or deliver a specified amount of foreign currency at a specific future date. This activity enables customers involved in international business to hedge their exposure to foreign currency exchange rate fluctuations. The Company minimizes its related exposure arising from these customer transactions with offsetting contracts for the same currency and time frame. In addition, the Company uses foreign exchange contracts, to a limited extent, for trading purposes, including taking proprietary positions. Risk arises from changes in the currency exchange rate and from the potential for counterparty nonperformance. These risks are controlled by adherence to a foreign exchange trading policy which contains control limits on currency amounts, open positions, maturities and losses, and procedures for approvals, record-keeping, monitoring and reporting. Hedge accounting has not been applied to these foreign exchange activities.

The Company's mortgage banking operation makes commitments to extend fixed rate loans secured by 1-4 family residential properties. The Company's general practice in previous years was to sell such loans in the secondary market. The related commitments were considered to be derivative instruments. These commitments were recognized on the balance sheet at fair value from their inception through their expiration or funding and had an average term of 60 to 90 days. The Company obtained forward sale contracts with investors in the secondary market in order to manage these risk positions. Most of the contracts were matched to a specific loan on a "best efforts" basis, in which the Company was obligated to deliver the loan only if the loan closed. The sale contracts were also accounted for as derivatives. Hedge accounting was not applied to these activities. In late 2011, the Company curtailed the sales of these types of loans, and did not hold any such loans for sale at December 31, 2013 or December 31, 2012.

Credit risk participation agreements arise when the Company contracts, as a guarantor or beneficiary, with other financial institutions to share credit risk associated with certain interest rate swaps. The Company's risks and responsibilities as guarantor are further discussed in Note 20 on Commitments, Contingencies and Guarantees.

The Company's interest rate risk management strategy includes the ability to modify the repricing characteristics of certain assets and liabilities so that changes in interest rates do not adversely affect the net interest margin and cash flows. Interest rate swaps are used on a limited basis as part of this strategy. At December 31, 2013, the Company had entered into two interest rate swaps with a notional amount of $12.2 million, which are designated as fair value hedges of certain fixed rate loans. Gains and losses on these derivative instruments, as well as the offsetting loss or gain on the hedged loans attributable to the hedged risk, are recognized in current earnings. These gains and losses are reported in interest and fees on loans in the accompanying consolidated statements of income. The table below shows gains and losses related to fair value hedges.

	For the Years Ended December 31		
(In thousands)	**2013**	2012	2011
Gain on interest rate swaps	**$ 422**	$ 331	$ 106
Loss on loans	**(408)**	(324)	(95)
Amount of hedge ineffectiveness	**$ 14**	$ 7	$ 11

The Company's other derivative instruments are accounted for as free-standing derivatives, and changes in their fair value are recorded in current earnings. These instruments include interest rate swap contracts sold to commercial customers who wish to modify their interest rate sensitivity. These swaps are offset by matching contracts purchased by the Company from other financial dealer institutions. Contracts with dealers that require central clearing (generally, transactions occurring after June 10, 2013) are

novated to a clearing agency who becomes the Company's counterparty. Because of the matching terms of the offsetting contracts, in addition to collateral provisions which mitigate the impact of non-performance risk, changes in fair value subsequent to initial recognition have a minimal effect on earnings. The notional amount of these free-standing swaps at December 31, 2013 was $584.8 million.

Many of the Company's interest rate swap arrangements with large financial institutions contain contingent features relating to debt ratings or capitalization levels. Under these provisions, if the Company's debt rating falls below investment grade or if the Company ceases to be "well-capitalized" under risk-based capital guidelines, certain counterparties can require immediate and ongoing collateralization on interest rate swaps in net liability positions, or can require instant settlement of the contracts. The Company maintains debt ratings and capital well above these minimum requirements.

The banking customer counterparties are engaged in a variety of businesses, including real estate, building materials, communications, consumer products, education, and manufacturing. At December 31, 2013, the largest loss exposures were in the groups related to education, real estate and building materials, and manufacturing. If the counterparties in these groups failed to perform, and if the underlying collateral proved to be of no value, the Company would incur losses of $2.4 million (real estate and building materials), $2.4 million (education), and $1.5 million (manufacturing), based on estimated amounts at December 31, 2013.

The fair values of the Company's derivative instruments are shown in the table below. Information about the valuation methods used to measure fair value is provided in Note 16 on Fair Value Measurements. Derivatives instruments with a positive fair value (asset derivatives) are reported in other assets in the consolidated balance sheets while derivative instruments with a negative fair value (liability derivatives) are reported in other liabilities in the consolidated balance sheets.

	Asset Derivatives		Liability Derivatives	
	December 31		**December 31**	
	2013	2012	**2013**	2012
(In thousands)	Fair Value		Fair Value	
Derivatives designated as hedging instruments:				
Interest rate swaps	**$ —**	$ —	**$ (300)**	$ (723)
Total derivatives designated as hedging instruments	**$ —**	$ —	**$ (300)**	$ (723)
Derivatives not designated as hedging instruments:				
Interest rate swaps	**$ 11,428**	$ 16,334	**$ (11,429)**	$ (16,337)
Interest rate caps	**1**	1	**(1)**	(1)
Credit risk participation agreements	**4**	9	**(69)**	(196)
Foreign exchange contracts	**1,547**	396	**(1,530)**	(461)
Total derivatives not designated as hedging instruments	**$ 12,980**	$ 16,740	**$ (13,029)**	$ (16,995)
Total derivatives	**$ 12,980**	$ 16,740	**$ (13,329)**	$ (17,718)

The effects of derivative instruments on the consolidated statements of income are shown in the table below.

	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative		
		For the Years Ended December 31		
(In thousands)		**2013**	2012	2011
Derivatives in fair value hedging relationships:				
Interest rate swaps	Interest and fees on loans	**$ 422**	$ 331	$ 106
Total		**$ 422**	$ 331	$ 106
Derivatives not designated as hedging instruments:				
Interest rate swaps	Other non-interest income	**$ 1,140**	$ 743	$ 797
Credit risk participation agreements	Other non-interest income	**234**	25	270
Foreign exchange contracts	Other non-interest income	**81**	(161)	(36)
Mortgage loan commitments	Loan fees and sales	**—**	(20)	(51)
Mortgage loan forward sale contracts	Loan fees and sales	**—**	11	(422)
Total		**$ 1,455**	$ 598	$ 558

19. Balance Sheet Offsetting

The following tables show the extent to which assets and liabilities relating to derivative instruments, securities purchased under agreements to resell (resell agreements), and securities sold under agreements to repurchase (repurchase agreements) have been offset in the consolidated balance sheets. They also provide information about these instruments which are subject to an enforceable master netting arrangement, irrespective of whether they are offset, and the extent to which the instruments could potentially be offset. Also shown is collateral received or pledged in the form of other financial instruments, which are generally marketable securities. The collateral amounts in these tables are limited to the outstanding balances of the related asset or liability (after netting is applied); thus amounts of excess collateral are not shown. Most of the assets and liabilities in the following tables were transacted under master netting arrangements that contain a conditional right of offset, such as close-out netting, upon default.

The Company is party to master netting arrangements with most of its swap derivative counterparties; however, the Company does not offset derivative assets and liabilities under these arrangements on its consolidated balance sheet. Collateral, usually in the form of marketable securities, is exchanged between the Company and dealer bank counterparties, and is generally subject to thresholds and transfer minimums. By contract, it may be sold or re-pledged by the secured party until recalled at a subsequent valuation date by the pledging party. For those swap transactions requiring central clearing, the Company posts cash and securities to its clearing agency. At December 31, 2013, the Company had a net liability position with dealer bank and clearing agency counterparties totaling $8.8 million, and had posted securities with a fair value of $10.2 million and cash totaling $1.8 million. Collateral positions are valued daily, and adjustments to amounts received and pledged by the Company are made as appropriate to maintain proper collateralization for these transactions. Swap derivative transactions with customers are generally secured by rights to non-financial collateral, such as real and personal property, which is not shown in the table below.

Resell and repurchase agreements are agreements to purchase/sell securities subject to an obligation to resell/repurchase the same or similar securities. They are accounted for as collateralized financing transactions, not as sales and purchases of the securities portfolio. The securities collateral accepted or pledged in resell and repurchase agreements with other financial institutions also may be sold or re-pledged by the secured party, but is usually delivered to and held by third party trustees. The Company generally retains custody of securities pledged for repurchase agreements with customers.

The Company is party to several agreements commonly known as collateral swaps. These agreements involve the exchange of collateral under simultaneous repurchase and resell agreements with the same financial institution counterparty. These repurchase and resell agreements have the same principal amounts, inception dates, and maturity dates and have been offset against each other in the balance sheet, as permitted under the netting provisions of ASC 210-20-45. The collateral swaps totaled $300.0 million at both December 31, 2013 and December 31, 2012. At December 31, 2013, the Company had posted collateral consisting of $311.0 million in agency mortgage-backed securities and accepted $331.3 million in investment grade asset-backed, commercial mortgage-backed, and corporate bonds.

(In thousands)	Gross Amount Recognized	Gross Amounts Offset in the Balance Sheet	Net Amounts Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet: Financial Instruments Available for Offset	Gross Amounts Not Offset in the Balance Sheet: Securities Collateral Received/ Pledged	Net Amount
December 31, 2013						
Assets:						
Derivatives subject to master netting agreements	**$ 11,579**	**$ —**	**$ 11,579**	**$ (1,299)**	**$ (338)**	**$ 9,942**
Derivatives not subject to master netting agreements	**1,401**	**—**	**1,401**			
Total derivatives	**12,980**	**—**	**12,980**			
Total resell agreements, subject to master netting arrangements	**1,450,000**	**(300,000)**	**1,150,000**	**—**	**(1,150,000)**	**—**
Liabilities:						
Derivatives subject to master netting agreements	**12,962**	**—**	**12,962**	**(1,299)**	**(9,063)**	**2,600**
Derivatives not subject to master netting agreements	**367**	**—**	**367**			
Total derivatives	**13,329**	**—**	**13,329**			
Total repurchase agreements, subject to master netting arrangements	**1,621,763**	**(300,000)**	**1,321,763**	**—**	**(1,321,763)**	**—**
December 31, 2012						
Assets:						
Derivatives subject to master netting agreements	$ 16,475	$ —	$ 16,475	$ (603)	$ —	$ 15,872
Derivatives not subject to master netting agreements	265	—	265			
Total derivatives	16,740	—	16,740			
Total resell agreements, subject to master netting arrangements	1,500,000	(300,000)	1,200,000	—	(1,200,000)	—
Liabilities:						
Derivatives subject to master netting agreements	17,315	—	17,315	(603)	(16,017)	695
Derivatives not subject to master netting agreements	403	—	403			
Total derivatives	17,718	—	17,718			
Total repurchase agreements, subject to master netting arrangements	1,359,040	(300,000)	1,059,040	—	(1,059,040)	—

20. Commitments, Contingencies and Guarantees

The Company leases certain premises and equipment, all of which were classified as operating leases. The rent expense under such arrangements amounted to $6.5 million, $6.9 million and $7.4 million in 2013, 2012 and 2011, respectively. A summary of minimum lease commitments follows:

(In thousands)	Type of Property		
Year Ended December 31	Real Property	Equipment	Total
2014	$ 5,811	$ 39	$ 5,850
2015	4,896	29	4,925
2016	4,033	26	4,059
2017	3,541	2	3,543
2018	2,629	—	2,629
After	16,300	—	16,300
Total minimum lease payments			**$ 37,306**

All leases expire prior to 2051. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, the future minimum lease commitments are not expected to be less than the amounts shown for 2014.

The Company engages in various transactions and commitments with off-balance sheet risk in the normal course of business to meet customer financing needs. The Company uses the same credit policies in making the commitments and conditional obligations described below as it does for on-balance sheet instruments. The following table summarizes these commitments at December 31:

(In thousands)	**2013**	2012
Commitments to extend credit:		
Credit card	**$ 3,835,323**	$ 3,878,468
Other	**4,591,468**	4,500,352
Standby letters of credit, net of participations	**325,623**	359,765
Commercial letters of credit	**11,771**	12,582

Commitments to extend credit are legally binding agreements to lend to a borrower providing there are no violations of any conditions established in the contract. As many of the commitments are expected to expire without being drawn upon, the total commitment does not necessarily represent future cash requirements. Refer to Note 3 on Loans and Allowance for Loan Losses for further discussion.

Commercial letters of credit act as a means of ensuring payment to a seller upon shipment of goods to a buyer. The majority of commercial letters of credit issued are used to settle payments in international trade. Typically, letters of credit require presentation of documents which describe the commercial transaction, evidence shipment, and transfer title.

The Company, as a provider of financial services, routinely issues financial guarantees in the form of financial and performance standby letters of credit. Standby letters of credit are contingent commitments issued by the Company generally to guarantee the payment or performance obligation of a customer to a third party. While these represent a potential outlay by the Company, a significant amount of the commitments may expire without being drawn upon. The Company has recourse against the customer for any amount it is required to pay to a third party under a standby letter of credit. The letters of credit are subject to the same credit policies, underwriting standards and approval process as loans made by the Company. Most of the standby letters of credit are secured, and in the event of nonperformance by the customer, the Company has rights to the underlying collateral, which could include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities.

At December 31, 2013, the Company had recorded a liability in the amount of $3.8 million, representing the carrying value of the guarantee obligations associated with the standby letters of credit. This amount will be accreted into income over the remaining life of the respective commitments. Commitments outstanding under these letters of credit, which represent the maximum potential future payments guaranteed by the Company, were $325.6 million at December 31, 2013.

The Company regularly purchases various state tax credits arising from third-party property redevelopment. These credits are either resold to third parties or retained for use by the Company. During 2013, purchases and sales of tax credits amounted to $65.1 million and $59.6 million, respectively. At December 31, 2013, the Company had outstanding purchase commitments totaling $181.8 million. The commitments are expected to be funded in 2014 through 2017.

The Company periodically enters into risk participation agreements (RPAs) as a guarantor to other financial institutions, in order to mitigate those institutions' credit risk associated with interest rate swaps with third parties. The RPA stipulates that, in the event of default by the third party on the interest rate swap, the Company will reimburse a portion of the loss borne by the financial institution. These interest rate swaps are normally collateralized (generally with real property, inventories and equipment) by the third party, which limits the credit risk associated with the Company's RPAs. The third parties usually have other borrowing relationships with the Company. The Company monitors overall borrower collateral, and at December 31, 2013, believes sufficient collateral is available to cover potential swap losses. The RPAs are carried at fair value throughout their term, with all changes in fair value, including those due to a change in the third party's creditworthiness, recorded in current earnings. The terms of the RPAs, which correspond to the terms of the underlying swaps, range from 3 to 10 years. At December 31, 2013, the fair value of the Company's guarantee liability RPAs was $69 thousand, and the notional amount of the underlying swaps was $50.1 million. The maximum potential future payment guaranteed by the Company cannot be readily estimated and is dependent upon the fair value of the interest rate swaps at the time of default.

In December 2013, the settlement of a multi-district interchange suit against Visa, MasterCard and credit-card issuing major banks was approved in federal court. The settlement, as proposed in 2012, included a provision to reduce credit card interchange income by 10 basis points over an eight month period. In 2012, the Company established a liability for the estimated cost of this reduction in interchange income, which totaled $5.2 million. The Company's payments to Visa related to the reduction began in September 2013 and totaled $2.3 million during 2013. The Company's adjusted remaining liability totaled $2.5 million at December 31, 2013.

In December 2011, the Bank reached a class-wide settlement in a class action lawsuit captioned Wolfgeher v. Commerce Bank, Case No. 1:10-cv-22017 (MDL 2036) which alleged that the Bank had improperly charged overdraft fees on certain debit card transactions and claimed refunds for the plaintiff individually and on behalf of other customers as a class. The settlement provided for a payment of $18.3 million, which was expensed by the Company in 2011, into a class settlement fund, the proceeds of which have been used to issue refunds to class members and to pay attorneys' fees, administrative and other costs. The Bank also agreed to post debit card transactions in chronological order, which was implemented on February 21, 2013. As a result of the change in the posting order of debit card transactions, the Company currently estimates that overdraft income will be reduced on an annual basis by $3.5 million to $5.5 million. A formal Settlement Agreement and Release related to this lawsuit was signed by the Bank on July 26, 2012. A second suit alleging the same facts and also seeking class-action status was filed on June 4, 2010 in Missouri state court; however, the second suit was resolved by agreement on July 18, 2013 and was subsequently dismissed.

On January 4, 2013, the Company was named in a petition by Patrick J. Malloy III, Bankruptcy Trustee for the Bankruptcy Estate of George David Gordon Jr. ("Gordon"). The petition was filed in the District Court in and for Tulsa County, State of Oklahoma and removed to the United States District Court for the Northern District of Oklahoma, and subsequently remanded back to the District Court on May 7, 2013. On May 10, 2013, the Company was served with an amended petition in the case. The amended petition alleges that Gordon was involved in securities fraud and that Bank South, an Oklahoma bank that was subsequently acquired by the Company, together with a lending officer employed by Bank South, are jointly and severally liable, as aiders and abettors of the fraudulent scheme, for losses suffered by defrauded investors. The losses suffered by investors who have assigned their claims to the Trustee are alleged to be in excess of $9.0 million. The claim alleges that the Bank is liable as a successor by merger to Bank South. Based on facts available to the Company and after discussion with outside counsel handling the matter, the Company believes it has substantial defenses to this matter but has established a liability of $1.0 million. This matter will continue to be evaluated on an ongoing basis.

The Company has various other lawsuits pending at December 31, 2013, arising in the normal course of business. While some matters pending against the Company specify damages claimed by plaintiffs, others do not seek a specified amount of damages or are at very early stages of the legal process. The Company records a loss accrual for all legal matters for which it deems a loss is probable and can be reasonably estimated. Some legal matters, which are at early stages in the legal process, have not yet progressed to the point where a loss amount can be determined to be probable and estimable.

21. Related Parties

The Company's Chief Executive Officer, its Vice Chairman, and its President are directors of Tower Properties Company (Tower) and, together with members of their immediate families, beneficially own approximately 72% of the outstanding stock of Tower. At December 31, 2013, Tower owned 222,663 shares of Company stock. Tower is primarily engaged in the business of owning, developing, leasing and managing real property.

Payments from the Company and its affiliates to Tower are summarized below. During 2012 and 2011, the Company leased several surface parking lots in downtown Kansas City, owned by Tower, for employee use. In the fourth quarter of 2012, the Company purchased these lots from Tower for $7.1 million. Other payments, with the exception of dividend payments, relate to property management services, including construction oversight, on four Company-owned office buildings and related parking garages in downtown Kansas City.

(In thousands)	**2013**	2012	2011
Rent on leased parking lots	**$ —**	$ 294	$ 353
Leasing agent fees	**50**	63	57
Operation of parking garages	**84**	75	83
Building management fees	**1,799**	1,774	1,615
Property construction management fees	**114**	231	118
Dividends paid on Company stock held by Tower	**191**	489	177
Total	**$ 2,238**	$ 2,926	$ 2,403

Tower has a $13.5 million line of credit with the Bank which is subject to normal credit terms and has a variable interest rate. The maximum borrowings outstanding under this line during 2013 was $2.0 million, and there was no balance outstanding at December 31, 2013. The maximum borrowings outstanding during 2012 and 2011 were $5.0 million and $3.0 million, respectively, and the balance outstanding at December 31, 2012 and 2011 was $2.0 million and zero, respectively. Interest of $12 thousand, $51 thousand, and $22 thousand was paid during 2013, 2012 and 2011, respectively. Letters of credit may be collateralized under this line of credit; however, there were no letters of credit outstanding during 2013, 2012 or 2011, and thus, no fees were received during these periods. From time to time, the Bank extends additional credit to Tower for construction and development projects. No construction loans were outstanding during 2013, 2012 and 2011.

Tower leases office space in the Kansas City bank headquarters building owned by the Company. Rent paid to the Company totaled $67 thousand in 2013, $66 thousand in 2012 and $75 thousand in 2011, at $14.92, $15.08 and $15.67 per square foot, respectively.

Directors of the Company and their beneficial interests have deposit accounts with the Bank and may be provided with cash management and other banking services, including loans, in the ordinary course of business. Such loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other unrelated persons and did not involve more than the normal risk of collectability.

As discussed in Note 20 on Commitments, Contingencies, and Guarantees, the Company regularly purchases various state tax credits arising from third-party property redevelopment and resells the credits to third parties. During 2013, the Company sold state tax credits to its Chief Executive Officer, his father (a former Chief Executive Officer), its Vice Chairman, and a member of its Board of Directors, in the amount of $846 thousand, $282 thousand, $456 thousand, and $200 thousand, respectively, for personal tax planning. During 2012 and 2011, the Company's Chief Executive Officer purchased state tax credits of $465 thousand and $1.0 million, respectively. In 2011, his father purchased state tax credits in the amount of $920 thousand. The terms of the sales and the amounts paid were the same as the terms and amounts paid for similar tax credits by persons not related to the Company.

22. Parent Company Condensed Financial Statements

Following are the condensed financial statements of Commerce Bancshares, Inc. (Parent only) for the periods indicated:

Condensed Balance Sheets

	December 31	
(In thousands)	**2013**	2012
Assets		
Investment in consolidated subsidiaries:		
Banks	**$ 1,952,179**	$ 1,983,751
Non-banks	**63,134**	61,217
Cash	**53**	58
Securities purchased under agreements to resell	**142,650**	67,675
Investment securities:		
Available for sale	**57,754**	65,189
Non-marketable	**3,326**	4,272
Advances to subsidiaries, net of borrowings	**1,772**	5,504
Income tax benefits	**470**	10,236
Other assets	**15,201**	13,051
Total assets	**$ 2,236,539**	$ 2,210,953
Liabilities and stockholders' equity		
Pension obligation	**$ 6,501**	$ 23,313
Other liabilities	**19,396**	20,513
Total liabilities	**25,897**	43,826
Stockholders' equity	**2,210,642**	2,167,127
Total liabilities and stockholders' equity	**$ 2,236,539**	$ 2,210,953

Condensed Statements of Income

	For the Years Ended December 31		
(In thousands)	**2013**	2012	2011
Income			
Dividends received from consolidated subsidiaries:			
Banks	**$ 200,001**	$ 235,000	$ 180,001
Non-banks	**390**	—	115
Earnings of consolidated subsidiaries, net of dividends	**62,815**	34,467	74,260
Interest and dividends on investment securities	**4,029**	5,074	7,997
Management fees charged subsidiaries	**20,701**	23,658	19,318
Investment securities gains	**1,294**	346	—
Other	**2,958**	2,067	1,560
Total income	**292,188**	300,612	283,251
Expense			
Salaries and employee benefits	**20,433**	24,188	21,572
Professional fees	**3,538**	1,950	1,826
Data processing fees paid to affiliates	**2,775**	2,664	3,351
Indemnification obligation	**—**	—	(4,432)
Other	**10,236**	7,582	5,975
Total expense	**36,982**	36,384	28,292
Income tax benefit	**(5,755)**	(5,101)	(1,384)
Net income	**$ 260,961**	$ 269,329	$ 256,343

Condensed Statements of Cash Flows

(In thousands)	For the Years Ended December 31		
	2013	2012	2011
Operating Activities			
Net income	**$ 260,961**	$ 269,329	$ 256,343
Adjustments to reconcile net income to net cash provided by operating activities:			
Earnings of consolidated subsidiaries, net of dividends	**(62,815)**	(34,467)	(74,260)
Other adjustments, net	**(955)**	(7,078)	(1,144)
Net cash provided by operating activities	**197,191**	227,784	180,939
Investing Activities			
(Increase) decrease in securities purchased under agreements to resell	**(74,975)**	50,400	(40,375)
Decrease in investment in subsidiaries, net	**151**	1,195	116
Proceeds from sales of investment securities	**866**	346	—
Proceeds from maturities/pay downs of investment securities	**13,644**	17,063	22,233
Purchases of investment securities	**—**	(2,000)	—
Decrease in advances to subsidiaries, net	**3,732**	4,136	1,658
Net purchases of building improvements and equipment	**(402)**	(92)	(685)
Net cash provided by (used in) investing activities	**(56,984)**	71,048	(17,053)
Financing Activities			
Purchases of treasury stock	**(69,353)**	(104,909)	(101,154)
Issuance under stock purchase and equity compensation plans	**10,242**	15,588	15,349
Net tax benefit related to equity compensation plans	**1,003**	2,094	1,065
Cash dividends paid on common stock	**(82,104)**	(211,608)	(79,140)
Net cash used in financing activities	**(140,212)**	(298,835)	(163,880)
Increase (decrease) in cash	**(5)**	(3)	6
Cash at beginning of year	**58**	61	55
Cash at end of year	**$ 53**	$ 58	$ 61
Income tax payments (receipts), net	**$ (6,933)**	$ 523	$ (2,700)

Dividends paid by the Parent to its shareholders were substantially provided from Bank dividends. The Bank may distribute dividends without prior regulatory approval, provided that the dividends do not exceed the sum of net income for the current year and retained net income for the preceding two years, subject to maintenance of minimum capital requirements. The Parent charges fees to its subsidiaries for management services provided, which are allocated to the subsidiaries based primarily on total average assets. The Parent makes advances to non-banking subsidiaries and its subsidiary bank holding company. Advances are made to the Parent by its subsidiary bank holding company for investment in temporary liquid securities. Interest on such advances is based on market rates.

For the past several years, the Parent has maintained a $20.0 million line of credit for general corporate purposes with the Bank. The line of credit is secured by investment securities. The Parent has not borrowed under this line during the past three years.

At December 31, 2013, the fair value of available for sale investment securities held by the Parent consisted of investments of $37.2 million in common stock and $20.6 million in non-agency mortgage-backed securities. The Parent's unrealized net gain in fair value on its investments was $35.5 million at December 31, 2013. The corresponding net of tax unrealized gain included in stockholders' equity was $22.0 million. Also included in stockholders' equity was an unrealized net of tax gain in fair value of investment securities held by subsidiaries, which amounted to $3.5 million at December 31, 2013.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with accountants on accounting and financial disclosure.

Item 9a. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rules 13a-15 (e) and 15d-15(e) under the Securities Exchange Act of 1934. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control — Integrated Framework (1992),* our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

The Company's internal control over financial reporting as of December 31, 2013 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which follows.

Changes in Internal Control Over Financial Reporting

No change in the Company's internal control over financial reporting occurred that has materially affected, or is reasonably likely to materially affect, such controls during the last quarter of the period covered by this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Commerce Bancshares, Inc.:

We have audited Commerce Bancshares, Inc.'s (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Commerce Bancshares, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2013, and our report dated February 24, 2014 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Kansas City, Missouri
February 24, 2014

Item 9b. OTHER INFORMATION

None

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Items 401, 405 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K regarding executive officers is included at the end of Part I of this Form 10-K under the caption "Executive Officers of the Registrant" and under the captions "Proposal One - Election of the 2017 Class of Directors", "Section 16(a) Beneficial Ownership Reporting Compliance", "Audit Committee Report", "Committees of the Board - Audit Committee and Committee on Governance/Directors" in the definitive proxy statement, which is incorporated herein by reference.

The Company's financial officer code of ethics for the chief executive officer and senior financial officers of the Company, including the chief financial officer, principal accounting officer or controller, or persons performing similar functions, is available at www.commercebank.com. Amendments to, and waivers of, the code of ethics are posted on this Web site.

Item 11. EXECUTIVE COMPENSATION

The information required by Items 402 and 407(e)(4) and (e)(5) of Regulation S-K regarding executive compensation is included under the captions "Compensation Discussion and Analysis", "Executive Compensation", "Director Compensation", "Compensation and Human Resources Committee Report", and "Compensation and Human Resources Committee Interlocks and Insider Participation" in the definitive proxy statement, which is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Items 201(d) and 403 of Regulation S-K is included under the captions "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" in the definitive proxy statement, which is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Items 404 and 407(a) of Regulation S-K is covered under the captions "Proposal One - Election of the 2017 Class of Directors" and "Corporate Governance" in the definitive proxy statement, which is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 9(e) of Schedule 14A is included under the captions "Pre-approval of Services by the External Auditor" and "Fees Paid to KPMG LLP" in the definitive proxy statement, which is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

		Page
(1)	Financial Statements:	
	Consolidated Balance Sheets	55
	Consolidated Statements of Income	56
	Consolidated Statements of Comprehensive Income	57
	Consolidated Statements of Cash Flows	58
	Consolidated Statements of Changes in Equity	59
	Notes to Consolidated Financial Statements	60
	Summary of Quarterly Statements of Income	49
(2)	Financial Statement Schedules:	
	All schedules are omitted as such information is inapplicable or is included in the financial statements.	

(b) The exhibits filed as part of this report and exhibits incorporated herein by reference to other documents are listed in the Index to Exhibits (pages E-1 through E-2).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized this 24th day of February 2014.

COMMERCE BANCSHARES, INC.

By: /s/ THOMAS J. NOACK

Thomas J. Noack

Vice President and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 24th day of February 2014.

By: /s/ CHARLES G. KIM

Charles G. Kim

Chief Financial Officer

By: /s/ JEFFERY D. ABERDEEN

Jeffery D. Aberdeen

Controller

(Chief Accounting Officer)

David W. Kemper
(Chief Executive Officer)
Terry D. Bassham
John R. Capps
Earl H. Devanny, III
W. Thomas Grant, II
James B. Hebenstreit
Jonathan M. Kemper
Terry O. Meek
Benjamin F. Rassieur, III
Todd R. Schnuck
Andrew C. Taylor
Kimberly G. Walker

} A majority of the Board of Directors*

* David W. Kemper, Director and Chief Executive Officer, and the other Directors of Registrant listed, executed a power of attorney authorizing Thomas J. Noack, their attorney-in-fact, to sign this report on their behalf.

By: /s/ THOMAS J. NOACK

Thomas J. Noack

Attorney-in-Fact

INDEX TO EXHIBITS

3 —Articles of Incorporation and By-Laws:

(a) Restated Articles of Incorporation, as amended, were filed in quarterly report on Form 10-Q (Commission file number 0-2989) dated August 10, 1999, and the same are hereby incorporated by reference.

(b) Restated By-Laws, as amended, were filed in current report on Form 8-K (Commission file number 0-2989) dated February 14, 2013, and the same are hereby incorporated by reference.

4 — Instruments defining the rights of security holders, including indentures:

(a) Pursuant to paragraph (b)(4)(iii) of Item 601 Regulation S-K, Registrant will furnish to the Commission upon request copies of long-term debt instruments.

10 — Material Contracts (Each of the following is a management contract or compensatory plan arrangement):

(a) Commerce Bancshares, Inc. Executive Incentive Compensation Plan amended and restated as of January 1, 2009 was filed in quarterly report on Form 10-Q (Commission file number 0-2989) dated August 7, 2009, and the same is hereby incorporated by reference.

(b)(1) Commerce Bancshares, Inc. 1987 Non-Qualified Stock Option Plan amended and restated as of July 24, 2009 was filed in quarterly report on Form 10-Q (Commission file number 0-2989) dated August 7, 2009, and the same is hereby incorporated by reference.

(b)(2) An amendment to the Commerce Bancshares, Inc. 1987 Non-Qualified Stock Option Plan was filed in current report on Form 8-K (Commission file number 0-2989) dated February 16, 2012, and the same is hereby incorporated by reference.

(c) Commerce Bancshares, Inc. Stock Purchase Plan for Non-Employee Directors amended and restated as of April 17, 2013 was filed in current report on Form 8-K (Commission file number 0-2989) dated April 23, 2013, and the same is hereby incorporated by reference.

(d)(1) Commerce Bancshares, Inc. 1996 Incentive Stock Option Plan amended and restated as of April 2001 was filed in quarterly report on Form 10-Q (Commission file number 0-2989) dated May 8, 2001, and the same is hereby incorporated by reference.

(d)(2) An amendment to the Commerce Bancshares, Inc. 1996 Incentive Stock Option Plan was filed in current report on Form 8-K (Commission file number 0-2989) dated February 16, 2012, and the same is hereby incorporated by reference.

(e) Commerce Executive Retirement Plan amended and restated as of January 28, 2011 was filed in annual report on Form 10-K (Commission file number 0-2989) dated February 25, 2011, and the same is hereby incorporated by reference.

(f) Commerce Bancshares, Inc. Restricted Stock Plan amended and restated as of July 24, 2009 was filed in quarterly report on Form 10-Q (Commission file number 0-2989) dated August 7, 2009, and the same is hereby incorporated by reference.

(g) Form of Severance Agreement between Commerce Bancshares, Inc. and certain of its executive officers entered into as of October 4, 1996 was filed in quarterly report on Form 10-Q (Commission file number 0-2989) dated November 8, 1996, and the same is hereby incorporated by reference.

(h) Trust Agreement for the Commerce Bancshares, Inc. Executive Incentive Compensation Plan amended and restated as of January 1, 2001 was filed in quarterly report on Form 10-Q (Commission file number 0-2989) dated May 8, 2001, and the same is hereby incorporated by reference.

(i) Commerce Bancshares, Inc. 2014 Compensatory Arrangements with CEO and Named Executive Officers were filed in current report on Form 8-K (Commission file number 0-2989) dated January 30, 2014, and the same is hereby incorporated by reference.

(j) Commerce Bancshares, Inc. 2005 Equity Incentive Plan amended and restated as of April 17, 2013 was filed in current report on Form 8-K (Commission file number 0-2989) dated April 23, 2013, and the same is hereby incorporated by reference.

(k) Commerce Bancshares, Inc. Notice of Grant of Stock Options and Option Agreement was filed in quarterly report on Form 10-Q (Commission file number 0-2989) dated August 5, 2005, and the same is hereby incorporated by reference.

(l) Commerce Bancshares, Inc. Restricted Stock Award Agreement, pursuant to the Restricted Stock Plan, was filed in quarterly report on Form 10-Q (Commission file number 0-2989) dated August 5, 2005, and the same is hereby incorporated by reference.

(m) Commerce Bancshares, Inc. Stock Appreciation Rights Agreement and Commerce Bancshares, Inc. Restricted Stock Award Agreement, pursuant to the 2005 Equity Incentive Plan, were filed in current report on Form 8-K (Commission file number 0-2989) dated February 23, 2006, and the same are hereby incorporated by reference.

(n) Commerce Bancshares, Inc. Stock Appreciation Rights Agreement and Commerce Bancshares, Inc. Restricted Stock Award Agreements, pursuant to the 2005 Equity Incentive Plan, were filed in quarterly report on Form 10-Q (Commission file number 0-2989) dated May 6, 2013, and the same are hereby incorporated by reference.

21 — Subsidiaries of the Registrant

23 — Consent of Independent Registered Public Accounting Firm

24 — Power of Attorney

31.1 — Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 — Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 — Certifications of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 — Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements, tagged as blocks of text and in detail

Exhibit 21

The consolidated subsidiaries of the Registrant at February 1, 2014 were as follows:

Name	Location	State or Other Jurisdiction of Incorporation
CBI-Kansas, Inc.	Kansas City, MO	Kansas
Commerce Bank	Kansas City, MO	Missouri
Commerce Brokerage Services, Inc.	Clayton, MO	Missouri
Clayton Holdings, LLC	Kansas City, MO	Missouri
Clayton Financial Corp.	Clayton, MO	Missouri
Clayton Realty Corp.	Clayton, MO	Missouri
Illinois Financial, LLC	Peoria, IL	Delaware
Illinois Realty, LLC	Peoria, IL	Delaware
Commerce Insurance Services, Inc.	Fenton, MO	Missouri
Commerce Investment Advisors, Inc.	Kansas City, MO	Missouri
Commerce Mortgage Corp.	Kansas City, MO	Missouri
CBI Equipment Finance, Inc.	Kansas City, MO	Missouri
Mid-Am Acquisition, LLC	Clayton, MO	Missouri
Tower Redevelopment Corporation	Kansas City, MO	Missouri
CBI Insurance Company	Kansas City, MO	Arizona
CFB Partners II, LLC	Kansas City, MO	Missouri
CFB Partners, LLC	Clayton, MO	Delaware
CFB Venture Fund I, Inc.	Kansas City, MO	Missouri
CFB Venture Fund, L.P.	Clayton, MO	Delaware
CFB Venture Fund II, L.P.	Kansas City, MO	Missouri
Capital for Business, Inc.	Kansas City, MO	Missouri

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Commerce Bancshares, Inc.:

We consent to the incorporation by reference in the Registration Statements No. 33-28294, No. 33-82692, No. 33-8075, No. 33-78344, No. 33-61499, No. 33-61501, No. 333-14651, No. 333-186867, and No. 333-188374, each on Form S-8, No. 333-140221 on Form S-3ASR, and No. 333-140475 and No. 333-189535 on Form S-4 of Commerce Bancshares, Inc. of our reports dated February 24, 2014, with respect to the consolidated balance sheets of Commerce Bancshares, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2013, and the effectiveness of internal control over financial reporting as of December 31, 2013, which reports appear in the December 31, 2013 annual report on Form 10-K of Commerce Bancshares, Inc.

KPMG LLP

Kansas City, Missouri
February 24, 2014

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned do hereby appoint Thomas J. Noack and Jeffery D. Aberdeen, or either of them, attorney for the undersigned to sign the Annual Report on Form 10-K of Commerce Bancshares, Inc., for the fiscal year ended December 31, 2013, together with any and all amendments which might be required from time to time with respect thereto, to be filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, with respect to Commerce Bancshares, Inc., with full power and authority in either of said attorneys to do and perform in the name of and on behalf of the undersigned every act whatsoever necessary or desirable to be done in the premises as fully and to all intents and purposes as the undersigned might or could do in person.

IN WITNESS WHEREOF, the undersigned have executed these presents as of this 31st day of January, 2014.

/s/ TERRY D. BASSHAM

/s/ JOHN R. CAPPS

/s/ EARL H. DEVANNY, III

/s/ W. THOMAS GRANT, II

/s/ JAMES B. HEBENSTREIT

/s/ DAVID W. KEMPER

/s/ JONATHAN M. KEMPER

/s/ TERRY O. MEEK

/s/ BENJAMIN F. RASSIEUR, III

/s/ TODD R. SCHNUCK

/s/ ANDREW C. TAYLOR

/s/ KIMBERLY G. WALKER

Exhibit 31.1

CERTIFICATION

I, David W. Kemper, certify that:

1. I have reviewed this annual report on Form 10-K of Commerce Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID W. KEMPER

David W. Kemper
Chairman and
Chief Executive Officer

February 24, 2014

Exhibit 31.2

CERTIFICATION

I, Charles G. Kim, certify that:

1. I have reviewed this annual report on Form 10-K of Commerce Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CHARLES G. KIM

Charles G. Kim
Executive Vice President and
Chief Financial Officer

February 24, 2014

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Commerce Bancshares, Inc. (the "Company") on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, David W. Kemper and Charles G. Kim, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID W. KEMPER

David W. Kemper
Chief Executive Officer

/s/ CHARLES G. KIM

Charles G. Kim
Chief Financial Officer

February 24, 2014

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CORPORATE HEADQUARTERS
1000 Walnut
P.O. Box 419248
Kansas City, MO 64141-6248
(816) 234-2000
www.commercebank.com

INDEPENDENT ACCOUNTANTS
KPMG LLP
Kansas City, Missouri

TRANSFER AGENT, REGISTRAR AND DIVIDEND DISBURSING AGENT
Computershare Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078
(800) 317-4445
(800) 952-9245 Hearing Impaired/TDD
www.computershare.com/investor

STOCK EXCHANGE LISTING
NASDAQ
Symbol: CBSH

COMMON STOCK INFORMATION
The table below sets forth the high and the low prices of actual transactions for the Company's common stock, which is publicly traded on the NASDAQ Stock Market, adjusted for the December 2013 5% stock dividend.

FISCAL 2013	HIGH	LOW
First Quarter	$38.94	$33.71
Second Quarter	42.50	36.63
Third Quarter	45.26	40.04
Fourth Quarter	45.77	40.80

ANNUAL MEETING
The annual meeting of shareholders will be held Wednesday, April 16, 2014 at 9:30 a.m., at The Ritz Carlton – St. Louis, 100 Carondelet Plaza, Clayton, MO 63105 in the Amphitheater on level two.

INVESTOR INQUIRIES
Shareholders, analysts and investors seeking information about the Company should direct their inquiries to:

Jeffery D. Aberdeen, Controller
1000 Walnut
P.O. Box 419248
Kansas City, MO 64141-6248
(800) 892-7100
mymoney@commercebank.com

SHAREHOLDERS MAY RECEIVE FUTURE ANNUAL REPORTS AND PROXY MATERIALS OVER THE INTERNET
To take advantage of the opportunity to receive materials electronically, rather than by mail, **individuals who hold stock in their name** may enroll for electronic delivery at Computershare's investor website https://www.computershare.com/us/investor.

- If you have already created a log in ID and password at the above site, just login and follow the prompts to "Enroll in Electronic Delivery."
- If you have not created a login ID and password on the above site, choose "Create Login." You will need the Social Security number or tax ID number associated with your Commerce stock account to create the login. After you have created your login, follow the prompts to "Enroll in Electronic Delivery."

Please note:

- Your consent is entirely revocable.
- You can always vote your proxy on the Internet whether or not you elect to receive your materials electronically.

Shareholders who hold their Commerce stock through a bank, broker or other holder of record should refer to the information provided by that entity for instructions on how to elect to view future annual reports and proxy statements over the Internet.

Employee PIP (401(k)) shareholders who have a Company email address and online access, will *automatically* be enrolled to receive the Annual Report, Proxy Statement and proxy card over the Internet unless they choose to opt out by emailing the Corporate Secretary at thomas.noack@commercebank.com.

Designed by Falk Harrison, St. Louis, Missouri

COMMERCE BANCSHARES, INC.

1000 WALNUT
P.O. BOX 419248
KANSAS CITY, MO 64141-6248

Phone: (816) 234-2000
(800) 892-7100
Email: mymoney@commercebank.com
Website: www.commercebank.com

An Equal Opportunity Employer MK2913

Small Business/Farm Summary

All Tracts in United States and Territories
ST. LOUIS CITY COUNTY
Filter Desc: Untitled

	Small Business Loans		Small Farm Loans	
	Number	Amount	Number	Amount
STATE: 29 COUNTY: 510 St. Louis city	170	35,269,000	0	0
ASSESSMENT AREA TOTALS:	170	35,269,000	0	0
Assessment and Non-Assessment Area Totals:	170	35,269,000	0	0

Copyright 1996 - 2014 MARQUIS

Small Business/Farm Summary

All Tracts in United States and Territories
ST. LOUIS CITY COUNTY
Filter Desc: Untitled

STATE: 29 MISSOURI **COUNTY:** 510 St. Louis city MSA: St. Louis, MO-IL MSA

Census Tract/BNA	Assessment Area	Small Business Loans		Small Farm Loans	
		Number	Amount	Number	Amount
1011.00	*	1	10,000	0	0
1012.00	*	0	0	0	0
1013.00	*	1	5,000	0	0
1014.00	*	0	0	0	0
1015.00	*	0	0	0	0
1018.00	*	2	1,285,000	0	0
1021.00	*	0	0	0	0
1022.00	*	4	30,000	0	0
1023.00	*	0	0	0	0
1024.00	*	1	250,000	0	0
1025.00	*	0	0	0	0
1031.00	*	1	3,000	0	0
1034.00	*	0	0	0	0
1036.00	*	8	1,919,000	0	0
1037.00	*	1	1,000	0	0
1038.00	*	1	5,000	0	0
1042.00	*	4	42,000	0	0
1045.00	*	15	4,711,000	0	0
1051.98	*	2	905,000	0	0
1052.00	*	0	0	0	0
1053.00	*	0	0	0	0
1054.00	*	0	0	0	0
1055.00	*	0	0	0	0
1061.00	*	0	0	0	0
1062.00	*	0	0	0	0
1063.00	*	0	0	0	0
1064.00	*	0	0	0	0
1065.00	*	0	0	0	0
1066.00	*	0	0	0	0
1067.00	*	0	0	0	0
1072.00	*	0	0	0	0
1073.00	*	0	0	0	0
1074.00	*	0	0	0	0
1075.00	*	0	0	0	0
1076.00	*	0	0	0	0
1081.00	*	0	0	0	0
1082.00	*	0	0	0	0
1083.00	*	0	0	0	0
1096.00	*	3	65,000	0	0
1097.00	*	5	1,667,000	0	0
1101.00	*	0	0	0	0
1102.00	*	0	0	0	0

Copyright 1996 - 2014 MARQUIS

Small Business/Farm Summary

All Tracts in United States and Territories
ST. LOUIS CITY COUNTY
Filter Desc: Untitled

STATE: 29 MISSOURI **COUNTY:** 510 St. Louis city MSA: St. Louis, MO-IL MSA

Census Tract/BNA	Assessment Area	Small Business Loans		Small Farm Loans	
		Number	Amount	Number	Amount
1103.00	*	0	0	0	0
1104.00	*	0	0	0	0
1105.00	*	0	0	0	0
1111.00	*	0	0	0	0
1112.00	*	0	0	0	0
1113.00	*	0	0	0	0
1114.00	*	0	0	0	0
1115.00	*	3	145,000	0	0
1121.00	*	1	72,000	0	0
1122.00	*	0	0	0	0
1123.00	*	0	0	0	0
1124.00	*	3	259,000	0	0
1135.00	*	6	1,063,000	0	0
1141.01	*	1	85,000	0	0
1141.02	*	2	205,000	0	0
1142.00	*	2	14,000	0	0
1143.00	*	5	17,000	0	0
1151.00	*	2	782,000	0	0
1152.00	*	2	800,000	0	0
1153.00	*	3	1,029,000	0	0
1154.00	*	1	50,000	0	0
1155.00	*	0	0	0	0
1156.00	*	0	0	0	0
1157.00	*	0	0	0	0
1161.00	*	0	0	0	0
1162.00	*	2	5,000	0	0
1163.01	*	2	500,000	0	0
1163.02	*	1	250,000	0	0
1164.00	*	0	0	0	0
1165.00	*	0	0	0	0
1171.00	*	2	800,000	0	0
1172.00	*	2	15,000	0	0
1174.00	*	1	6,000	0	0
1181.00	*	4	675,000	0	0
1184.00	*	0	0	0	0
1186.00	*	4	215,000	0	0
1191.01	*	4	529,000	0	0
1191.02	*	0	0	0	0
1192.00	*	1	58,000	0	0
1193.00	*	0	0	0	0
1202.00	*	0	0	0	0
1211.00	*	3	400,000	0	0

Copyright 1996 - 2014 MARQUIS

Small Business/Farm Summary

All Tracts in United States and Territories
ST. LOUIS CITY COUNTY
Filter Desc: Untitled

STATE: 29 MISSOURI **COUNTY:** 510 St. Louis city MSA: St. Louis, MO-IL MSA

Census Tract/BNA	Assessment Area	Small Business Loans		Small Farm Loans	
		Number	Amount	Number	Amount
1212.00	*	0	0	0	0
1231.00	*	1	10,000	0	0
1232.00	*	1	10,000	0	0
1233.00	*	2	185,000	0	0
1241.00	*	0	0	0	0
1242.00	*	0	0	0	0
1243.00	*	2	119,000	0	0
1246.00	*	0	0	0	0
1255.00	*	3	647,000	0	0
1256.00	*	20	3,405,000	0	0
1257.00	*	0	0	0	0
1266.00	*	3	115,000	0	0
1267.00	*	3	1,030,000	0	0
1268.00	*	4	1,025,000	0	0
1269.00	*	0	0	0	0
1270.00	*	3	3,000,000	0	0
1271.00	*	1	5,000	0	0
1272.00	*	2	419,000	0	0
1273.00	*	1	5,000	0	0
1274.00	*	10	3,135,000	0	0
1275.00	*	6	2,287,000	0	0
1276.00	*	2	1,000,000	0	0
Totals:		170	35,269,000	0	0

*** END OF CURRENT COUNTY DATA ***

Copyright 1996 - 2014 MARQUIS

2013 COMMERCE BANK COMMUNITY DEVELOPMENT LOANS - ST. LOUIS

CD DESIGNATION	TOTAL NUMBER	TOTAL AMOUNT
AFFORDABLE HOUSING	6	$ 2,002,000.00
COMMUNITY SERVICES	3	$ 1,605,000.00
ECONOMIC DEVELOPMENT	13	$ 59,067,000.00
REVITALIZE STABLIZE	7	$ 46,204,000.00
TOTAL	29	$ 108,878,000.00

2013 COMMERCE BANK COMMUNITY DEVELOPMENT LOANS - ST. LOUIS

	LOAN AMOUNT	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL
AFFORDABLE HOUSING	$ 101,000.00	41180	29	510	1193.00	MIDDLE
	$ 1,188,000.00	41180	29	510	1021.00	MOD
	$ 62,000.00	41180	29	510	1163.02	LOW
	$ 492,000.00	41180	29	510	1152.00	LOW
	$ 81,000.00	41180	29	510	1273.00	MOD
	$ 78,000.00	41180	29	510	1164.00	LOW
TOTAL	$ 2,002,000.00					

	LOAN AMOUNT	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL
COMMUNITY SERVICES	$ 400,000.00	41180	29	510	1275.00	LOW
	$ 5,000.00	41180	29	510	1112.00	LOW
	$ 1,200,000.00	41180	29	510	1193.00	LOW
TOTAL	$ 1,605,000.00					

	LOAN AMOUNT	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL
ECONOMIC DEVELOPMENT	$ 1,417,000.00	41180	29	510	1045.00	MOD
	$ 5,500,000.00	41180	29	510	1045.00	MOD
	$ 10,000,000.00	41180	29	510	1274.00	MOD
	$ 5,000,000.00	41180	29	510	1266.00	LOW
	$ 2,200,000.00	41180	29	510	1255.00	MIDDLE
	$ 1,150,000.00	41180	29	510	1274.00	LOW
	$ 10,000,000.00	41180	29	510	1266.00	LOW
	$ 3,000,000.00	41180	29	510	1115.00	MOD
	$ 3,000,000.00	41180	29	510	1274.00	LOW
	$ 1,300,000.00	41180	29	510	1045.00	MOD
	$ 1,500,000.00	41180	29	510	1097.00	LOW
	$ 10,000,000.00	41180	29	510	1266.00	MOD
	$ 5,000,000.00	41180	29	510	1181.00	MOD
TOTAL	$ 59,067,000.00					

	LOAN AMOUNT	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL
REVITALIZE STABLIZE	$ 9,403,000.00	41180	29	510	1256.00	MOD
	$ 7,500,000.00	41180	29	510	1256.00	MOD
	$ 25,000.00	41180	29	510	1256.00	MOD
	$ 6,018,000.00	41180	29	510	1256.00	MOD
	$ 8,750,000.00	41180	29	510	1256.00	MOD
	$ 2,508,000.00	41180	29	510	1256.00	MOD
	$ 12,000,000.00	41180	29	510	1186.00	LOW
TOTAL	$ 46,204,000.00					

2013 COMMERE BANK BRANCHES - ST. LOUIS

BRANCH NAME	ADDRESS	CITY	STATE	ZIP	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL	COUNTY NAME
CHIPPEWA	6327 CHIPPEWA ST	ST LOUIS	MO	63109	41180	29	510	1141.02	UPPER	ST LOUIS CITY
CHOUTEAU	4019 CHOUTEAU AVENUE	ST LOUIS	MO	63110	41180	29	510	1186.00	LOW	ST LOUIS CITY
METROPOLITAN SQUARE	211 N. BROADWAY	ST LOUIS	MO	63102	41180	29	510	1256.00	MODERATE	ST LOUIS CITY
NATURAL BRIDGE	4401 NATURAL BRIDGE AVENUE	ST LOUIS	MO	63115	41180	29	510	1101.00	LOW	ST LOUIS CITY
TOWER GROVE	3134 S. GRAND BLVD	ST LOUIS	MO	63118	41180	29	510	1165.00	MODERATE	ST LOUIS CITY

2013 COMMERCE BANK ATMS - ST. LOUIS

ATM NAME	ADDRESS	CITY	STATE	ZIP	MSA	STATE	COUNTY	CENSUS TRACT	TRACT LEVEL	COUNTY NAME
MO BOTANICAL GARDEN	4344 SHAW BLVD	ST. LOUIS	MO	63110	41180	29	510	1171.00	MODERATE	ST LOUIS CITY
CHIPPEWA EAST	6327 CHIPPEWA ST	ST. LOUIS	MO	63109	41180	29	510	1141.02	UPPER	ST LOUIS CITY
WASHINGTON AVE.	1400 WASHINGTON AVE	ST. LOUIS	MO	63103	41180	29	510	1255.00	MIDDLE	ST LOUIS CITY
CHIPPEWA WEST	6327 CHIPPEWA ST	ST. LOUIS	MO	63109	41180	29	510	1141.02	UPPER	ST LOUIS CITY
TOWER GROVE WEST	3134 S GRAND BLVD	ST. LOUIS	MO	63118	41180	29	510	1165.00	MODERATE	ST LOUIS CITY
TOWER GROVE EAST	3134 S GRAND BLVD	ST. LOUIS	MO	63118	41180	29	510	1165.00	MODERATE	ST LOUIS CITY
LOUGHBOROUGH PLAZA	4348 LOUGHBOROUGH AVE	ST. LOUIS	MO	63116	41180	29	510	1025.00	MIDDLE	ST LOUIS CITY
NATURAL BRIDGE	4402 NATURAL BRIDGE AVE	ST. LOUIS	MO	63115	41180	29	510	1101.00	LOW	ST LOUIS CITY
RIVERVIEW MOTOMART	11005 RIVERVIEW DR	ST. LOUIS	MO	63138	41180	29	510	1270.00	LOW	ST LOUIS CITY
CHOUTEAU	4019 CHOUTEAU AVE	ST. LOUIS	MO	63110	41180	29	510	1186.00	LOW	ST LOUIS CITY
METRO SQ WEST	211 N BROADWAY	ST. LOUIS	MO	63102	41180	29	510	1256.00	MODERATE	ST LOUIS CITY
METRO BLDG. RIGHT	211 N BROADWAY	ST. LOUIS	MO	63102	41180	29	510	1256.00	MODERATE	ST LOUIS CITY
MO BOTANICAL GARDEN #2	4344 SHAW BLVD	ST. LOUIS	MO	63110	41180	29	510	1171.00	MODERATE	ST LOUIS CITY

FINANCIAL LITERACY EFFORTS – COMMERCE BANK

- Commerce is an original member in the Bank On Save Up program, addressing the unbanked and underbanked community in St. Louis.
- Commerce participated in the City of St. Louis Treasurer's Office effort to move staff to direct deposit of their paychecks.
- Commerce is a member of the Greater St. Louis Financial Education Collaborative, facilitated by United Way, which has worked diligently to review and offer widely ,effective financial literacy curriculum for all ages in our community.
- Commerce has participated annually in the Junior Achievement classroom program including JA in a Day.
- Commerce is an annual participant in Money Smart Week in April of each year.
- Over 25 Commerce bankers participate annually in Teach Children to Save Day, an effort of the American Bankers' Association and facilitated locally by the Federal Reserve Bank
- Commerce Bankers assist in the presentation of the Get Checking program for individuals who need to re-enter the banking system after having accounts closed. This remedial program helps those individuals to learn better habits, understand how to manage an account, and requires the individuals to make restitution for prior charges.

Some additional examples are listed below:

Date	Organization	Name	# of attendees	Description
4/20/2013	Beyond Housing	Loura Gilbert		Money Smart Week sessions on basic banking at CRA Assn book end events
4/27/2013	Harris Stowe	Loura Gilbert, Jeannine Murphy, Vivian Carbin		Money smart Week -- general banking info at CRA Assn book end events
6/3/2013	Aim High Career Day	Anthony Clarkson		Described the financial services system and how banks work
6/26/2013	STL Youth Jobs Partnership	Loura Gilbert		Basics of banking, goal setting, budgeting, credit for youth in summer jobs program
6/27/2013	STL Youth Jobs Partnership	Loura Gilbert		Basics of banking, goal setting, budgeting, credit for youth in summer jobs program
7/1/2013	STL Youth Jobs Partnership	Loura Gilbert		Basics of banking, goal setting, budgeting, credit for youth in summer jobs program
8/10/2013	MO Black Expo	Loura Gilbert & Jeannine Murphy		Financial health check with other bankers from the Metropolitan St. Louis CRA Assn. Created a next steps individualized plan.

Non-Employee Directors

	Total	Male				Female			
	Number	White	Black	Hispanic	Other Minority*	White	Black	Hispanic	Other Minority*
Metro	18	15	1	0		2	0	0	0
% of Total	100%	83%	6%	0%	0%	11%	0%	0%	0%

*Other minority includes Asian, Native American, Native Hawaiian, and other non-white

All Employees

	Total	Male (33%)				Female (67%)			
	Number	White	Black	Hispanic	Other Minority*	White	Black	Hispanic	Other Minority*
	1134	308	49	6	9	570	156	15	21
%	100%	27%	4%	1%	1%	50%	14%	1%	2%

*Other minority includes Asian, Native American, Native Hawaiian, and other non-white

Senior Management **

	Total	Male (39%)				Female (61%)			
	Number	White	Black	Hispanic	Other Minority*	White	Black	Hispanic	Other Minority*
TOTAL	258	96	5	1	0	128	25	3	0
%	100.0%	37%	2%	0%	0%	50%	10%	1%	0%

*Other minority includes Asian, Native American, Native Hawaiian, and other non-white

** Executives, officers, and those with decision-making authority.

St. Louis MSA

		Male	Female	White	Black	Hispanic	Other	
%	100%	48.3%	51.7%	76.9%	18.1%	2.7%	5.0%	

Commerce Bank 12/31/13

Consumer Loan Data

Commerce Bank does not collect Consumer Loan Data for federal reporting for CRA purposes.

PUBLIC DISCLOSURE

JANUARY 9, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

COMMERCE BANK

RSSD # 601050

1000 WALNUT STREET
KANSAS CITY, MISSOURI 64199

Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution Rating
- Institution's Community Reinvestment Act Rating 1
- Table of Performance Test Ratings 1
- Summary of Major Factors Supporting Rating 1

Overall Institution
- Description of Institution 1
- Scope of Examination 3
- Conclusions With Respect to Performance Tests 4

Kansas City MO-KS Multistate Metropolitan Statistical Area
- Multistate Metropolitan Statistical Area Rating 12
- Scope of Examination 12
- Description of Bank's Operations in the Kansas City MSA AA 13
- Description of Assessment Area 13
- Conclusions With Respect to Performance Tests in Kansas City MSA 15

St. Louis MO-IL Multistate Metropolitan Statistical Area
- Multistate Metropolitan Statistical Area Rating 25
- Scope of Examination 25
- Description of Bank's Operations in the St. Louis MSA AA 26
- Description of Assessment Area 26
- Conclusions With Respect to Performance Tests in St. Louis MSA 28

State of Missouri
- State Rating 37
- Scope of Examination 37
- Description of Bank's Operations in Missouri 38
- Conclusions With Respect to Performance Tests in Missouri 38

Springfield MO Metropolitan Statistical Area (Full Review)
- Description of Bank's Operations in the Springfield MSA AA 41
- Description of Assessment Area 41
- Conclusions With Respect to Performance Tests in Springfield MSA 43

Columbia MO Metropolitan Statistical Area (Full Review)
- Description of Bank's Operations in the Columbia MSA AA 50
- Description of Assessment Area 50
- Conclusions With Respect to Performance Tests in Columbia MSA 52

Other Missouri Metropolitan Statistical Areas (Limited Reviews)
- Description of Bank's Operations in Limited Review Missouri MSA AAs 60
- Conclusions With Respect to Performance Tests in Limited Review MO MSA AAs 60

Missouri NonMetropolitan Areas (Limited Reviews)
Description of Bank's Operations in Nonmetropolitan Missouri AAs 62
Conclusions With Respect to Performance Tests in Nonmetropolitan Missouri AAs 62

State of Kansas
State Rating 63
Scope of Examination 63
Description of Bank's Operations in Kansas 63
Conclusions With Respect to Performance Tests in Kansas 64

Wichita KS Metropolitan Statistical Area (Full Review)
Description of Bank's Operations in the Wichita MSA AA 67
Description of Assessment Area 67
Conclusions With Respect to Performance Tests in Wichita MSA 69

Other Kansas Metropolitan Statistical Areas (Limited Reviews)
Description of Bank's Operations in Limited Review Kansas MSA AAs 76
Conclusions With Respect to Performance Tests in Limited Review Kansas MSA AAs 76

Nonmetropolitan Statewide Kansas (Limited Reviews)
Description of Bank's Operations in Nonmetropolitan Kansas AAs 77
Conclusions With Respect to Performance Tests in Nonmetropolitan Kansas AAs 77

State of Illinois
State Rating 78
Scope of Examination 78
Description of Bank's Operations in Illinois 79
Conclusions With Respect to Performance Tests in Illinois 79

Bloomington IL Metropolitan Statistical Area (Full Review)
Description of Bank's Operations in the Bloomington MSA AA 82
Description of Assessment Area 82
Conclusions With Respect to Performance Tests in Bloomington MSA 84

Other Illinois Metropolitan Statistical Areas (Limited Reviews)
Description of Bank's Operations in Limited Review Illinois MSA AAs 91
Conclusions With Respect to Performance Tests in Limited Review Illinois MSA AAs 91

State of Colorado/Denver-Aurora-Broomfield Metropolitan Statistical Area (Full Review)
State Rating 92
Scope of Examination 92
Description of Bank's Operations in the Denver MSA AA 92
Description of Assessment Area 93
Conclusions With Respect to Performance Tests in Denver MSA 95

State of Oklahoma/Tulsa OK Metropolitan Statistical Area (Full Review)
State Rating 103
Scope of Examination 103
Description of Bank's Operations in the Tulsa MSA AA 103
Description of Assessment Area 104
Conclusions With Respect to Performance Tests in Tulsa MSA 106

Appendices
CRA Appendix A: Scope of Examination Table A-1
CRA Appendix B: Summary of State and Multistate MSA Ratings B-1
CRA Appendix C: Glossary C-1
CRA Appendix D: Assessment Area Maps D-1

INSTITUTION COMMUNITY REINVESTMENT ACT RATING

Community Reinvestment Act (CRA) Rating: ***Commerce Bank*** *is rated* ***"Outstanding"***

The following table indicates the performance level of Commerce Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily in determining the overall rating.

Major factors supporting the institution's rating include:

- The bank is a leader in community development lending in most areas served.
- The level of qualified community development investments is excellent.
- The bank is a leader in providing community development services in most areas served.
- Adequate responsiveness to assessment area (AA) credit needs.
- A high percentage of loans originated within the bank's designated AAs.
- The geographic distribution of home mortgage, business, and farm loans considered adequate or good in most all AAs.
- The distribution of loans among individuals of different income levels and businesses and farms of different revenue sizes considered adequate or good in most all AAs.
- Delivery systems are reasonably accessible to geographies and individuals of different income levels.
- Products, services, and hours do not vary significantly by branch location and do not hinder access in certain geographies or by individuals of different income levels.

DESCRIPTION OF INSTITUTION

Commerce Bank is a full-service interstate financial institution offering a wide variety of commercial and retail products and services. The bank became a Federal Reserve member bank on June 29, 2011. The bank is a wholly-owned subsidiary of Commerce Bancshares, Inc. (CBI). Both have their headquarters in Kansas City, Missouri. As of September 30, 2011, the bank's total assets equaled $20.5 billion. The last examination was conducted by the

Office of the Comptroller of the Currency (OCC) on August 3, 2009. The bank's AAs have remained unchanged since the prior examination, though two nonmetropolitan areas, Cape Girardeau, Missouri, and Manhattan, Kansas, became Metropolitan Statistical Areas (MSAs) in 2009.

Affiliated companies included in this evaluation include Capital for Business, Inc. (CFB), and Commerce Mortgage Corporation (CMC). CFB is a venture capital subsidiary of CBI that owns two Small Business Investment Companies (SBICs) that partner with other investors to provide financing to small businesses for expansion and operating expenses. CMC, a wholly-owned subsidiary of the bank, is a mortgage loan originator and servicer. Community development investments and residential mortgage loans held by these affiliates are included in the analysis of the bank's Community Reinvestment Act (CRA) performance.

The bank's loan mix as of September 30, 2011, is demonstrated in Table 1. Commercial loans constitute the largest percentage of the bank's loan mix. Residential real estate loans constitute the second largest loan product, and the figure below is somewhat understated, as the majority of residential mortgage loans are sold into the secondary market.

Table 1
LOAN PORTFOLIO
SEPTEMBER 30, 2011
(Call Report Data)

Loan Type	$(000s)	% of Total
Commercial	4,310,582	47.3
Residential Real Estate	2,019,275	22.2
Consumer	1,662,842	18.2
Agricultural	239,429	2.6
Other	882,203	9.7
Total Loans	9,114,331	100.0

Since the last examination, total loans have declined each year, dropping 9.9 percent in 2009, 9.7 percent in 2010, and 3.8 percent for the first three quarters of 2011. The bank's total loan-to-deposit (LTD) ratio has declined from 81 percent at the last examination to 56.9 percent as of September 30, 2011. Bank management stated it has a strategy for loan growth and that the decline in the LTD ratio is a factor of strong deposit growth of 30 percent since 2008, coupled with declining loan demand over the last two years due to the overall poor national economy.

As of October 2011, the bank had 201 banking offices throughout 27 AAs in five states – Missouri, Kansas, Illinois, Colorado, and Oklahoma. For this evaluation, the bank's total AAs remained unchanged from the prior review, consisting of two multistate MSAs, Kansas City Missouri-Kansas (MO-KS) and St. Louis Missouri-Illinois (MO-IL); 14 other MSAs, with six in Missouri (Cape Girardeau, Columbia, Jefferson City, Joplin, Springfield, and St. Joseph), three

in Kansas (Lawrence, Manhattan, and Wichita), three in Illinois (Bloomington, Champaign, and Peoria), Denver, Colorado, and Tulsa, Oklahoma; and eleven nonmetropolitan AAs, with seven in Missouri and four in Kansas.

Approximately 66 percent of the bank's total deposits, as of June 30, 2011, were attributed to locations in the multistate MSAs of Kansas City and St. Louis. Adding in the rest of the State of Missouri, 82.7 percent of the bank's total deposits are accounted for. Kansas (outside the Kansas City MSA) is also a somewhat significant market area served by the bank, with 10.3 percent of total bank deposits, followed by Illinois with 5.5 percent. The Denver and Tulsa markets each have less than 1.0 percent of total bank deposits. In determining the overall examination rating, the AAs are weighted accordingly.

There are no legal or financial constraints impeding the bank's ability to help meet the credit needs in its AAs.

SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the lending, investment, and service tests as defined under the Federal Financial Institutions Examination Council's Interagency CRA Procedures for Large Institutions. Loan products evaluated included all residential mortgage loans reported on the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR); business loans reported on the CRA LAR, which includes all business loans in amounts less than $1 million; farm loans reported on the CRA LAR, which includes all farm loans in amounts less than $500,000; and loans qualifying as community development loans, per CRA guidelines. The bank's primary lending focus is commercial lending, with significant focus also in residential real estate lending and consumer lending. For the lending test, the greatest emphasis is placed on the bank's business lending, as these loans comprise nearly half of the bank's loan portfolio.

The evaluation period for HMDA and CRA LAR loans as well as all community development activities was January 1, 2009 through December 31, 2010. The number of reported loans for multifamily home mortgage loans in all AAs and farm loans in several AAs (St. Louis, Columbia, Denver, and Tulsa) was insufficient to conduct a meaningful lending analysis and are excluded from the review.

The geographic distribution analysis was based on the bank's penetration within different geographic income categories, particularly low- and moderate-income (LMI) geographies. Geography income classifications are based on 2000 Census data and 2008 Office of Management and Budget MSA designations. The borrower distribution analysis was based on the bank's penetration to individuals of different income categories, particularly LMI borrowers, and to businesses and farms of different sizes, particularly those with gross annual revenues under $1 million. For the evaluation of borrower characteristics, borrower income levels were based on 2009 and 2010 estimated median family income (MFI) figures from the U.S. Department of Housing and Urban Development (HUD). For evaluative purposes, the bank's

performance was compared with area demographic data, including 2000 Census data and 2010 Dun & Bradstreet (D&B) business data. Comparisons were also made with 2009 and 2010 aggregate lending data reported by all HMDA and CRA reporters with loan originations within the bank's AAs.

Under the CRA, a financial institution's performance is evaluated within the context of each delineated AA and within each state in which it operates. Each multistate MSA and each state is assigned an individual rating, and an overall rating is assigned for the bank. The bank has delineated 27 AAs, listed in Appendix A, which are discussed separately throughout this Performance Evaluation. The bank's two multistate MSA AAs and at least one MSA AA in each state will be evaluated using full-scope examination procedures. Other MSA AAs and all nonmetropolitan AAs in Missouri and Kansas will be evaluated using limited examination procedures.

Interviews with members of the communities within the bank's AAs were conducted during the examination to ascertain the credit needs of the communities, the responsiveness of area banks to those credit needs, the availability of community development opportunities, and local economic conditions. Additional community contacts previously conducted within the bank's AAs during the previous two years were also referenced.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's overall rating and conclusions were based on its performance in each individual AA, with the greatest weight placed on the bank's Kansas City and St. Louis multistate MSA AAs, followed by the overall state of Missouri and the overall state of Kansas. Business loans were generally given greater weight, followed by residential mortgage loans, with agricultural loans given far less weight in most AAs. The bank's performance is discussed more in-depth within each AA analysis in this Performance Evaluation, and includes figures to demonstrate the bank's lending performance as well as comparison with aggregate figures and demographic data.

LENDING TEST

The bank's overall record of meeting its AAs' credit needs through its lending activities is rated "high satisfactory". Overall, the bank is a leader in community development lending. The excellent level of community development lending boosted the bank's overall lending performance rating.

The borrower distribution analysis reflected good performance in the Kansas City and St. Louis MSA AAs, while this test was considered poor in the Champaign, Illinois, and Tulsa, Oklahoma AAs, and was generally considered adequate in the other AAs.

The bank's geographic distribution was adequate in the Kansas City and St. Louis MSA AAs, excellent in the Denver market, generally adequate or good in most other AAs, but poor in the Champaign, Illinois market and very poor in the Tulsa, Oklahoma, market.

Lending Activity:

Table 2
SUMMARY OF LOANS REVIEWED

Loan Type	#	%	$(000s)	%
Total Home Purchase	1,314	19.1 (a)	183,510	21.2 (a)
Conventional Home Purchase	1,101	83.8 (b)	159,376	86.8 (b)
FHA Home Purchase	193	14.7 (b)	21,678	11.8 (b)
VA Home Purchase	20	1.5 (b)	2,456	1.3 (b)
Refinancing	4,277	62.2 (a)	614,168	70.9 (a)
Home Improvement	1,216	17.7 (a)	35,562	4.1 (a)
Multifamily Housing	64	0.9 (a)	32,976	3.8 (a)
Total HMDA LAR Loans	**6,871**	**30.5 (c)**	**866,216**	**32.7** (c)
Total CRA LAR Business Loans	**12,196**	**54.1 (c)**	**1,491,364**	**56.3** (c)
Total CRA LAR Farm Loans	**3,458**	**15.4 (c)**	**292,651**	**11.0** (c)
TOTAL LOANS	**22,525**		**2,650,231**	

(a) Percent of Total HMDA Loans; (b) Percent of Total Home Purchase Loans; (c) Percent of Total Loans

Based on a review of loan products, including mix and volume, the bank's residential home mortgage and commercial lending activities reflect adequate responsiveness to AA credit needs. The bank's overall loan volume, as reflected by the LTD ratio, has declined significantly over the last four years, from 87.5 percent to 53.7 percent. During our review period, the LTD ratio equaled 72.4 percent at year-end 2009 and 62.4 percent at year-end 2010. The decline is primarily due to the national recession and the resulting decrease in loan demand coupled with a 30 percent growth in deposits since 2008.

The bank made use of some innovative and flexible lending practices during the review period, including Federal Housing Administration (FHA), Veterans Administration (VA), and Small Business Administration (SBA) guaranteed loans, Missouri Linked Deposit Loans, a secured credit card program, and other affordable housing down payment assistance programs. The bank's volume of SBA and Missouri Linked Deposit Loans was notable, while use of the other flexible lending programs was minimal.

The bank is considered a leader in the Missouri Linked Deposit Program. This program was developed by the state of Missouri to create and retain jobs, expand the economy, and strengthen communities statewide by providing below-market-rate business loans with up to five-year fixed rate terms. Participating banks obtain state funds at reduced deposit rates and

in turn make reduced-rate loans to businesses with fewer than 100 employees. Commerce Bank is the largest participant in the program, with $120.8 million in loans as of September 30, 2011, compared to less than $23 million for the next largest participant. The majority of the bank's lending occurred in 2011. During our review period, the bank's level of funding equaled $29.4 million.

The bank is a certified SBA lender, using various SBA programs, including America's Recovery Capital, SBA 504, SBA 7(a), and Patriot Express loan programs. For our review period, the bank originated 227 SBA loans totaling nearly $89 million. Over half the SBA loans were originated in the Kansas City and St. Louis MSAs (26 percent in each). Approximately 20 percent were originated outside the bank's AAs, though generally near AAs. Per a St. Louis Business Journal article, the bank was the largest SBA lender in St. Louis for the first eight months of 2011. Per the SBA's website, the bank was the second largest SBA 7(a) lender in 2009 in the state of Missouri (with 57 originations), and ninth in Kansas (with only seven originations).

The bank's HMDA LAR for 2009 and 2010 shows 230 FHA loans, averaging $114,000 per loan. The volume by number represented only 3.3 percent of total bank HMDA originations. The HMDA LAR also shows 24 VA loans, averaging $126,000 per loan. This volume represented only 0.3 percent of total bank HMDA originations.

Commerce Bank has a special secured credit card product that was offered during the review period, and restructured in 2011. The product is offered as a means to help customers establish or reestablish credit. The credit cards must be secured by certificates of deposit and come with a low interest rate. The bank originated seventy cards under this program during the review period, with the majority to LMI borrowers.

The bank's affordable home mortgage products offered during the review period included first-time home buyer programs with grants for down payments and lower required down payments. The bank had an adjustable rate product that was discontinued in 2009 and two fixed-rate products that were discontinued in 2010. These products had very low volume during our review period.

Assessment Area Concentration:

As demonstrated in Table 3, the bank originated a high percentage of its loans within its delineated AAs. Only loans within the bank's AAs are considered for the remaining loan distribution tests discussed within this Performance Evaluation. Furthermore, the continuing analyses and tables focus primarily on the number of originations as opposed to dollar volume, as this better represents the number of affected applicants.

Table 3 LENDING WITHIN THE ASSESSMENT AREAS								
	Inside				Outside			
Loan Type	#	%	$(000s)	%	#	%	$(000s)	%
Home Purchase	1,152	87.7	150,582	82.1	162	12.3	32,928	17.9
Home Refinance	3,939	92.1	554,311	90.3	338	7.9	59,857	9.7
Home Improvement	1,126	92.6	33,192	93.3	90	7.4	2,370	6.7
Multifamily Housing	53	82.8	30,730	93.2	11	17.2	2,246	6.8
Total HMDA Loans	**6,270**	**91.3**	**768,815**	**88.8**	**601**	**8.7**	**97,401**	**11.2**
Total Business Loans	**9,515**	**78.0**	**1,292,023**	**86.6**	**2,681**	**22.0**	**199,341**	**13.4**
Total Farm Loans	**2,674**	**77.3**	**219,831**	**75.1**	**784**	**22.7**	**72,820**	**24.9**
TOTAL LOANS	**18,459**	**81.9**	**2,280,669**	**86.1**	**4,066**	**18.1**	**369,562**	**13.9**

Geographic and Borrower Distribution:

The overall geographic distribution of residential mortgage, business, and farm loans each generally reflected adequate penetration in LMI tracts throughout the bank's AAs. Additional details will be portrayed in the analysis for each individual AA.

The overall distribution of HMDA lending among borrowers of different income levels and to businesses of different revenue sizes was adequate. The bank's lending performance to small businesses, defined for CRA purposes as those with gross revenues less than $1 million, was typically well below demographic figures in most AAs, though above aggregate figures. A more detailed analysis of the geographic distribution and borrower income distribution is provided with the analysis of each AA.

Loan demand by small businesses has been down the last two years. A 2011 survey and study by the National Federation of Independent Business (NFIB) found that approximately 24 percent of small businesses use credit cards to meet funding needs. In addition, only 48 percent of very small businesses (those with less than 10 employees) applied for bank credit in 2010, which was a decline from 55 percent in 2009. The study stated that poor or weak sales were the primary hindrance to obtaining credit, rather than access to credit. This provides some context to explain the lower levels of lending to small businesses by all CRA filers nationwide.

Community Development Lending:

Overall, the bank is considered a leader in originating community development loans, with excellent levels of community development lending throughout most AAs. The high level of activity had a positive impact on the lending test rating. The bank has a good process for capturing supporting documentation of normal business loan activity to qualify them for community development consideration.

The majority of community development loans were for economic development, which were originated to small businesses per CRA or SBA guidelines and employed LMI individuals or were located in Enterprise Zones. The next largest dollar volume of community development loans was for revitalization and stabilization. These loans were generally to businesses located in LMI tracts that were part of state-designated Enterprise Zones.

Table 4
QUALIFIED COMMUNITY DEVELOPMENT LOANS
ALL AAS

Purpose	#	$(000s)
Affordable Housing	28	8,366
Revitalization and Stabilization	45	168,335
Community Services	106	30,644
Economic Development	135	463,093
Totals	**314**	**670,438**

Some examples of community development loans were to Big Brothers Big Sisters of Greater Kansas City, Catholic Social Services of Southern Illinois, Community Services League, Developmental Services of Northwest Kansas, Family Care Health Centers, First Chance for Children, Job Point, Operation Breakthrough, St. Clair County Housing Authority, and United Way of Greater St. Louis.

INVESTMENT TEST

The bank had an excellent level of community development investments and its overall investment test rating is considered “outstanding”. Prior period investments totaled $41.7 million, current period investments totaled $136.6 million, and qualified donations totaled $2.2 million. The bank’s $180 million in investments, grants, and donations during the two-year evaluation period surpassed the $160 million noted in the prior CRA examination, which covered a four-year evaluation period. There were also seven matured bonds not included in these totals that were on the books an average of 13 months of the 24-month review period and totaled $11 million.

The bank presented 2,375 donations totaling $3.3 million for consideration during the review period. However, due to small dollar amounts, additional bank research required for documentation to qualify all donations, and the fact that these additional donations would not impact the overall investment test rating considering the high level of equity investments that were qualified, our review did not include 100 percent of the bank’s donations. However, the overall large volume of donations does speak to the bank’s community involvement within its designated AAs. Total volumes presented, as well as the portions qualified during this review, will be detailed for each AA.

Examples of the bank's qualified community development investments include the following:

- $885M in Fannie Mae Mortgage Backed Securities
- $3.8MM in Oklahoma Housing and Finance Agency bonds
- $3.9MM in Missouri State Housing Development Commission bonds
- $5MM in a HUD bond
- $5.8MM in five Housing Equity Funds
- $11.1MM in Denver Colorado Convention Center bonds located in an Enterprise Zone
- $15.5MM in six SBICs funding 21 total economic development investments
- $22.5MM in St. Louis Municipal Library funds, located in state designated tracts for revitalization
- $66.8MM in 217 tax credits that generally funded affordable housing or revitalization/stabilization of LMI tracts located in or near designated Enterprise Zones

The bank's equity investments reflected good responsiveness to credit and community development needs throughout the bank's AAs. The bank occasionally used innovative investments to support community development initiatives, such as SBIC investments made by the affiliate CFB, which totaled nearly $14 million during the review period.

Table 5
QUALIFIED COMMUNITY DEVELOPMENT INVESTMENTS
ALL AAS

	Debt/Equity Investments		Grants/ Donations	
Purpose	**#**	**$(000s)**	**#**	**$(000s)**
Affordable Housing	76	48,240	83	182
Revitalization and Stabilization	207	114,465	19	42
Community Services	-	-	597	1,592
Economic Development	21	15,587	403	339
Totals	**304**	**178,292**	**1,102**	**2,155**

SERVICE TEST

The bank's overall rating under the service test is considered "outstanding". The bank's commitment to CRA and providing community development services is reflected in its culture and structure, ensuring LMI geographies and individuals are served throughout its AAs. Several retail products and delivery systems are offered that benefit LMI individuals. Bank branches are accessible to various geographies in most all AAs, including LMI tracts, and branch business hours and products do not vary in a way that would inconvenience LMI geographies or individuals.

The bank has established CRA Market Contact Representatives for the Kansas City and St. Louis markets. Their sole duties include meeting with community organizations that target LMI areas and individuals. The contacts promote bank products and services within these areas. Certain bank products are specifically targeted to LMI or unbanked populations by making presentations to large employers of LMI or unbanked individuals. CRA contacts also exist in the bank's other markets, though these individuals maintain other bank duties as well.

The bank facilitates Community Advisory Boards in all AA markets. These advisory boards are comprised of local community leaders and bank officers. Commerce Bank uses these boards to seek input regarding community development and financial needs, donation opportunities, customer service performance, and marketing.

The bank has a Small Business Group, which focuses on developing loan and deposit relationships with small business customers. The group provides deposit packages to small businesses, offers reduced pricing on loan products, and provides SBA loans, bankcards, and other small dollar business loans.

The bank's mortgage department has two individuals, one in Kansas City and one in St. Louis, who specifically target home loan products to LMI individuals.

The bank has a Public Assistance Payment Program that allows the use of automated teller machines (ATMs) and debit cards for customers to access their public assistance payments. These programs are targeted to LMI individuals through various outreach opportunities by the CRA Market Contacts.

The bank's brochures and disclosures are available in Spanish and the bank has an internal program to increase the number of bilingual tellers and banking representatives located in various branch offices. These programs are used heavily in offices located in LMI tracts with high Hispanic populations and are promoted by the CRA Market Contacts during outreach opportunities that target LMI individuals or the unbanked population.

As of our review, the bank had 201 total banking offices, of which 8 were located in low-income tracts, 40 in moderate-income, 84 in middle-income, and 69 in upper-income tracts. Since January 1, 2009, the bank has opened five branches, closed 16, and relocated two. There was one net branch closure in the low-income tract category and one net opened branch in the moderate-income tract category. Overall, 23.9 percent of bank branches are located in LMI tracts, while 32.4 percent of total tracts in all AAs are LMI, as of 2000 Census data. The bank also had 69 full-service and 28 cash-dispensing-only ATMs in LMI tracts.

The bank is a leader in the provision of community development services within most of its designated AAs, particularly the Kansas City and St. Louis MSA AAs, as well as the other medium to larger sized MSAs. In smaller MSA and rural AAs, the bank provides a level of community services commensurate with the bank's presence in the area. Overall, the bank provided 446 community development services to 291 different organizations.

A substantial majority of the qualified services for the review period were for community services targeted to LMI individuals. Examples of service activities included providing financial expertise through board, advisory, or audit committee participation and providing financial educational sessions for school children as part of Teach Children to Save and Money Smart programs sponsored by the Federal Reserve Bank of Kansas City and the Federal Deposit Insurance Corporation (FDIC), as well as through Junior Achievement. Table 6 illustrates the breakdown of total community development services by type for the entire bank in all AAs.

Table 6
QUALIFIED COMMUNITY DEVELOPMENT SERVICES
ALL AAS

Purpose	#
Affordable Housing	39
Revitalization and Stabilization	11
Community Services	325
Economic Development	71
Totals	**446**

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

A review was performed of the most recent consumer examination reports conducted by the bank's previous federal regulator and internal audit reports to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the FHA. The review found no evidence of discrimination or other illegal credit practices inconsistent with helping to meet the credit needs of the community.

KANSAS CITY, MO-KS MULTISTATE METROPOLITAN STATISTICAL AREA

CRA RATING FOR KANSAS CITY MSA: [1] ***"Satisfactory"***

The lending test is rated:	***"High Satisfactory"***
The investment test is rated:	***"High Satisfactory"***
The service test is rated:	***"Outstanding"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans that are responsive to meeting affordable housing needs, sustaining jobs in LMI areas, and providing financing to small businesses.
- The bank provided a significant level of community development investments and grants in the AA that were responsive to meeting affordable housing needs, revitalizing and stabilizing LMI areas, and supporting organizations that provide essential services to LMI individuals. The bank employs occasional use of innovative or complex qualified investments.
- The bank is considered a leader in providing community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and to businesses of different revenue sizes was good.
- The geographic distribution of home mortgage and business loans was adequate.

SCOPE OF EXAMINATION

Each multistate MSA AA with branches in more than one state is required to have a full-scope review. The scope of the Kansas City MSA AA was consistent with the overall scope for the institution, including evaluations under the lending, investment, and service tests. Due to the significant bank presence, the two multistate MSA AAs will receive the greatest weight in the overall rating.

Three community contact interviews were conducted in the AA and eight prior community contacts conducted within the MSA during the previous two years were referenced.

[1] This rating reflects performance within the multistate MSA. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained in the multistate MSA.

DESCRIPTION OF BANK'S OPERATIONS IN THE KANSAS CITY MSA AA

The bank's headquarters plus 48 branches are located in the AA. The Kansas City market represents the bank's largest presence, with 34.8 percent of total bank deposits as of June 30, 2011. As of that date, the bank had a deposit market share within the MSA of 12.5 percent; making it the second largest of 150 FDIC-insured financial institutions in the MSA. Loan products offered in the market mirror those discussed in the overall institution section of this report, with an emphasis on commercial loans and residential mortgages.

DESCRIPTION OF ASSESSMENT AREA

The bank's Kansas City MSA AA includes 7 of the 15 total MSA counties. The AA's 2000 population equaled 1,672,418, or 91.1 percent of the entire MSA population of 1,836,038. Since the AA comprises such a high percentage of the total MSA population as of 2000 Census data, AA demographics such as the concentration of families and age distribution did not differ significantly from overall MSA figures.

The largest industry sectors in the Kansas City MSA are government (16.0 percent), professional and business services (14.6 percent), educational and health services (13.4 percent), and retail trade (10.6 percent). (Source: FDIC Regional Economics [RECON]/Moody's Analytics and Bureau of Labor Statistics [BLS], 2010)

Several health-related companies were in the top 20 MSA employers, including HCA Midwest Health System (8,127 employees), Saint Luke's Health System (6,622), Cerner Corporation (4,980), Children's Mercy Hospital and Clinics (4,812), Truman Medical Center (4,081), University of Kansas Hospital (3,880), Sisters of Charity of Leavenworth Health System (3,091), and Kansas Medical Center (2,780). Other large MSA employers include Wal-Mart (7,400), Sprint Corporation (7,300, down from 14,500 in 2007), McDonald's USA, L.L.C. (5,700), DST Systems, Inc. (4,425), AT&T Corporation (3,710), General Motors Corporation (3,706), Hallmark Cards, Inc. (3,700), Ford Motor Company (3,600), and Black & Veatch, L.L.P. (3,200). (Source: FDIC RECON/The Business Journal, April 2010)

Table 7
UNEMPLOYMENT RATES

Area	2009	2010	11Q2
KC MSA	8.8	9.1	8.3
State of Missouri	9.3	9.6	8.7
State of Kansas	7.1	7.0	6.4
U.S.	9.3	9.6	8.9

The Kansas City MSA unemployment figures have fared slightly better than U.S. figures. In Jackson County, Missouri, the largest MSA county, unemployment figures have exceeded statewide figures; while unemployment in Johnson County, Kansas, the second largest MSA county has been favorable when compared to state of Kansas figures. Unemployment figures for the state of Kansas have been significantly lower than U.S. figures the last three years, while Missouri's unemployment figures have mirrored national figures. (Source: FDIC RECON, BLS)

The Kansas City MSA recovery gained strength in 2010, with construction and professional services the best performing industries through the year. However, the MSA's expansion has

been confined to relatively few industries, such as retail and manufacturing. Home prices continued to slide, and construction remained depressed. Kansas City's position as a leading transportation and logistics hub has been considered a key advantage during the recovery. The MSA's geographically central location and well-developed transportation infrastructure have made it an ideal location for logistics and freight businesses.

The percentage of families in the AA that are considered low-, moderate-, middle-, and upper-income mirror the overall MSA figures, and generally mirror the overall state figures for Missouri and Kansas. However, these figures vary widely by county within the AA. Wyandotte (31.1 percent) and Jackson (23.7 percent) Counties have the highest concentrations of low-income families in the AA, based on 2000 Census data. Johnson County (8.3 percent) has the lowest concentration. Total LMI families combined equal 54.9 percent for Wyandotte and 44.6 percent for Jackson, compared to only 21.0 percent for Johnson. The percentage of AA families below the poverty level (6.1 percent) also mirrored the entire MSA, as of 2000 Census data. Wyandotte County (12.5 percent) and Jackson County (9.0 percent) were the highest in the AA, while Johnson County was the lowest (2.1 percent). These income demographics indicate there may be additional lending challenges in Jackson and Wyandotte Counties.

Based on 2000 Census data, the concentration of owner-occupied housing units is lowest in Wyandotte County (57.0 percent) and Jackson County (58.1 percent), where most AA LMI tracts are located. These figures are below the AA average of 63.2 percent, which mirrors the overall MSA. Owner-occupied units have the highest concentrations in Cass County (75.8 percent) and Johnson County (69.5 percent). The majority of the bank's AA branches are in Jackson County and Johnson County. There are higher concentrations of rental units in Jackson and Wyandotte Counties, which may create more nonowner-occupied lending opportunities in these counties, especially in the LMI tracts. However, the bank's level of lending on nonowner-occupied units on the HMDA LAR was not high in this AA.

The 2000 median housing value equaled $84,900 in Jackson County, $149,300 in Johnson County, and only $53,400 in Wyandotte County. Johnson County contains relatively wealthy middle- and upper-income neighborhoods. The median household income is higher in Johnson County, but housing is less affordable due to the higher housing prices. The housing affordability ratio[2] in Johnson County equaled 41.2 percent, the lowest in the AA, while Jackson County's equaled 46.3 percent. The most affordable county in the AA was Wyandotte County, with an affordability ratio of 63.3 percent. The overall AA housing affordability ratio equaled 44.0 percent as of 2000 Census data; well below the Kansas statewide ratio of 50.2 percent, and just below the Missouri figure of 43.7 percent.

Table 8 shows income, housing, and general demographic characteristics of the AA.

[2] The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.

Table 8
ASSESSMENT AREA DEMOGRAPHICS
KC MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	46	9.6	20,107	4.6	6,132	30.5	78,221	17.8
Moderate-income	120	24.9	78,555	17.8	10,412	13.3	80,517	18.3
Middle-income	183	38.0	202,216	45.9	8,360	4.1	103,112	23.4
Upper-income	120	24.9	139,543	31.7	2,136	1.5	178,571	40.5
Unknown-income	12	2.5	0	0.0	0	0.0	0	0.0
Total AA	**481**	**100.0**	**440,421**	**100.0**	**27,040**	**6.1**	**440,421**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
	#	#	%	%	#	%	#	%
Low-income	39,000	14,418	3.3	37.0	18,546	47.6	6,036	15.5
Moderate-income	148,752	70,708	16.0	47.5	63,540	42.7	14,504	9.8
Middle-income	319,844	205,495	46.5	64.2	99,107	31.0	15,242	4.8
Upper-income	191,343	151,051	34.2	78.9	32,768	17.1	7,524	3.9
Unknown-income	6	3	0.0	50.0	3	50.0	0	0.0
Total AA	**698,945**	**441,675**	**100.0**	**63.2**	**213,964**	**30.6**	**43,306**	**6.2**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	2,990	3.9	2,494	3.7	277	5.1	219	5.1
Moderate-income	11,785	15.3	9,748	14.5	1,202	21.9	835	19.3
Middle-income	32,913	42.7	29,113	43.3	2,047	37.3	1,753	40.6
Upper-income	28,640	37.2	25,441	37.8	1,785	32.5	1,414	32.8
Unknown-income	709	0.9	441	0.7	173	3.2	95	2.2
Total AA	**77,037**	**100.0**	**67,237**	**100.0**	**5,484**	**100.0**	**4,316**	**100.0**
		Percentage of Total Businesses:		**87.3**		**7.1**		**5.6**

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KANSAS CITY MSA

LENDING TEST

The bank's performance with respect to the lending test in the Kansas City MSA AA is rated “high satisfactory”. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall, responsiveness to area credit needs is considered adequate. However, the bank's level of lending is low within the AA. The

borrower distribution analysis reflected a good performance in the MSA, while the geographic distribution was adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The bank's volume of home mortgage and business lending activity reflected adequate responsiveness to AA credit needs. This market had 1,156 HMDA loans, which represented 18.4 percent of total HMDA loans reviewed for this evaluation; and 1,374 CRA loans, which represented 14.4 percent of total CRA loans. However, the bank's level of lending is low within the AA. The bank is a certified SBA lender and originated 45 SBA loans in the MSA, totaling $23 million for our review period. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 17 percent, while the deposits in the AA equaled approximately 29 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of only 37.3 percent, representing low lending levels for the lending activity test.

Geographic Distribution:

As shown in Table 9, the bank's geographic distribution of residential mortgage loans and business and farm loans reflected an adequate loan penetration among geographies of different income levels.

The LMI tracts contain more rental units, equaling 47.6 percent in the low- and 42.7 percent in the moderate-income tracts, compared to 30.6 percent for the AA overall. This would create a larger market for nonowner-occupied residential loans in the LMI tracts; however, that is not a primary product for the bank in this market.

Home Purchase Loans

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, including LMI tracts. For 2009 and 2010, the bank's performance in LMI geographies was generally below area demographics[3] but was consistent with aggregate figures. The bank's performance in low-income geographies for 2009 (3.7 percent) exceeded area demographics (3.3 percent) and aggregate data (0.7 percent), but fell to 0.0 percent for 2010.

Lending levels below area demographics by all lenders may be a result of area economic conditions. The majority of the AA's LMI tracts are in Jackson County, Missouri, primarily in the core of the city. The LMI tracts contain much larger concentrations of families below the poverty level, equaling 30.5 percent of families in the low-income tracts and 13.3 percent in the moderate-income tracts; well above the 4.1 percent figure in the middle-income tracts and

[3] The area demographic figure used for comparison purposes for all home purchase, home improvement, and refinance loans for the *geographic* distribution test is the percentage of *owner-occupied housing units* in each tract category in the AA, based on 2000 Census data. In markets with high levels of bank lending towards nonowner-occupied housing units, *total 1- to 4-family housing units* will also be used for a more applicable comparison and better performance context.

1.5 percent in the upper-income tracts. The population below the poverty level may have difficulty qualifying for residential purchase loans.

One community contact stated that for many LMI individuals and families in Jackson County, home ownership is not attainable given the current economic conditions. Many of the homes that would be considered affordable for these families are in need of repair. Because of the dilapidated conditions of the housing stock, LMI families that may be able to afford a home purchase may not be able to afford the cost of the expenses to maintain a home (maintenance, taxes, insurance, etc.). The contact stated that there is a need for more affordable and subsidized housing in Jackson County.

Refinance Loans

Refinance lending across geographies of different income levels also reflected adequate penetration in LMI geographies. The bank's performance for 2009 and 2010 in low-income geographies (0.3 percent and 1.0 percent, respectively) was below area demographics (3.3 percent) but consistent with aggregate data (0.6 percent and 0.4 percent, respectively). The bank's performance in moderate-income geographies was slightly better (6.4 percent and 5.8 percent, respectively). While still below area demographics (16.0 percent), it was above aggregate data (5.9 percent and 4.5 percent, respectively). As with home purchase loans, the weak economy, the housing market, and area demographics contributed to lower demand for refinance lending. Community contacts also indicated that financial education appears to be a barrier for LMI individuals to actively pursue refinance loans.

Home Improvement Loans

The geographic distribution of home improvement lending reflected a good penetration across geographies of different income levels. The bank's performance for 2009 and 2010 in low-income tracts (2.8 percent and 3.7 percent, respectively) was consistent with area demographics (3.3 percent) and exceeded aggregate data (2.6 percent and 2.0 percent, respectively). The bank's lending performance in moderate-income tracts for 2009 and 2010 (14.5 percent and 12.7 percent, respectively) was slightly below area demographics (16.0 percent), but exceeded aggregate data (10.8 percent and 8.8 percent, respectively).

The median age of housing stock is considerably older in the LMI tracts, equaling 52 years in the low-income tracts and 45 years in the moderate-income tracts; compared to 30 years in middle-income tracts and 17 years in the upper-income tracts.

Community contacts in the Kansas City AA indicated that due to the age of the housing stock there has been a greater demand for home improvement lending in LMI areas. The bank has recognized this through its community outreach programs and specifically targets this product within the LMI tracts of the AA in order to improve the housing stock for LMI residents.

Business and Farm Loans

The geographic distribution of business and farm loans is adequate in LMI geographies. The bank's business lending performance for 2009 and 2010 was generally below area demographics, but consistent with aggregate data. The bank did not originate any farm loans for 2009 and 2010 in low-income tracts, but area demographics and peer lending were also minimal. In moderate-income tracts for 2009 and 2010, the bank's performance was consistent with area demographics and slightly above peer data. Little weight is given to farm loans in the evaluation due to the small number of originations and farms located in the AA.

Table 9
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
KC MO-KS MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations[2]							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/89	3.7	0.0	9.3	6.7	38.0	51.7	49.1	41.6
Home Refinance	389/308	0.3	1.0	6.4	5.8	41.9	36.7	51.4	56.5
Home Improvement	145/134	2.8	3.7	14.5	12.7	52.4	47.0	30.3	36.6
Total HMDA Loans[3]	**642/532**	**1.4**	**1.5**	**8.7**	**7.7**	**43.6**	**41.9**	**46.3**	**48.9**
Percentage of owner-occupied housing units in AA by income level of tract [4]		3.3		16.0		46.5		34.2	
Aggregate Peer Data [5]									
Home Purchase		0.7	0.6	8.7	8.5	45.7	43.6	44.9	47.2
Home Refinance		0.6	0.4	5.9	4.5	38.9	35.8	54.6	59.2
Home Improvement		2.6	2.0	10.8	8.8	44.0	41.9	42.6	47.2
Total HMDA Loans		**0.7**	**0.6**	**6.9**	**5.9**	**41.3**	**38.5**	**51.1**	**55.1**
Business Loans:									
Business Loans	910/759	3.0	2.5	14.1	14.5	41.5	35.8	39.9	44.8
Percentage of businesses in AA by income level of tract [6]		3.9	3.9	15.5	15.3	42.6	42.7	37.0	37.2
Aggregate CRA lending in AA[5]		2.8	2.8	14.2	12.9	39.6	36.7	41.1	44.6
Farm Loans:									
Farm Loans	47/31	0.0	0.0	2.1	3.2	76.6	67.7	21.3	29.0
Percentage of farms in AA by income level of tract [6]		0.4	0.3	3.0	2.8	63.3	63.7	32.8	32.8
Aggregate CRA lending in AA[5]		0.3	0.0	1.6	1.7	69.3	71.2	27.8	25.3

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 The tract category is unknown for a small number of business loans (14 in 2009; 18 in 2010), so not all tract categories add up to 100 percent.
3 Total HMDA loans include multifamily loans (0 in 2009; 1 in 2010), though these are not displayed or analyzed due to low volume.
4 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
5 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
6 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 10 and Table 11, the borrower distribution of the bank's lending reflected good distribution among individuals of different income levels and distribution among businesses of different revenue sizes.

Home Purchase Loans

The bank's distribution to low-income borrowers for 2009 (15.7 percent) and 2010 (14.6 percent) was slightly below area demographics[4] (17.8 percent) but above aggregate data (12.2 percent and 13.1 percent, respectively). The bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (28.7 percent and 16.9 percent, respectively). This level was above or consistent with area demographics (18.3 percent) and was above aggregate data for 2009 (24.4 percent) but below aggregate data for 2010 (22.5 percent).

Refinance Loans

The bank's distribution to low-income borrowers for 2009 (7.7 percent) and 2010 (8.4 percent) was well below area demographics (17.8 percent) but was above aggregate data (5.2 percent and 4.6 percent, respectively). The bank's distribution to moderate-income borrowers was adequate for both 2009 and 2010 (14.9 percent and 12.3 percent, respectively). This level was below area demographics (18.3 percent) and consistent with aggregate data (13.9 percent and 13.4 percent, respectively).

Community contacts indicated that LMI borrowers are less likely to refinance their residences. The contacts indicated that many LMI residents typically have credit history issues; but primarily attributed low refinances to the lack of financial education regarding the benefits of home mortgage refinance. In addition, the decline in overall home values in the market has hindered the ability to seek refinance loans.

Home Improvement Loans

The bank's distribution to low-income borrowers for 2009 (15.9 percent) and 2010 (19.4 percent) compared favorably with area demographics (17.8 percent) and was well above the aggregate data (11.9 percent and 11.1 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 and 2010 (22.1 percent and 20.9 percent, respectively) was higher than the area demographic (18.3 percent) and aggregate (19.0 percent and 18.8 percent, respectively). The bank has made significant efforts to market its home improvement lending program, especially targeting areas that include LMI borrowers.

Home improvement lending was identified as a need for LMI borrowers by community contacts, as the age of affordable housing stock is typically older and in need of repair. A

[4] The area demographic figure used for comparison purposes for all home purchase, home improvement, and refinance loans for the *borrower* distribution test is the percentage of *families* in the AA in each income category, based on 2000 Census data.

contact further stated that most LMI borrowers discover that potential homes for purchase in their price range are in need of repair, so many may decide to commit funds towards improving their current homes instead of purchasing.

Table 10
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
KC MO-KS MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/89	15.7	14.6	28.7	16.9	18.5	23.6	35.2	36.0
Home Refinance	389/308	7.7	8.4	14.9	12.3	23.1	18.5	45.8	57.1
Home Improvement	145/134	15.9	19.4	22.1	20.9	22.1	18.7	39.3	40.3
Total HMDA Loans[1]	**642/532**	**10.9**	**12.2**	**18.8**	**15.2**	**22.1**	**19.4**	**42.5**	**49.2**
Percentage of families in AA by income level[2]		17.8		18.3		23.4		40.5	
Aggregate Peer Data[3]									
Home Purchase		12.2	13.1	24.4	22.5	20.3	20.0	24.1	26.9
Home Refinance		5.2	4.6	13.9	13.4	20.1	19.4	35.4	39.4
Home Improvement		11.9	11.1	19.0	18.8	24.1	21.0	35.4	35.7
Total HMDA Loans[1]		**7.7**	**7.5**	**17.5**	**16.4**	**20.2**	**19.6**	**31.7**	**35.3**

1 Borrower annual incomes reported as 'NA' for some bank (36 in 2009; 21 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (0 in 2009; 1 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business and Farm Loans

The bank's distribution of loans to small businesses, those businesses with gross annual revenues of $1 million or less, is considered adequate. The bank's penetration was well below the demographic figure of small businesses in the AA for 2009 (49.7 percent vs. 87.2 percent) and 2010 (51.6 percent vs. 87.3 percent). The bank has a large percentage of loans where revenue information was not reported. If both the bank and demographic figures were adjusted to consider only those with known revenues, the comparison improves somewhat (59.7 percent vs. 92.5 percent for 2009; 63.5 percent vs. 92.5 percent for 2010), as the demographic figures did not have as many unreported revenues. D&B demographic figures are gathered using a self-reported survey method, and there will typically be companies in the AA that do not participate in the survey. Therefore, comparison to aggregate data may be a better comparative.

Aggregate data includes all CRA LAR-filing banks with business and farm loan originations in the AA. The bank's performance was favorable compared to aggregate data, equaling approximately 21 to 27 percentage points above the aggregate data. (Note: Insufficient data was available to adjust the aggregate for 'NA' revenue codes.) Aggregate data is typically

skewed downward by large credit card lenders that may have many credit card issuances to larger corporations for employee use for business expenses. To eliminate the effect of large credit card banks, a custom peer of three local/regional community institutions selected by the bank as primary area competitors was utilized. Using this custom peer, the comparative peer figures increased to 44.2 percent for 2010. The bank's performance remained above this peer group.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The distribution of loans to farms of different sizes is good. The bank's lending performance was below area demographics, but consistent with aggregate data. Again, there are a relatively large number of lines with 'NA' reported for revenues. Adjusted figures place the bank's performance near the demographic figure. As previously mentioned, little weight is given to farm loans in the evaluation due to the small number of originations and farms within the Kansas City MSA AA.

Table 11
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
KC MO-KS MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	452	305	153	392	225	142
Bank - Percentage of loans by size of business	49.7	33.5	16.8	51.6	29.6	18.7
Demographic - Percentage of businesses in the AA[2]	87.2	7.1	5.7	87.3	7.1	5.6
Aggregate CRA lending to small businesses in AA[3]	22.3			30.1		
Farm Loans						
Bank - Number of farm loans	36.0	1.0	10.0	26.0	1.0	4.0
Bank - Percentage of loans by size of farm	76.6	2.1	21.3	83.9	3.2	12.9
Demographic - Percentage of farms in the AA[2]	97.5	1.1	1.4	97.7	1.0	1.3
Aggregate CRA lending to small farms in AA[3]	78.4			79.2		

1 Small businesses or farms, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses or in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Kansas City MSA AA, where it originated 72 loans for $234.9 million during the evaluation period. The distribution of community development lending included 2 for affordable housing, 43 for economic development, 15 for revitalization or stabilization of LMI geographies, and 12 for community services targeted towards LMI families or individuals. Some of the loans for economic development were SBA 504 loans greater than $1 million (so they were not

reportable on the CRA LAR as business loans). Other examples of community development lending included:

- A $4.4 million loan to finance the rehabilitation of a multifamily housing complex located in a moderate-income tract. The area is part of the Unified Government of Wyandotte County's designated redevelopment area and is consistent with the citywide master plan to revitalize and stabilize blighted areas of Wyandotte County.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank's performance with respect to the investment test in the Kansas City MSA AA is rated "high satisfactory". The bank had a significant level of qualified community development investments and donations in the Kansas City MSA AA. Investments in the area totaled $32.5 million and included 88 investments in bonds, SBICs, equity funds, and tax credits. Five SBIC bonds had investments in the bank's Kansas City market. Three of the SBIC bonds are considered complex and innovative, as they were underwritten by an affiliate of the bank. Most of the qualified investments were current period investments, as only four investments totaling $746,628 were made prior to the evaluation period and remained on the bank's books. Examples of current period investments included:

- $2.1 million in two Missouri State Development Finance Board bonds that provided improvements to the water treatment facilities for Independence, Missouri. The city of Independence, Missouri, primarily contains LMI tracts; the enhanced water treatment facilities are part of the Independence Enhanced Enterprise Zone, which plans to attract more economic development opportunities with updated infrastructure, while also providing better facilities to attract and retain residents.
- $5.7 million in state of Kansas Rehabilitation Tax Credits that support the renovation of a 48-building complex of multifamily units located in a moderate-income tract. The complex was renovated to provide affordable housing to workers employed at various industrial plants in the Fairfax Industrial District of Kansas City, Kansas.

The bank has shown good responsiveness to area community development needs through its donation activities. The bank submitted 456 donations within the AA during the review period totaling $768,082. Of the donations reviewed, 232 were qualified for community development purposes totaling $522,482, which represented 21.1 percent of the bank's total qualified donations by number and 24.2 percent of the total qualified dollars.

SERVICE TEST

The bank's performance under the service test in the Kansas City MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services. Kansas City is one of two markets where Commerce Bank has established a full-time CRA Market Contact whose primary duties involve meeting with community organizations that target LMI areas and LMI individuals. The contact promotes bank products and services within these areas, with certain products specifically targeted to LMI and unbanked individuals.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is adequate. Two of the bank's 49 Kansas City MSA AA branches are located in low-income tracts and nine are in moderate-income tracts. This represents 22.4 percent of AA branches located in LMI tracts, compared to 34.5 percent of total AA tracts that are LMI. Four additional branches are very near LMI tracts. Since the last examination, the bank closed two branch locations and opened one new branch office, all in middle- and upper-income geographies. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary from branch to branch in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank is a leader in the provision of community development services in the Kansas City MSA AA, with 80 qualified services provided during the review period. Approximately 65 percent of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include providing financial educational sessions for school children as part of Junior Achievement and Money Smart programs, as well as services provided to the Boys and Girls Club of Greater Kansas City, Clay County Economic Development Council, Cristo Rey High School, and the Hispanic Chamber of Commerce.

One community contact interviewed for the examination and one prior community contact reviewed stressed a need for financial literacy classes for LMI individuals in the Kansas City MSA. The bank's CRA Market Contact indicated that bank staff is actively involved in several financial literacy efforts, including partnering with the Federal Reserve Bank of Kansas City and the FDIC for Money Smart Week, which the bank has expanded to an entire month, and Bank On/Save Up KC.

ST. LOUIS, MO-IL MULTISTATE METROPOLITAN STATISTICAL AREA

CRA RATING FOR ST. LOUIS MSA: [5] ***"OUTSTANDING"***
The lending test is rated: ***"High Satisfactory"***
The investment test is rated: ***"Outstanding"***
The service test is rated: ***"Outstanding"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans that are responsive to meeting affordable housing needs, sustaining jobs in LMI areas, and providing financing to small businesses.
- The bank provided an excellent level of community development investments and grants in the AA that were responsive to meeting affordable housing needs, revitalizing and stabilizing LMI areas, and supporting organizations that provide essential services to LMI individuals. The bank employs occasional use of innovative or complex qualified investments.
- The bank is considered a leader in providing community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels was good and the distribution to businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage and business loans was adequate.

SCOPE OF EXAMINATION

Each multistate MSA AA with branches in more than one state is required to have a full-scope review. The scope of the St. Louis MSA AA was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. Due to the significant bank presence, the two multistate MSA AAs will receive the greatest weight in the overall rating.

One community contact interview was conducted in the AA and two prior community contacts conducted during the previous two years were referenced.

[5] This rating reflects performance within the multistate MSA. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained in the multistate MSA.

DESCRIPTION OF BANK'S OPERATIONS IN THE ST. LOUIS MSA AA

The bank has 50 branches located in the AA and has closed five branches since the last evaluation. All branch closings were located in middle- and upper-income tracts. The St. Louis market represents the bank's second largest presence, with 31.2 percent of total bank deposits as of June 30, 2011. As of that date, the bank had a deposit market share within the MSA of 6.9 percent, making it the fourth largest of 145 FDIC-insured financial institutions in the MSA. Loan products offered in the market mirror those discussed in the overall institution section of this report, with an emphasis on commercial loans and residential mortgages.

DESCRIPTION OF ASSESSMENT AREA

The AA consists of the City of St. Louis, plus six of 15 counties in the MSA (St. Louis City is not in a county). The 2000 AA population equaled 2.4 million, or 88.5 percent of the entire MSA population of 2.7 million. Since the AA comprises such a high percentage of the total MSA population, AA demographics, such as the concentration of families and age distribution, mirror MSA figures. Demographic characteristics do vary by county. St. Louis County, where the majority of the bank's branches are located, has a relatively high level of elderly residents (greater than age 65), while St. Charles County and Jefferson County have lower concentrations of elderly and higher concentrations of working age adults (25 to 64). St. Louis County had 42.5 percent of the total AA population as of 2000 Census data, dropping slightly as of 2010 data, to 40.4 percent. The county that has grown the most is St. Charles County, increasing from 11.9 percent of the total AA in 2000 to 14.6 percent as of 2010.

The largest industry sectors in the St. Louis MSA are educational and health services (17.3 percent), professional and business services (14.3 percent), government (13.3 percent), retail trade (10.7 percent), and leisure and hospitality (10.7 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010; U.S. Bureau of Economic Analysis [BEA], 2009)

The MSA's largest nongovernment employers are BJC Healthcare (23,380 employees), Boeing Integrated Defense Systems (16,400), Scott Air Force Base (14,150), Schnuck Markets, Inc. (12,393), Wal-Mart Stores, Inc. (12,137), SSM Health Care System (10,700), Washington University in St. Louis (10,300), St. John's Mercy Health Care (10,100), McDonald's Corporation (9,000), and AT&T (8,800). (Source: FDIC RECON/St. Louis Regional Chamber and Growth Association, September 2009)

The St. Louis MSA economy was mired in a severe recession marked by massive manufacturing job losses and the highest unemployment rate in the region, averaging 10.0 percent for 2009 and 2010. However, the area has begun to turn around for the first half of 2011, as job growth in the MSA outpaced that of the state and nation, led by manufacturing, trade, and transportation. Manufacturers are beginning to show confidence in the economic recovery, as gains in production and profits over the last two years have finally led to hiring.

The percentage of families in the AA that are considered low- (19.1 percent), moderate- (17.8 percent), middle- (22.2 percent), and upper-income (40.9) mirror the overall MSA figures, and generally mirror the overall state figures for Missouri and Illinois. However, these figures vary widely by county within the AA. St. Louis County has a relatively low level of LMI families (combined LMI, 30.7 percent vs. the AA figure of 36.9 percent). St. Louis City has a very high level of LMI families (62.1 percent), as does St. Clair County, Illinois (44.5 percent). The county with the lowest level is St. Charles County (24.4 percent). The percentage of AA families below the poverty level (7.6 percent) also mirrored the entire MSA, as of 2000 data. St. Louis City (20.8 percent) and St. Clair County, Illinois (11.8 percent) were again the highest in the AA, while Monroe County, Illinois (2.3 percent) and St. Charles County, Missouri (2.8 percent) were the lowest.

Based on 2000 Census data, the concentration of owner-occupied housing units was lowest in St. Louis City (39.1 percent) and St. Clair County, Illinois (62.1 percent), where most AA LMI tracts are located. This is below the AA average of 65.7 percent, which mirrors the overall MSA. Owner-occupied units have the highest concentrations in St. Charles County, Missouri (79.0 percent), Jefferson County, Missouri (78.9 percent), and Monroe County, Illinois (76.7 percent). St. Louis County has 42.1 percent of total AA housing units, and 70.8 percent are owner-occupied. There is a higher concentration of rental units in St. Louis City (44.3 percent of total housing units). The median age of housing units is highest in St. Louis City, at 59 years vs. 36 years for the overall AA; and is lowest in St. Charles County, at only 16 years.

The AA's 2000 housing affordability ratio (46.1 percent) mirrored the entire MSA (46.4 percent), and was higher (more affordable) than the state of Illinois (36.5 percent) and the state of Missouri (43.7 percent). Median housing values were highest in St. Louis County ($114,800), St. Charles County ($122,600), and Monroe County, Illinois ($125,900). However, these three counties were relatively affordable (44.0 percent, 46.7 percent, and 43.9 percent, respectively). St. Louis City had the lowest 2000 median housing value ($63,500); however, it also had the lowest median household income ($27,156). Therefore, the affordability ratio was slightly lower, at 42.8 percent.

Table 12 shows income, housing, and general demographic characteristics of the AA.

Table 12
ASSESSMENT AREA DEMOGRAPHICS
ST. LOUIS MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	55	11.2	33,814	5.4	12,171	36.0	119,902	19.1
Moderate-income	119	24.2	120,077	19.1	18,757	15.6	112,162	17.9
Middle-income	200	40.7	292,953	46.6	13,618	4.6	139,271	22.2
Upper-income	114	23.2	181,484	28.9	3,464	1.9	256,993	40.9
Unknown-income	4	0.8	0	0.0	0	0.0	0	0.0
Total AA	**492**	**100.0**	**628,328**	**100.0**	**48,010**	**7.6**	**628,328**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	71,010	21,735	3.3	30.6	33,078	46.6	16,197	22.8
Moderate-income	218,568	113,488	17.2	51.9	80,720	36.9	24,360	11.1
Middle-income	462,749	322,803	48.9	69.8	117,362	25.4	22,584	4.9
Upper-income	252,874	201,972	30.6	79.9	42,345	16.7	8,557	3.4
Unknown-income	139	6	0.0	4.3	79	56.8	54	38.8
Total AA	**1,005,340**	**660,004**	**100.0**	**65.6**	**273,584**	**27.2**	**71,752**	**7.1**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	4,652	4.6	3,834	4.3	420	5.7	398	7.1
Moderate-income	17,330	17.1	14,916	16.9	1,288	17.6	1,126	20.0
Middle-income	44,228	43.6	38,842	43.9	3,143	42.9	2,243	39.9
Upper-income	34,832	34.4	30,631	34.6	2,394	32.7	1,807	32.2
Unknown-income	336	0.3	220	0.2	74	1.0	42	0.7
Total AA	**101,378**	**100.0**	**88,443**	**100.0**	**7,319**	**100.0**	**5,616**	**100.0**
	Percentage of Total Businesses:			**87.2**		**7.2**		**5.5**

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ST. LOUIS MSA

LENDING TEST

The bank's performance with respect to the lending test in the St. Louis MSA AA is rated “high satisfactory”. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall, responsiveness to area credit needs is considered adequate. However, the bank's level of lending is low within the AA. The

borrower distribution analysis reflected good performance in the AA for HMDA loans, but only an adequate distribution of loans to small businesses. The bank's geographic distribution was adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The bank's lending activity reflected a good responsiveness to AA credit needs. The review of this market included 1,694 HMDA loans, which represented 27.0 percent of total HMDA loans reviewed for this evaluation; and 1,867 CRA loans, which represented 19.6 percent of total CRA loans. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 20 percent, while the deposits in the AA equaled approximately 30 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of only 42.1 percent.

Although the LTD ratio is relatively low, the level of SBA lending in the AA boosts the bank's lending activity test to adequate. For our review period, the bank originated 64 SBA loans totaling nearly $23 million in the MSA. A 2011 article in the St. Louis Business Journal stated that Commerce Bank has been the leading SBA lender by dollar amount in the St. Louis area since 2009. The top six lenders accounted for approximately half the local SBA funding.

Geographic Distribution:

As shown in Table 13, the geographic distribution of the bank's residential mortgage loans and business loans reflected an adequate loan penetration among geographies of different income levels.

The median age of housing stock is considerably older in the LMI tracts, equaling 54 years in the low-income tracts and 49 years in the moderate-income tracts; compared to 34 years in middle-income tracts and 24 years in the upper-income tracts. The AA has a total of 174 LMI tracts, with a majority in St. Louis City. The LMI tracts contain more rental units, equaling 46.6 percent in the low- and 36.9 percent in the moderate-income tracts; compared to 27.2 percent for the AA overall. This would create a larger market for nonowner-occupied residential loans in the LMI tracts; however, that is not a primary product for the bank in this market.

Home Purchase Loans

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, particularly in LMI geographies. For 2009 and 2010, the bank's performance in LMI geographies was generally below area demographics, but consistent with aggregate figures. The bank's performance for 2009 in low-income geographies (4.6 percent) exceeded the area demographics (3.3 percent) and aggregate data (1.8 percent).

The weak economy and poor housing market contributed to the low demand for home purchase loans. Residential construction remains depressed and home prices and sales

continue to slide. The LMI geographies also have lower home purchase demand due to AA demographics regarding rental units and housing stock.

Refinance Loans

Refinance lending across geographies of different income levels also reflected adequate penetration in LMI geographies. The bank's performance for 2009 and 2010 in low-income geographies (0.6 percent and 0.4 percent, respectively) was below area demographics (3.3 percent) and slightly below aggregate data (0.9 percent and 0.6 percent, respectively). However, the bank's performance in moderate-income geographies was better (8.6 percent and 8.5 percent, respectively). While still below area demographics (17.2 percent) it was above aggregate data (8.0 percent and 6.2 percent, respectively). As with home purchase loans, the weak economy, poor housing market, and area demographics contribute to lower demand for refinance lending.

Table 13
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
ST. LOUIS MO-IL MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations[2]							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/86	4.6	1.2	13.9	8.1	45.4	41.9	36.1	48.8
Home Refinance	625/532	0.6	0.4	8.6	8.5	45.3	47.0	45.4	44.2
Home Improvement	160/161	1.3	3.7	17.5	14.9	49.4	55.3	31.9	26.1
Total HMDA Loans[3]	**902/787**	**1.3**	**1.1**	**11.0**	**9.7**	**46.0**	**48.3**	**41.7**	**40.9**
Percentage of owner-occupied housing units in AA by income level of tract [4]		3.3		17.2		48.9		30.6	
Aggregate Peer Data [5]									
Home Purchase		1.8	1.3	14.0	11.9	52.5	52.0	31.6	34.7
Home Refinance		0.9	0.6	8.0	6.2	46.9	44.6	44.2	48.7
Home Improvement		1.5	1.6	14.2	14.1	51.0	54.2	33.3	30.1
Total HMDA Loans		**1.1**	**0.8**	**9.7**	**7.9**	**48.5**	**46.8**	**40.6**	**44.6**
Business Loans:									
Business Loans	1211/1145	2.4	3.5	14.2	14.8	43.3	43.3	39.5	37.8
Percentage of businesses in AA by income level of tract [6]		4.7	4.6	17.3	17.1	43.5	43.6	34.1	34.4
Aggregate CRA lending in AA[5]		3.6	3.1	14.2	12.8	43.0	41.3	37.9	41.0

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 The tract category is unknown for a small number of business loans (8 in 2009; 7 in 2010), so not all tract categories add up to 100 percent.
3 Total HMDA loans include multifamily loans (9 in 2009; 8 in 2010), though these are not displayed or analyzed due to low volume.
4 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
5 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
6 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels reflected good disbursement. The bank's performance for 2009 and 2010 in low-income tracts (1.3 percent and 3.7 percent, respectively) was near or slightly above area demographics (3.3 percent) and was near or exceeded aggregate data (1.5 percent and 1.6 percent, respectively). The bank's lending performance in moderate-income tracts was similar, as 2009 and 2010 bank performance (17.5 percent and 14.9 percent, respectively) was

similar to area demographics (17.2 percent) and exceeded aggregate data (14.2 percent and 14.1 percent, respectively).

Community contacts in the St. Louis AA indicated that due to the age of the housing stock there has been a greater demand for home improvement lending. Commerce Bank has recognized this through its community outreach programs and has specifically targeted this product within the LMI tracts of the AA in order to improve the housing stock in LMI neighborhoods.

Business Loans

The geographic distribution of business loans is adequate in LMI geographies. The bank's performance for 2009 and 2010 was generally below area demographics, but very similar to the aggregate data.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 14 and Table 15, the borrower distribution of the bank's lending reflected adequate distribution among individuals of different income levels and adequate distribution among businesses of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers exhibits an adequate performance. The bank's distribution to low-income borrowers for 2009 (8.3 percent) and 2010 (12.8 percent) was below area demographics (19.1 percent) and aggregate data (12.2 percent and 13.4 percent, respectively). However, the bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (27.8 percent and 26.7 percent, respectively). This level was significantly above area demographics (17.9 percent) and was slightly above aggregate data (25.6 percent and 23.3 percent, respectively).

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits an adequate performance. The bank's distribution to low-income borrowers for 2009 (7.2 percent) and 2010 (9.6 percent) was well below area demographics (19.1 percent) but was above aggregate data (5.1 percent and 4.8 percent, respectively). The bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (17.6 percent and 20.1 percent, respectively). This level was equal to or above area demographics (17.9 percent) and exceeded aggregate data (14.4 percent and 13.1 percent, respectively).

Community contacts in St. Louis indicated that LMI borrowers are less likely to refinance their residences. Contacts indicated that many LMI residents typically have credit history issues; but primarily attributed low refinances to the lack of financial education regarding seeking a refinance.

Table 14
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
ST. LOUIS MO-IL MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	108/86	8.3	12.8	27.8	26.7	24.1	16.3	25.9	40.7
Home Refinance	625/532	7.2	9.6	17.6	20.1	22.4	22.6	48.6	43.2
Home Improvement	160/161	16.9	20.5	18.1	20.5	26.9	24.2	36.3	34.8
Total HMDA Loans[1]	**902/787**	**9.0**	**12.1**	**18.7**	**20.7**	**23.2**	**22.0**	**43.2**	**40.8**
Percentage of families in AA by income level[2]		19.1		17.9		22.2		40.9	
Aggregate Peer Data[3]									
Home Purchase		12.2	13.4	25.6	23.3	19.9	19.6	24.2	28.6
Home Refinance		5.1	4.8	14.4	13.1	19.7	19.2	38.4	44.6
Home Improvement		10.6	10.6	18.2	18.8	24.4	22.5	38.4	39.9
Total HMDA Loans[1]		**7.0**	**7.2**	**17.4**	**15.9**	**19.8**	**19.3**	**34.6**	**40.2**

1 Borrower annual incomes reported as 'NA' for some bank (53 in 2009; 35 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (9 in 2009; 8 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (16.9 percent) and 2010 (20.5 percent, respectively) was consistent with area demographics (19.1 percent) and above the aggregate data (10.6 percent for both years). The bank's distribution to moderate-income borrowers for 2009 and 2010 (18.1 percent and 20.5 percent, respectively) was higher than the area demographic (17.9 percent) and aggregate (18.2 percent and 18.8 percent, respectively).

Home improvement lending was identified as a need for LMI borrowers by community contacts, as the age of the housing stock is typically older and in need of repair. The bank has made significant efforts to market its home improvement lending program, especially targeting areas that include LMI borrowers.

Business Loans

The bank's distribution of loans to small businesses is considered adequate. However, the penetration was well below the demographic figure of small businesses in the AA for 2009 (47.7 percent vs. 87.2 percent) and 2010 (46.0 percent vs. 87.2 percent). The bank has a large percentage of loans where revenue information was not reported. If both the bank and

the demographic figures are adjusted, the comparison improves somewhat (60.8 percent vs. 92.4 percent for 2009; 57.5 percent vs. 92.4 percent for 2010). Comparison to aggregate data may be a better comparative.

The bank's performance was favorable compared to aggregate data, equaling approximately 8 to 24 percentage points above the aggregate. To eliminate the affect of large credit card banks, a custom peer of three local/regional community institutions selected by the bank as primary area competitors was utilized. Using this custom peer, the comparative peer figures increased to 62.1 percent for 2010, placing the bank's performance below this peer group.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

Table 15
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
ST. LOUIS MO-IL MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	578	373	260	527	389	229
Bank - Percentage of loans by size of business	47.7	30.8	21.5	46.0	34.0	20.0
Demographic - Percentage of businesses in the AA[2]	87.2	7.2	5.6	87.2	7.2	5.5
Aggregate CRA lending to small businesses in AA[3]	23.6			37.8		

1 Small businesses, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the St. Louis MSA AA, where it originated 74 loans for $113.7 million during the evaluation period. The distribution of community development lending included 8 for affordable housing, 20 for economic development, 5 for revitalization or stabilization of LMI geographies, and 41 for community services targeted towards LMI families or individuals. Some of the loans for economic development were SBA 504 loans greater than $1 million. Other examples of community development lending included:

- A $12 million loan to finance working capital and acquisition costs to provide affordable housing in the LMI neighborhoods of Forest Park Southeast and the Central West End. This loan represents a partnership between a local hospital and university to improve the neighborhoods with employer-assisted housing, home repair funding, youth activities, and improving the level of physical and personal security.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank's performance with respect to the investment test in the St. Louis MSA AA is rated "outstanding". The bank had an excellent level of qualified community development investments and donations in the St. Louis MSA AA. Investments in the area totaled $71.1 million and included 123 investments in bonds, SBICs, equity funds, and tax credits. Four SBIC bonds had investments in the bank's St. Louis market. The SBIC bonds are considered complex and innovative, as all four were underwritten by an affiliate of the bank. Most of the qualified investments were current period investments, as only 20 investments totaling $19.1 million were made prior to the evaluation period and remained on the bank's books. Examples of current period investments included:

- $26.5 million in CFB, an SBIC subsidiary of CBI.
- $1.3 million in St. Louis Equity Funds engaging in seven residential and mixed residential/commercial construction or rehabilitation projects that assist in neighborhood revitalization and the provision of decent, safe, sanitary, and affordable housing primarily to low-income households. The bank also has $1.6 million in prior period investments in this fund, which engaged in 14 different projects.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 545 donations made in the AA during the review period totaling $1.2 million. Of the donations reviewed, 295 were qualified for community development purposes totaling $899,194, which represented 26.8 percent of the bank's total qualified donations by number and 41.7 percent of the total qualified dollars.

SERVICE TEST

The bank's performance under the service test in the St. Louis MSA AA is rated "outstanding" based on the accessibility of delivery systems and the high level of community development services. St. Louis is one of two markets where Commerce Bank has established a full-time CRA Market Contact whose primary duties involve meeting with community organizations that target LMI areas and LMI individuals. The contact promotes bank products and services within these areas with certain products specifically targeted to LMI and unbanked individuals.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.
The bank operates 50 branch locations in the St. Louis MSA AA, 2 of which are located in low-income geographies, 9 in moderate-income, 21 in middle-income, and 17 in upper-income tracts. Since the last examination, the bank closed five branch locations, all in middle- and upper-income geographies. Banking offices are readily accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank is a leader in the provision of community development services in the St. Louis MSA AA, with 125 qualified services provided during the review period. Approximately 78 percent of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include providing financial educational sessions for school children as part of Junior Achievement (57 qualified sessions) and Teach Children to Save (13), as well as services provided to the Affordable Workforce Housing Association, Community Asset Management, Co., DeSales Community Housing Corporation, Economic Development Center of St. Charles County, and the St. Louis County Economic Council.

STATE OF MISSOURI

CRA RATING FOR MISSOURI:[6] ***"Outstanding"***
The lending test is rated: ***"High Satisfactory"***
The investment test is rated: ***"Outstanding"***
The service test is rated: ***"Outstanding"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the state.
- The bank provided an excellent level of community development investments and grants in the state that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank is considered a leader in providing community development services in the state; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected good responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage and business loans was adequate.

SCOPE OF EXAMINATION

The scope of the review for the state of Missouri was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The two AAs chosen for full-scope reviews were the Springfield MSA AA and the Columbia MSA AA. Within the state, the greatest deposit concentration was in the Springfield MSA, which accounted for 6.0 percent of total bank deposits, followed by the Columbia MSA with 2.3 percent. The bank's presence in the Springfield MSA ranked first out of 41 banks, and in the Columbia MSA it ranked third out of 35 banks. Together, these two AAs had a majority of the bank's deposits, branches, population, LMI tracts, owner-occupied housing units, and business establishments in the state. Accordingly, the state of Missouri rating was based predominantly on the bank's performance within these two AAs. The other eleven Missouri AAs (four MSAs and seven nonmetropolitan) were assessed using limited review procedures. During the evaluation, two prior community contacts conducted during the previous two years within the Columbia MSA were referenced. No prior Springfield contacts could be obtained.

[6] For institutions with branches in two or more states in a multistate MSA, this statewide evaluation is adjusted and does not reflect performance in the parts of the state contained within multistate MSAs. Refer to the multistate MSAs' rating and discussion for the rating and evaluation of the institution's performance in those areas.

DESCRIPTION OF BANK'S OPERATIONS IN MISSOURI

Outside of the Kansas City and St. Louis multistate MSA AAs, the bank's Missouri markets include six MSA AAs and seven nonmetropolitan AAs. The bank has a presence in every Missouri MSA except the Fayetteville-Springdale-Rogers Arkansas-Missouri, which is primarily located in Arkansas but includes one county in Missouri. The bank has 52 branches in these 13 Missouri AAs. The state of Missouri represents the bank's third largest presence, with a combined 16.7 percent of total bank deposits as of June 30, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MISSOURI

LENDING TEST

The bank's performance with respect to the lending test in the state is rated "high satisfactory". The bank is a leader in community development lending, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered good. The bank's level of lending is relatively high within the statewide AAs (outside of the multistate MSAs). The borrower and geographic distribution analyses reflect adequate performance. A more in-depth discussion of the state's performance follows.

Lending Activity:

The state of Missouri review, included 2,195 HMDA loans, which represented 35.0 percent of total HMDA loans reviewed for this evaluation; and 2,224 CRA loans, which represented 41.1 percent of total CRA loans. Per the bank's internal analysis, the statewide (within the AAs) LTD ratio equaled 80.6 percent for 2010. This represents good lending activity within the state.

Lending Programs

The Missouri Linked Deposit Program was developed by the state of Missouri to create and retain jobs, expand the economy, and strengthen communities statewide by providing below market rate business loans with up to five-year fixed rate terms. Banks obtain state funds at reduced deposit rates and in turn make reduced-rate loans to businesses with fewer than 100 employees that are headquartered and operating in Missouri. Commerce Bank is the largest participant in the program, with $120.8 million in loans as of September 30, 2011. The next largest participant had less than $23 million. The majority of the bank's lending came in 2011. During our review period, 2009 and 2010, the bank's level of funding in this program equaled $29.4 million. The majority of these loans are reported on the HMDA or CRA LAR.

Geographic and Borrower Distribution:

Commerce Bank's overall geographic distribution of HMDA-related and business loans reflected adequate penetration in LMI tracts throughout all the Missouri AAs. In the full review and limited review AAs, the bank's performance was typically lagging the demographic data. However, the bank's HMDA performance was similar to or slightly exceeded aggregate HMDA reporters, and the bank's business lending performance consistently exceeded that of aggregate CRA reporters.

The bank's distribution of HMDA-related loans and business loans reflected adequate penetration among borrowers of different income levels and businesses of different revenue sizes. This conclusion was based on the bank's performance in all AAs. While the HMDA loan distribution was generally less than the demographic data, the distribution was similar to the aggregate performance. Small business performance was also below demographic data, but significantly above aggregate data in all AAs.

Community Development Loans:

Overall, the bank is considered a leader in originating community development loans, with excellent levels of community development lending throughout the Missouri AAs. The high level of activity had a positive impact on the overall lending test rating. The bank made 67 loan commitments in the Missouri AAs, totaling $105.8 million. A significant volume of the lending is in the Springfield MSA AA, where 17 community development loans totaling $27.1 million were originated. There were also a significant number of loans in the limited review nonmetropolitan AAs combined, where 17 loans were originated totaling $54.8 million.

The bank has a good process for capturing supporting documentation of normal business loan activity to qualify them for community development consideration. The majority of community development loans were for economic development, originated to small businesses per SBA guidelines, where the businesses employed LMI individuals or were located in Enterprise Zones. The next largest dollar volume of community development loans was for revitalization and stabilization. These loans were generally to businesses located in LMI tracts that are part of Enterprise Zones.

INVESTMENT TEST

The state of Missouri investment test rating is "outstanding" as the bank exhibits excellent responsiveness to community development needs within the state's AAs. The bank's investment activity within the state during the two-year evaluation period totaled $71.9 million and was considered excellent. This level represents a 143-percent increase from the prior evaluation, which covered a four-year evaluation period. While the community development investment level in the Columbia MSA AA was considered somewhat weaker than the statewide level, it was still considered significant. The Missouri rating was influenced by the

excellent investment activity in the Springfield MSA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state.

Forty of the 56 total investments were to revitalize or stabilize communities. There were five statewide affordable housing equity investments totaling $4.1 million. Four SBIC bonds had investments in the nonmetropolitan AAs totaling $3.9 million. The SBIC bonds are considered complex and innovative, as all were underwritten by an affiliate of the bank.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 564 donations within the state for the review period, totaling $534,226. Of the donations reviewed, 280 were qualified for community development purposes totaling $301,602 and representing 25.4 percent of the bank's total qualified donations by number and 13.9 percent of the total qualified dollars.

SERVICE TEST

The bank's performance under the service test is rated "outstanding" for the state of Missouri. The rating is based on the bank's performance in the Springfield and Columbia MSAs, as well as the limited review AAs, which were consistent with the overall outstanding rating of the state. This conclusion was based on the accessibility of delivery systems, the effect of branch openings and closings, and the level of qualified community development services. Fourteen of the bank's 52 banking offices (26.9 percent) in the state are located in LMI geographies. All banking offices are reasonably accessible to all portions of the AAs. The wide array of services offered by the bank and branch business hours does not vary in a way that inconveniences certain portions of the AAs or LMI individuals.

Commerce Bank is considered a leader in providing community development services in the Springfield MSA AA and provided a relatively high level of services in the Columbia MSA AA. Most community development services provided supported community services to LMI individuals and economic development. Fourteen of the services were in the Springfield MSA AA, ten were in the Columbia MSA AA, and 99 were in the other 11 limited review AAs.

SPRINGFIELD, MO METROPOLITAN STATISTICAL AREA
(Full Review)

DESCRIPTION OF BANK'S OPERATIONS IN THE SPRINGFIELD MSA AA

The bank's Springfield MSA AA includes four of five counties in the MSA. This AA has 13 branches and 35.7 percent of the bank's total state deposits as of June 30, 2011. The bank's presence in the Springfield MSA ranks first out of 41 banks.

DESCRIPTION OF ASSESSMENT AREA

The AA 2000 population of 368,374 represented 91.6 percent of the entire MSA population. As of 2010 Census data, the MSA population increased 18.6 percent to 436,712. Greene County contains the core city of Springfield, and its 2000 population represented 72.4 percent of the total AA population and 66.6 percent of the total MSA population. Greene County also houses nine of the bank's 13 AA branches.

The largest industry sectors in the Springfield MSA are educational and health services (19.7 percent), government (14.6 percent), retail trade (12.7 percent), and professional and business services (10.3 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010; BEA, 2009)

The MSA's largest nongovernment employers are St. John's Regional Health Center (6,841 employees), Cox Health Systems (6,355), Wal-Mart Stores, Inc. (3,927), Missouri State University (3,065), Bass Pro Shops (2,326), and Citizens Memorial Hospital (1,600). (Source: FDIC RECON/Springfield Business & Development Corporation, February 2008)

The unemployment rate for the MSA in 2009 and 2010 was 8.7 percent. This was below the statewide and U.S unemployment rates, both of which equaled 9.3 percent in 2009 and 9.6 percent in 2010. Between 2007 and 2010, the metropolitan area lost nearly one-third of its manufacturing employment, with machinery, metal, and furniture manufacturing leading the decline, which spanned every manufacturing industry. Although healthcare and Missouri State University have managed to avoid job losses, economic recovery in the Springfield MSA has been slow. Most of the jobs added have been in the lower-paying retail, leisure, and hospitality industries, while construction activity continues to stagnate at a cyclical low.

Due to Missouri State University, Greene County has a slightly higher population of residents aged 18 to 24 than the other counties in the AA. However, it has slightly fewer residents aged 17 and younger. The level of residents that are most likely to create loan demand, age 25 and over, is similar to the other AA counties. The concentration of residents living in college dormitories equaled 2.3 percent, compared to the overall statewide figure of 0.8 percent.

The percentage of families that are considered low-, moderate-, middle-, and upper-income in the AA, the overall MSA, and Greene County generally mirror overall state figures for Missouri. Of the four AA counties, Dallas County and Polk County have relatively high levels of LMI families (combined LMI of 49.2 percent and 45.2 percent, respectively, vs. the AA figure of 36.4 percent). These two counties are more rural in nature and have low populations. Dallas County has two moderate-income census tracts that are some distance from the bank's branches; while Polk County has one moderate-income census tract, near the bank's Bolivar, Missouri branches. The percentage of AA families below the poverty level (8.1 percent) also mirrored the entire MSA and Missouri figures, as of 2000 Census data. Dallas County and Polk County were again relatively high, equaling 14.2 percent and 11.1 percent, respectively.

Table 16 shows income, housing, and general demographic characteristics of the AA.

Table 16
ASSESSMENT AREA DEMOGRAPHICS
SPRINGFIELD MO MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	2.5	225	0.3	89	39.6	15,435	17.2
Moderate-income	18	22.2	17,306	19.3	2,949	17.0	17,221	19.2
Middle-income	40	49.4	47,068	52.5	3,548	7.5	21,517	24.0
Upper-income	21	25.9	25,081	28.0	693	2.8	35,507	39.6
Total AA	**81**	**100.0**	**89,680**	**100.0**	**7,279**	**8.1**	**89,680**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,774	35	0.0	2.0	1,551	87.4	188	10.6
Moderate-income	32,523	15,904	17.7	48.9	13,265	40.8	3,354	10.3
Middle-income	74,747	47,280	52.6	63.3	22,491	30.1	4,976	6.7
Upper-income	35,397	26,584	29.6	75.1	7,121	20.1	1,692	4.8
Total AA	**144,441**	**89,803**	**100.0**	**62.2**	**44,428**	**30.8**	**10,210**	**7.1**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	424	2.4	358	2.3	41	3.8	25	3.0
Moderate-income	3,114	17.8	2,609	16.7	303	27.9	202	24.5
Middle-income	8,822	50.3	8,013	51.3	436	40.1	373	45.3
Upper-income	5,171	29.5	4,641	29.7	306	28.2	224	27.2
Total AA	**17,531**	**100.0**	**15,621**	**100.0**	**1,086**	**100.0**	**824**	**100.0**
	Percentage of Total Businesses:			**89.1**		**6.2**		**4.7**

Based on 2000 Census data and 2010 D&B data.

The housing affordability ratio in the Springfield MSA AA equaled 38.7 percent as of the 2000 Census, less affordable than the statewide figure of 43.7 percent. The low affordability

ratio in the AA is driven by lower incomes, rather than high housing prices. The AA and MSA rental housing concentration is above the overall state figure, primarily due to the concentration of rental units in Greene County (34.0 percent of total housing units), where the university is located. The concentration of mobile homes is high in Polk County (20.0 percent) and Dallas County (23.1 percent), well above the overall AA figure of 7.7 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SPRINGFIELD MSA

LENDING TEST

The bank's performance with respect to the lending test in the Springfield MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is adequate. The bank's level of lending is relatively high within the AA. The borrower distribution analysis reflected an adequate performance in the MSA, as did the geographic distribution. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review of this market included 452 HMDA loans for the review period, which represented 20.6 percent of total HMDA loans within the state; and 542 CRA loans, which represented 21.3 percent of total CRA loans within the state. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 6.2 percent, while the deposits in the AA equaled approximately 4.9 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 78.0 percent. For our review period, the bank originated 27 SBA loans totaling $6.4 million in the MSA. The bank's lending activity represents excellent lending levels.

Geographic Distribution:

As shown in Table 17, the bank's geographic distribution of residential mortgage loans and business and farm loans reflected an adequate loan penetration among geographies of different income levels.

The AA's two low-income tracts and 15 of 18 moderate-income tracts are located in Greene County, in the core City of Springfield. The two low-income tracts contain the Missouri State University campus and very few owner-occupied housing units, so the bank is not expected to make mortgage loans in these tracts. The concentration of rental units is more pronounced at 87.4 percent of total housing units in the low-income tracts and 40.8 percent in the moderate-income tracts; compared to 30.8 percent for the AA overall. This would create a larger market for nonowner-occupied residential loans in the LMI tracts; however, that is not a primary product for the bank in this market.

The median age of housing stock is somewhat older in the LMI tracts, equaling 38 to 39 years in the LMI tracts; compared to 23 years in middle-income tracts and 18 years in the upper-income tracts. This may increase the need for home improvement loans in the LMI tracts.

Table 17
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
SPRINGFIELD MO MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	53/39	0.0	0.0	15.1	7.7	41.5	59.0	43.4	33.3
Home Refinance	151/132	0.0	0.0	10.6	9.1	53.0	51.5	36.4	39.4
Home Improvement	38/37	0.0	0.0	10.5	13.5	52.6	73.0	36.8	13.5
Total HMDA Loans[2]	**244/208**	**0.0**	**0.0**	**11.9**	**9.6**	**50.4**	**56.7**	**37.7**	**33.7**
Percentage of owner-occupied housing units in AA by income level of tract [3]		0.0		17.7		52.6		29.6	
Aggregate Peer Data [4]									
Home Purchase		0.1	0.1	12.3	11.6	56.6	55.4	30.9	32.9
Home Refinance		0.0	0.0	7.8	6.9	50.5	48.9	41.6	44.1
Home Improvement		0.4	0.4	12.3	15.9	56.4	54.7	30.9	28.9
Total HMDA Loans		**0.1**	**0.1**	**9.5**	**8.8**	**52.7**	**51.3**	**37.6**	**39.9**
Business Loans:									
Business Loans	371/314	1.9	2.5	17.0	16.9	52.0	51.6	29.1	29.0
Percentage of businesses in AA by income level of tract [5]		2.5	2.4	17.9	17.8	50.4	50.3	29.3	29.5
Aggregate CRA lending in AA[4]		2.3	2.8	17.7	16.5	45.5	45.0	32.8	32.4
Farm Loans:									
Farm Loans	202/179	0.0	0.0	14.9	15.1	78.2	79.9	6.9	5.0
Percentage of farms in AA by income level of tract [5]		0.3	0.2	17.0	17.1	66.4	65.9	16.2	16.8
Aggregate CRA lending in AA[4]		0.0	0.0	14.6	16.7	75.7	73.2	9.2	8.7

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 Total HMDA loans include multifamily loans (2 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume.
3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Home Purchase Loans

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, particularly in moderate-income geographies. The bank's performance in moderate-income tracts for 2009 and 2010 (15.1 percent and 7.7 percent, respectively) was below area demographics (17.7 percent), above the aggregate figure for 2009 (12.3 percent), but below aggregate in 2010 (11.6 percent).

Refinance Loans

The bank's distribution of refinance loans also reflected adequate penetration in moderate-income tracts. The bank's performance for 2009 and 2010 (10.6 percent and 9.1 percent, respectively) was below area demographics (17.7 percent) but above aggregate data (7.8 percent and 6.9 percent, respectively).

Home Improvement Loans

The distribution of home improvement loans across geographies of different income levels reflected adequate distribution. The bank's performance for 2009 and 2010 in moderate-income tracts (10.5 percent and 13.5 percent, respectively) was below area demographics (17.7 percent) and slightly below aggregate data (12.3 percent and 15.9 percent, respectively).

Business and Farm Loans

The geographic distribution of business and farm loans is adequate in LMI geographies. The bank's performance in 2009 and 2010 was consistent with demographics and aggregate data.

Distribution by Borrower Income and Revenue Size of Business or Farm:

As shown in Table 18, the borrower distribution of the bank's lending reflected adequate distribution among individuals of different income levels and among businesses and farms of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers was adequate. The bank's distribution to low-income borrowers for 2009 (9.4 percent) and 2010 (7.7 percent) was below area demographics (17.2 percent) and aggregate data (10.2 percent and 11.2 percent, respectively). The bank's distribution to moderate-income borrowers was somewhat low, but adequate for both 2009 and 2010 (17.0 percent and 17.9 percent, respectively). This level was slightly below area demographics (19.2 percent) and below aggregate data (23.0 percent and 23.7 percent, respectively). The incomes in the Springfield AA are much less than Kansas City and St. Louis, causing the housing affordability ratio to be lower (less affordable). This may have an impact on the ability of LMI families to afford home purchases in the AA.

However, the bank's performance is not keeping up with aggregate figures, so room for improvement is noted.

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits adequate performance. The bank's distribution to low-income borrowers for 2009 (6.6 percent) and 2010 (3.0 percent) was well below area demographics (17.2 percent), but more in line with aggregate data (5.0 percent and 4.9 percent, respectively). The bank's distribution to moderate-income borrowers was good for both 2009 and 2010 (13.2 percent and 19.7 percent, respectively). This level was below demographics for 2009 but above demographics in 2010 (19.2 percent) and was consistent with or above aggregate data (13.4 percent and 14.0 percent, respectively).

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (13.2 percent) and 2010 (24.3 percent) was consistent with or above area demographics (17.2 percent) and above the aggregate data (11.3 percent for both years). The bank's distribution to moderate-income borrowers for 2009 (15.8 percent) was below area demographics (19.2 percent) but above the aggregate (13.4 percent). For 2010, the bank's distribution (21.6 percent) exceeded the demographic (19.2 percent) and aggregate (21.4 percent). The bank's home improvement performance in this AA also reflects the significant efforts to market this product in areas that include LMI borrowers.

Table 18
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
SPRINGFIELD MO MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	53/39	9.4	7.7	17.0	17.9	15.1	23.1	39.6	35.9
Home Refinance	151/132	6.6	3.0	13.2	19.7	16.6	16.7	46.4	47.0
Home Improvement	38/37	13.2	24.3	15.8	21.6	31.6	35.1	39.5	18.9
Total HMDA Loans[1]	**244/208**	**8.2**	**7.7**	**14.3**	**19.7**	**18.4**	**21.2**	**43.4**	**39.9**
Percentage of families in AA by income level[2]		17.2		19.2		24.0		39.6	
Aggregate Peer Data[3]									
Home Purchase		10.2	11.2	23.0	23.7	20.5	20.3	26.0	27.0
Home Refinance		5.0	4.9	13.4	14.0	19.4	20.2	38.6	40.7
Home Improvement		11.3	11.3	18.8	21.4	23.8	27.9	40.4	33.1
Total HMDA Loans[1]		**6.9**	**7.2**	**16.9**	**17.4**	**19.8**	**20.4**	**34.2**	**35.8**

1 Borrower annual incomes reported as 'NA' for some bank (38 in 2009; 24 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (2 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business and Farm Loans

The bank's distribution of loans to small businesses is considered adequate. The penetration was well below the demographic figure of small businesses in the AA for 2009 (54.2 percent vs. 88.9 percent) and 2010 (52.5 percent vs. 89.1 percent). The bank had a large percentage of loans where revenue information was not reported. Adjusting both the bank and the demographic figures to consider only those with reported revenues, the comparison improves somewhat (68.8 percent vs. 93.4 percent for 2009; 66.0 percent vs. 93.5 percent for 2010). Comparison to aggregate data may be a better comparative. The bank's performance was favorable compared to aggregate data, equaling approximately 9 to 29 percentage points above the aggregate data.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The distribution of loans to farms of different sizes is adequate. The bank's lending performance is below area demographics, but consistent with aggregate data. Again, there are a relatively large number of lines with 'NA' reported for revenues. Adjusted figures for the

bank mirror the demographic figures. This product is given greater weight in the Springfield MSA AA than most other AAs.

Table 19
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
SPRINGFIELD MO MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	201	91	79	165	85	64
Bank - Percentage of loans by size of business	54.2	24.5	21.3	52.5	27.1	20.4
Demographic - Percentage of businesses in the AA[2]	88.9	6.3	4.8	89.1	6.2	4.7
Aggregate CRA lending to small businesses in AA[3]	25.1			43.2		
Farm Loans						
Bank - Number of farm loans	158	3	41	153	1	25
Bank - Percentage of loans by size of farm	78.2	1.5	20.3	85.5	0.6	14.0
Demographic - Percentage of farms in the AA[2]	99.0	0.7	0.3	99.2	0.7	0.2
Aggregate CRA lending to small farms in AA[3]	82.6			86.2		

1 Small businesses or farms, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses or farms in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Springfield MSA AA, where it originated 17 loans for $27.2 million during the evaluation period. The distribution of community development lending included one for affordable housing, nine for economic development, three for revitalization or stabilization of LMI geographies, and four for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A $2.1 million loan to a nonprofit organization located in a low-income tract. The organization maintains a thrift shop with 100 percent of proceeds benefiting services targeted to the homeless and LMI individuals of the area.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Springfield MSA AA. Investments in the area totaled $6.9 million. The investments included 13 tax credits that were to revitalize and stabilize LMI geographies and were located within the Springfield Enterprise Zone. The bank had two prior period bonds that were still on the books that provided public building revitalization and stabilization efforts in an LMI area within the Springfield Enterprise Zone.

The bank shows good responsiveness to area community development needs through its donation activities, submitting 91 donations in the AA during the review period totaling $102,212. Of the donations reviewed, 40 qualified for community development purposes totaling $50,980, which represented 14.3 percent of the bank's statewide total qualified donations by number and 16.9 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Springfield MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

Commerce Bank operates 14 branch locations in the Springfield MSA AA, with one in a low-income geography, three in moderate-income, seven in middle-income, and three in upper-income tracts. Since the last examination, the bank closed one branch and opened one branch, both located in moderate-income geographies. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank provided a relatively high level of community development services in the Springfield MSA AA, with 14 qualified services provided during the review period. Twelve of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include services provided to Habitat for Humanity, United Way, Resources for Missouri, Boys and Girls Clubs of Springfield, and the Discovery Center.

COLUMBIA, MISSOURI METROPOLITAN STATISTICAL AREA
(Full Review)

DESCRIPTION OF BANK'S OPERATIONS IN THE COLUMBIA MSA AA

The bank's Columbia MSA AA includes one of two MSA counties, Boone County, which contains the core city of Columbia. This AA has nine branches and 14.0 percent of the bank's total state deposits as of June 30, 2011. The bank's operations in this AA were similar to that of the St. Joseph MSA AA, but this AA was chosen for a full review due to the presence of eleven LMI tracts, compared to only five in the St. Joseph MSA AA.

The nature of the bank's HMDA lending in the Columbia market represents a slightly higher concentration in business purpose, nonowner-occupied loans. This results in a higher number of loans to business entities, for which banks are not required to report income on the HMDA LAR. In the Columbia AA, incomes reported as 'NA' totaled 24.7 percent of total AA HMDA loans, higher than the overall bank figure of 10.8 percent. This was more pronounced in 2010, with 35.1 percent of loans with reported income of 'NA', vs. only 12.8 percent in 2009.

DESCRIPTION OF ASSESSMENT AREA

The AA 2000 population of 135,454 represented 93.0 percent of the entire Columbia MSA population. As of 2010 Census data, the MSA population increased 18.6 percent, from 145,666 in 2000 to 172,786. The largest industry sectors in the MSA are government (33.8 percent), retail trade (12.6 percent), educational and health services (12.5 percent), and leisure and hospitality (10.9 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010)

The MSA's largest nongovernment employers are the University of Missouri-Columbia (8,630 employees), University Hospital and Clinics (4,279), Boone Hospital Center (1,647), U.S. Department of Veteran Affairs (1,250), and Shelter Insurance Companies (1,171). (Source: FDIC RECON/Regional Economic Development, Inc., March 2011)

High educational attainment in the MSA has been a key advantage, and is expected to continue to promote strong long-term growth and help insulate the MSA from recession. The percentage of residents with a bachelor's degree or higher was 44 percent in 2009, ranking Columbia 11th among all U.S. MSAs. A highly educated workforce helps attract high-value-added business and contributes to the MSA's low unemployment rate (6.5 percent at year-end 2010). Because the jobless rate is lower among educated workers, the MSA's unemployment rate has historically stood about three percentage points below the national average.

The MSA's recovery has slowed somewhat in 2011. Retail and state government payrolls, sustained by the university, have been the main drivers of expansion since the recovery

began. Due to the university, Boone County has a much higher population of residents aged 18 to 24 than the overall state of Missouri (19.9 percent vs. 9.6 percent).

Table 20 shows income, housing, and general demographic characteristics of the AA.

Table 20
ASSESSMENT AREA DEMOGRAPHICS
COLUMBIA MO MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	17.2	1,279	4.0	484	37.8	6,047	19.1
Moderate-income	6	20.7	3,751	11.8	610	16.3	5,673	17.9
Middle-income	13	44.8	18,059	57.0	985	5.5	7,245	22.9
Upper-income	5	17.2	8,576	27.1	312	3.6	12,700	40.1
Total AA	**29**	**100.0**	**31,665**	**100.0**	**2,391**	**7.6**	**31,665**	**100.0**
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	4,751	560	1.8	11.8	3,647	76.8	544	11.5
Moderate-income	9,794	3,235	10.6	33.0	5,998	61.2	561	5.7
Middle-income	28,291	18,068	59.2	63.9	8,355	29.5	1,868	6.6
Upper-income	13,842	8,666	28.4	62.6	4,565	33.0	611	4.4
Total AA	**56,678**	**30,529**	**100.0**	**53.9**	**22,565**	**39.8**	**3,584**	**6.3**
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1,135	16.7	962	15.8	102	25.8	71	22.0
Moderate-income	926	13.6	797	13.1	69	17.5	60	18.6
Middle-income	3,074	45.3	2,799	46.1	165	41.8	110	34.1
Upper-income	1,656	24.4	1,515	24.9	59	14.9	82	25.4
Total AA	**6,791**	**100.0**	**6,073**	**100.0**	**395**	**100.0**	**323**	**100.0**
	Percentage of Total Businesses:			**89.4**		**5.8**		**4.8**

Based on 2000 Census data and 2010 D&B data.

The percentage of families considered low-, moderate-, middle-, and upper-income in the AA generally mirror the overall state figures. The percentage of AA families below the poverty level is slightly lower than the Missouri figure (7.6 percent vs. 8.6 percent, as of 2000 data).

Despite higher house prices, homes in Kansas City and St. Louis areas are actually more affordable than those in Columbia when accounting for incomes, as Columbia's MFI is below

the national average despite the higher rate of educational attainment. The housing affordability ratio for Boone County equaled 37.4 percent as of the 2000 Census, less affordable than the statewide figure of 43.7 percent.

The AA's percentage of rental housing units is above the overall state figure (39.8 percent of total housing units vs. 26.7 percent), primarily due to the university. Conversely, owner-occupied units are below the state figure (53.9 percent vs. 63.2 percent). The AA concentration of residents living in college dormitories equaled 5.5 percent, compared to the overall statewide figure of 0.8 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN COLUMBIA MSA

LENDING TEST

The bank's performance with respect to the lending test in the Columbia MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending is relatively high within the AA. The borrower distribution analysis reflected adequate performance in the AA, and the geographic distribution was also adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this market included 320 HMDA loans, which represented 14.6 percent of total HMDA loans within the state; and 155 CRA loans, which represented 7.8 percent of total CRA loans within the state. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 6.2 percent, while the deposits in the AA equaled approximately 4.9 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 72.1 percent. For our review period, the bank originated 27 SBA loans totaling $6.4 million in the AA. The bank's lending activity test represents good lending levels.

Geographic Distribution:

As shown in Table 21, the geographic distribution of the bank's residential mortgage loans and business loans reflected an adequate loan penetration among geographies of different income levels.

Much of the University of Missouri campus is within two low-, two moderate-, and one upper-income tract. The low-income tracts also include downtown Columbia and the I-70 business loop. These factors may affect lending opportunities in the LMI tracts, especially for residential lending.

The LMI tracts contain larger concentrations of families below the poverty level, equaling 37.8 percent of families in the low-income tracts and 16.3 percent in the moderate-income tracts; well above the 7.6 percent figure for the overall AA. These demographics may also impact the ability of residents in the LMI tracts to afford home ownership.

The LMI tracts contain very high levels of rental units, equaling 76.8 percent of total housing units in the low-income tracts and 61.2 percent in the moderate-income tracts, compared to 39.8 percent for the AA overall. Therefore, these tracts may contain more opportunities for lending on nonowner-occupied units.

The median age of housing stock is somewhat older in the LMI tracts, equaling 38 years in the low-income tracts and 25 years in the moderate-income tracts; compared to 22 years in middle-income tracts and 19 years in the upper-income tracts. This may create higher demand for home improvement loans in the LMI tracts.

Home Purchase Loans

The geographic distribution of home purchase loans was adequate throughout the AA. For 2009 and 2010, the bank's performance in low-income tracts (8.3 percent and 6.3 percent, respectively) was well above area demographics (1.8 percent) and aggregate data (1.9 percent and 1.4 percent, respectively). However, the bank's performance in moderate-income tracts for 2009 and 2010 (4.2 percent and 9.4 percent, respectively) was below demographics (10.6 percent) and aggregate data (12.9 percent and 11.8 percent, respectively).

Since the bank has a higher concentration of business purpose HMDA loans in this AA (likely rentals and rehabs), and the LMI tracts have very high concentrations of rental units, a better demographic comparison would be total 1- to 4-family housing units, as comparison to owner-occupied housing units overstates the bank's performance somewhat. In the low-income tracts, this comparison would place the bank right in line with the demographic figure of 8.4 percent. However, this comparison places the bank further behind the demographic in the moderate-income tracts, with the new demographic comparison equaling 17.3 percent.

Using both demographic comparisons, the bank's performance lagged behind aggregate figures in the moderate-income tracts. However, the bank showed good performance in low-income tracts.

Refinance Loans

Refinance lending across geographies of different income levels reflected adequate penetration in LMI geographies. The bank's performance for 2009 and 2010 in low-income geographies (0.9 percent and 3.4 percent, respectively) was consistent with area demographics (1.8 percent) and above aggregate data (0.7 percent and 0.9 percent, respectively). The performance in moderate-income geographies for 2009 and 2010 (8.0 percent and 6.8 percent, respectively) was below area demographics (10.6 percent) and

consistent with aggregate data (8.1 percent and 7.8 percent, respectively). Refinance lending carries the most weight of the HMDA products due to higher volume.

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels is adequate. The bank had no loan originations in low-income tracts for 2009 or 2010, and none in the moderate-income tracts in 2010. However, given the low loan volume (13 in 2009; 17 in 2010) and the low level of owner-occupied units in the low-income tracts (only 1.8 percent of total AA owner-occupied units), this is considered adequate, as only one reported loan in an LMI tract would boost the bank's performance to 6 to 8 percent, and this performance would be well above the demographic figure.

The overall bank philosophy of providing home improvement loans to LMI individuals and tracts does not hold true in this AA's LMI tracts. The high level of rental units may provide further context, as investment property owners may obtain purchase/improvement loans upfront at the time of acquisition of the units, or upkeep of rental properties may be funded from a property management company's working capital line as opposed to HMDA-reportable home improvement loans.

The bank's 2009 performance in moderate-income tracts (15.4 percent) was above the area demographic figure for owner-occupied (10.6 percent), in line with the demographic figure of total 1- to 4-family housing units (17.3 percent), and was well above aggregate data (8.4 percent). However, the volume represented only two home improvement loans originated by the bank.

Table 21
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
COLUMBIA MO MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	24/32	8.3	6.3	4.2	9.4	58.3	53.1	29.2	31.3
Home Refinance	112/118	0.9	3.4	8.0	6.8	68.8	61.9	22.3	28.0
Home Improvement	13/17	0.0	0.0	15.4	0.0	69.2	64.7	15.4	35.3
Total HMDA Loans[2]	**149/171**	**2.0**	**3.5**	**8.1**	**7.6**	**67.1**	**60.2**	**22.8**	**28.7**
Percentage of owner-occupied housing units in AA by income level of tract [3]		1.8		10.6		59.2		28.4	
Aggregate Peer Data [4]									
Home Purchase		1.9	1.4	12.9	11.8	63.0	61.1	22.3	25.8
Home Refinance		0.7	0.9	8.1	7.8	60.0	59.5	31.2	31.8
Home Improvement		0.8	3.1	8.4	7.3	62.0	57.5	28.8	32.1
Total HMDA Loans		**1.1**	**1.2**	**9.8**	**9.3**	**61.1**	**59.9**	**28.0**	**29.5**
Business Loans:									
Business Loans	197/162	18.3	16.0	12.7	11.1	37.6	45.7	31.5	27.2
Percentage of businesses in AA by income level of tract [5]		16.9	16.7	14.0	13.6	45.1	45.3	24.0	24.4
Aggregate CRA lending in AA[4]		17.8	17.0	13.3	12.5	44.7	44.2	23.4	25.2

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 Total HMDA loans include multifamily loans (0 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home improvement loans remained in the analysis.
3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Business Loans

The geographic distribution of business loans is good in LMI geographies. The bank's performance for 2009 and 2010 was consistent with area demographics and aggregate data.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 22, the bank's borrower distribution reflected adequate distribution among individuals of different income levels and businesses of different revenue sizes.

To provide additional context, the analysis below for 2010 home purchase and refinance loans (products where the bank's LAR reported a higher level of nonowner-occupied lines) includes a comparison of the bank's performance after removing those loans without reported incomes in order to focus a secondary review specifically on the bank's distribution of owner-occupied lines.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers is adequate. The bank's distribution to low-income borrowers for 2009 (12.5 percent) and 2010 (3.1 percent) was below area demographics (19.1 percent) and slightly above the aggregate figure for 2009 (11.2 percent) but well below aggregate data for 2010 (11.3 percent).

The bank's distribution to moderate-income borrowers was strong for 2009 (41.7 percent), exceeding area demographics (17.9 percent), and aggregate data (26.4 percent). The performance to moderate-income borrowers in 2010 was considerably lower (12.5 percent), and was below demographics (17.9 percent) and aggregate data (23.8 percent). When focusing only on loans with reported revenues, lending to moderate-income borrowers for 2010 improves to 25.0 percent vs. 28.1 percent for the aggregate, which is adequate.

Refinance Loans

The bank's level of refinance loans to LMI borrowers exhibits an adequate performance. The bank's distribution to low-income borrowers for 2009 (5.4 percent) and 2010 (2.5 percent) was well below area demographics (19.1 percent) and was slightly below aggregate data (6.4 percent and 4.4 percent, respectively).

The bank's distribution to moderate-income borrowers for 2009 (10.7 percent) and 2010 (10.2 percent) was below the demographic (17.9 percent) and aggregate (14.9 percent and 14.1 percent, respectively). When focusing only on loans with reported revenues in order to provide more focus to owner-occupied refinance loans, lending to moderate-income borrowers for 2010 improves to 15.2 percent vs. 16.2 percent for the aggregate, which is adequate.

Table 22
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
COLUMBIA MO MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	24/32	12.5	3.1	41.7	12.5	4.2	6.3	41.7	28.1
Home Refinance	112/118	5.4	2.5	10.7	10.2	16.1	20.3	50.9	33.9
Home Improvement	13/17	0.0	5.9	30.8	11.8	23.1	41.2	46.2	35.3
Total HMDA Loans[1]	**149/171**	**6.0**	**2.9**	**17.4**	**10.5**	**14.8**	**19.3**	**49.0**	**32.2**
Percentage of families in AA by income level[2]		19.1		17.9		22.9		40.0	
Aggregate Peer Data[3]									
Home Purchase		11.2	11.3	26.4	23.8	23.1	21.5	27.3	28.1
Home Refinance		6.4	4.4	14.9	14.1	20.9	23.1	43.4	45.3
Home Improvement		10.0	10.9	19.6	15.5	23.6	24.4	42.4	43.0
Total HMDA Loans[1]		**8.1**	**7.2**	**19.0**	**17.7**	**21.7**	**22.4**	**37.7**	**38.6**

1 Borrower annual incomes reported as 'NA' for some bank (19 in 2009; 60 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (0 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home improvement loans remained in the analysis.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Home Improvement Loans

The overall level of home improvement lending was low, but reflected good performance. The bank's distribution to low-income borrowers for 2009 (0.0 percent) and 2010 (5.9 percent) was well below area demographics (19.1 percent) and the aggregate data (10.0 percent and 10.9 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 was very strong (30.8 percent) and was well above area demographics (17.9 percent) and the aggregate (19.6 percent). For 2010, the bank's distribution was considerably lower (11.8 percent) and below both demographic (17.9 percent) and aggregate data (15.5 percent).

Business Loans

The bank's distribution of loans to small businesses is considered adequate. However, the penetration is well below the demographic figure of small businesses in the AA for 2009 (28.4 percent vs. 89.1 percent) and 2010 (33.3 percent vs. 89.4 percent).

The data is somewhat skewed due to the bank's very large percentage of loans where revenue information was not reported. After adjusting both bank and demographic figures to exclude unreported revenues and focus only on those that are known, the comparison improves considerably (70.0 percent vs. 93.6 percent for 2009; 72.0 percent vs. 93.9 percent for 2010).

Comparison to aggregate data may be a better comparative. The bank's performance compared to aggregate data is slightly higher in 2009, but below the aggregate in 2010. Adjusted figures for unreported revenues are not available for aggregate numbers. However, given the bank's high level of unreported revenues, the comparison to aggregate would likely improve if adjusted numbers for each could be prepared. The more revenue information that is collected and reported, the less the data is skewed in the comparisons to demographic and aggregate figures.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

Table 23
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
COLUMBIA MO MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	56	24	117	54	21	87
Bank - Percentage of loans by size of business	28.4	12.2	59.4	33.3	13.0	53.7
Demographic - Percentage of businesses in the AA[2]	89.1	6.1	4.9	89.4	5.8	4.8
Aggregate CRA lending to small businesses in AA[3]	23.5			42.1		

1 Small businesses, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Columbia MSA AA, where it originated 16 loans for $9.3 million during the evaluation period. The distribution of community development lending included one for affordable housing, three for economic development, one for revitalization or stabilization of LMI geographies, and eleven for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A $2 million loan to a City of Columbia nonprofit organization that is located in a moderate-income tract. The organization has an economic development purpose for area businesses by providing job services targeted to LMI individuals in the area.
- Two loans totaling $2.2 million to a nonprofit organization that provides various programs, services, and healthcare targeted to LMI individuals.

INVESTMENT TEST

The bank had a significant level of qualified community development investments and donations in the Columbia MSA AA. Investments in the area totaled $2.1 million. The equity investments included five current period tax credits that were to revitalize and stabilize LMI geographies and were located within state designated distressed areas.

The bank shows good responsiveness to AA community development needs through its donation activities. The bank submitted 72 donations made in the AA during the review period totaling $143,250. Of the donations reviewed, 34 were qualified for community development purposes totaling $64,540, which represented 12.1 percent of the bank's statewide total qualified donations by number and 21.4 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Columbia MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

Commerce Bank operates eight branch locations in the Columbia MSA AA, of which two are located in low-income, two are in moderate-income, one is in middle-income, and three are in upper-income tracts. Since the last examination, the bank closed one office that was located in a low-income geography. The closed branch was located in a business section of the MSA and was within one mile of two additional branch offices. A full-service ATM was also maintained near the closed branch office. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA, particularly LMI individuals.

Community Development Services:

The bank provided a relatively high level of community development services in the Columbia MSA AA, with ten qualified services provided during the review period. Eight of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include services provided to the Community Development Corporation of Columbia, Heart of Missouri United Way, the Central Missouri Food Bank, and SCORE - America's Small Business Owners.

OTHER MISSOURI METROPOLITAN STATISTICAL AREAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN LIMITED REVIEW MISSOURI MSA AAs

St. Joseph, MO MSA AA

The bank's St. Joseph MSA AA includes two of four counties in the MSA. This AA has three branches and 12.9 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 17.5 percent of total HMDA loans within the state, and business loans in the AA equaled 9.4 percent of total state CRA LAR business loans.

Jefferson City, MO MSA AA

The bank's Jefferson City MSA AA includes one of four counties in the MSA. This AA has two branches and 2.7 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 3.6 percent of total HMDA loans within the state, and business loans in the AA equaled 7.4 percent of total state CRA LAR business loans.

Joplin, MO MSA AA

The bank's Joplin MSA AA includes both of the two counties that comprise the MSA. This AA has four branches and 7.7 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 6.0 percent of total HMDA loans within the state, and business loans in the AA equaled 3.6 percent of total state CRA LAR business loans.

Cape Girardeau, MO MSA AA

The bank's Cape Girardeau MSA AA includes one of three counties in the MSA, and does not include the sole county on the Illinois side of the state line. This AA has four branches and 3.6 percent of the bank's total state deposits as of June 30, 2011. HMDA loans within this AA equaled 5.2 percent of total HMDA loans within the state, and business loans in the AA equaled 6.2 percent of total state CRA LAR business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LIMITED REVIEW MO MSA AAs

Under the lending test, the bank's performance for all limited review MSA AAs regarding borrower distribution and geographic distribution was evaluated based on a review of similar relevant facts and data as displayed previously for those AAs with full-scope reviews, including bank performance figures, aggregate comparisons, and demographic information. These tables are not required to be displayed in this Performance Evaluation. The conclusions regarding the bank's performance, which did not alter the overall state rating, are as follows:

Assessment Area	Lending Test	Investment Test	Service Test
Cape Girardeau, MO MSA AA	Consistent	Below	Below
Jefferson City, MO MSA AA	Consistent	Below	Below
Joplin, MO MSA AA	Consistent	Consistent	Below
St. Joseph, MO MSA AA	Consistent	Below	Consistent

NONMETROPOLITAN STATEWIDE MISSOURI
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN NONMETROPOLITAN MISSOURI AAs

The bank has delineated seven nonmetropolitan AAs throughout the state of Missouri, referred to as the Branson AA, Southwest Missouri AA, St. Francois AA, Lebanon AA, Poplar Bluff AA, Mexico/Moberly AA, and the Hannibal AA. The bank's product offerings in these markets mirror the overall institution, with primary lending products including commercial loans and residential real estate loans.

Combined, these nonmetropolitan AAs comprised 3.9 percent of total bank deposits as of June 30, 2011, with the largest, the Mexico/Moberly AA, equaling 1.1 percent of total bank deposits. These combined nonmetropolitan AAs held 23.4 percent of the bank's statewide deposits (excluding the multistate MSAs) and accounted for 32.6 percent of statewide HMDA originations and 44.4 percent of statewide CRA LAR originations.

In the Mexico/Moberly AA, the bank's deposit market share equaled 22.6 percent, giving it the largest share of 12 financial institutions in the two county market. The bank's market share in the Lebanon market equaled 20.6 percent, ranking second of seven financial institutions in the county. All other AAs' market share rankings ranged from fourth to tenth. Each AA has one to four bank branches located in the market.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NONMETROPOLITAN MISSOURI AAs

The conclusions for all nonmetropolitan Missouri AAs were based on a limited review, and did not alter the overall state rating.

Assessment Area	Lending Test	Investment Test	Service Test
All Rural Missouri AAs Combined	Consistent	Below	Below

STATE OF KANSAS

CRA RATING FOR* KANSAS:**[7] ***"Outstanding"
The lending test is rated: ***"High Satisfactory"***
The investment test is rated: ***"Outstanding"***
The service test is rated: ***"Outstanding"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the state.
- The bank provided an excellent level of community development investments and grants in the state that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank is considered a leader in providing community development services in the state; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and loans to businesses and farms of different revenue sizes was good.
- The geographic distribution of home mortgage, business, and farm loans was adequate.

SCOPE OF EXAMINATION

The scope of the review for the state of Kansas was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The AA chosen for a full-scope review was the Wichita MSA AA. Within the state, the greatest deposit concentration was in this MSA, which accounted for 4.4 percent of total bank deposits, with the other six AAs each having 1.2 percent or less. The bank's presence in the Wichita MSA ranked fifth out of 56 banks. Wichita also had 70.3 percent of all LMI tracts within the bank's Kansas AAs. The other six Kansas AAs (two MSAs and four rural) will be assessed using limited review procedures. During the evaluation, two prior community contacts conducted during the previous two years within the Wichita MSA were referenced.

DESCRIPTION OF BANK'S OPERATIONS IN KANSAS

Outside of the Kansas City multistate MSA AA, the bank's Kansas markets include three MSA AAs and four nonmetropolitan AAs. The bank has 33 branches in these seven AAs. The

[7] For institutions with branches in two or more states in a multistate MSA, this statewide evaluation is adjusted and does not reflect performance in the parts of the state contained within the multistate MSA. Refer to the multistate MSA rating and discussion for the rating and evaluation of the institution's performance in that area.

deposit concentration for the entire state of Kansas equaled 10.3 percent of total bank deposits, as of June 30, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN KANSAS

LENDING TEST

The bank's performance with respect to the lending test in the state of Kansas is rated “high satisfactory”. The bank is a leader in community development lending in the state AAs, which boosted the bank's overall lending performance rating for the state. Overall, responsiveness to area credit needs is considered adequate. The bank's level of lending is somewhat low within the state (outside of the multistate MSA). The borrower distribution analysis reflected a good performance, while the geographic distribution was adequate. A more in-depth discussion of the state’s performance follows.

Lending Activity:

The state of Kansas review, included 689 HMDA loans, which represented 11.0 percent of total HMDA loans reviewed for this evaluation; and 1,898 CRA loans, which represented 15.6 percent of total CRA loans. Per the bank’s internal analysis, the statewide AAs’ LTD ratio equaled 41.9 percent for 2010.

Geographic and Borrower Distribution:

Commerce Bank’s overall geographic distribution of HMDA-related and CRA LAR business and farm loans reflected adequate penetration in LMI tracts throughout all the Kansas AAs. In the full review and limited review AAs, the bank’s performance was typically lagging the demographic data. However, the bank's HMDA, business, and farm lending performances were consistent with aggregate HMDA and CRA reporters.

The bank’s distribution of residential mortgage, business, and farm loans reflected good penetration among borrowers of different income levels and businesses and farms of different revenue sizes. This conclusion was based on the bank’s performance in all AAs. While the HMDA loan distribution was generally less than the demographic data, the distribution was similar to the aggregate performance. The bank’s level of lending to small businesses and farms was also below demographic data but was significantly above aggregate data in all AAs.

Community Development Loans:

Overall, the bank is considered a leader in originating community development loans in the state, with excellent levels of community development lending throughout the Kansas AAs. The high level of activity had a positive impact on the overall lending test rating. The bank made 55 loan commitments in the Kansas AAs, totaling $132.6 million. A majority of the

lending was in the Wichita MSA AA, where 25 community development loans totaling $52.2 million were originated. There were also a significant number of loans in the limited review nonmetropolitan AAs, where 24 loans were originated that totaled $14.4 million.

The bank has a good process for capturing supporting documentation of normal business loan activity to qualify them for community development consideration. The majority of community development loans (76.8 percent of dollar volume) were for economic development, originated to small businesses per SBA guidelines, and where the businesses employed LMI individuals or were located in Enterprise Zones. The next largest dollar volume of community development loans was for revitalization and stabilization (21.2 percent). These loans were generally to businesses located in LMI tracts that are part of Enterprise Zones.

INVESTMENT TEST

The state of Kansas investment test rating is “outstanding” as the bank exhibits excellent responsiveness to community development needs within the state’s AAs. The bank's investment activity within the state during the two-year evaluation period totaled $14.3 million and was considered excellent. This level represents a 67 percent increase from the prior evaluation, which used a four-year evaluation period. The investment level in the Wichita AA represented 68.5 percent of the total investments for the state. The Kansas rating was influenced by the excellent investment activity in the Wichita MSA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state.

Seventy-nine of the 88 total equity investments were for affordable housing projects targeted towards LMI individuals. The other nine investments were SBIC bonds totaling $2.5 million for economic development purposes. Five of the SBIC bonds are considered complex and innovative, as they were underwritten by an affiliate of the bank.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 446 donations made in the state during the review period, totaling $526,661. Of the donations reviewed, 194 were qualified for community development purposes totaling $258,290, which represented 17.6 percent of the bank’s total qualified donations by number and 11.9 percent of the total qualified dollars.

SERVICE TEST

The bank’s performance under the service test is rated “outstanding” for the state of Kansas. The rating is based on the bank’s excellent performance in the Wichita MSA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state. This conclusion was based on the accessibility of delivery systems, the effect of branch openings and closings, and the level of qualified community development services. Fourteen of the bank’s 33 banking offices (42.4 percent) in the state are located in LMI geographies. All banking offices are reasonably accessible to all portions of the AAs. The wide array of

services offered by the bank and business hours do not vary in a way that inconveniences certain portions of the AAs or LMI individuals.

Commerce Bank is considered a leader in providing community development services in the Wichita MSA AA. The level of services provided in the limited review AAs was consistent with the overall outstanding rating of the state. A majority of the community development services supported community services targeted towards LMI individuals and economic development. Thirty-six services were qualified for the Wichita MSA AA and 45 in the limited review AAs.

WICHITA, KS METROPOLITAN STATISTICAL AREA
(Full Review)

DESCRIPTION OF BANK'S OPERATIONS IN THE WICHITA MSA AA

The bank's Wichita MSA AA includes two of four counties in the MSA, Butler and Sedgwick. This AA has 12 branches and 42.9 percent of the bank's total state deposits as of June 30, 2011. The bank's presence in the Wichita MSA ranks fifth out of 56 banks.

DESCRIPTION OF ASSESSMENT AREA

As of 2000 Census data, the population of the Wichita MSA AA equaled 512,351, which was 89.7 percent of the entire MSA population of 571,166. The entire MSA's population increased to an estimated 623,061 in 2010, an increase of 9.1 percent. The largest industry sectors in the Wichita MSA are manufacturing (18.5 percent), educational and health services (15.3 percent), government (14.7 percent), retail trade (10.7 percent), and professional and business services (10.2 percent). (Source: FDIC RECON/Moody's Analytics and BLS, 2010; BEA, 2009)

The MSA's largest nongovernment employers are Spirit Aerosystems, Inc. (10,300 employees), Cessna Aircraft Company (6,193), Via Christi Regional Medical Center (5,276), Hawker Beechcraft (5,000), McConnell Air Force Base (3,277), Boeing Integrated Defense Systems (2,300), and Bombardier Aerospace (2,100). (Source: FDIC RECON/Military Installation Guide, 2010; Wichita Business Journal, September 2010)

The Wichita MSA's aerospace industry has long been the catalyst of the MSA economy. This industry is expected to gradually strengthen over the latter half of 2011. However, many of the manufacturing jobs lost during the recession will not return. Cessna and Hawker Beechcraft drastically reduced their workforces in the MSA during the recession, and demand for business jets remains lackluster despite the dramatic improvement in corporate profits and increased access to credit.

While the economy has stabilized, job growth has been flat in the first half of 2011. The unemployment rate at year-end 2010 was 8.6 percent and was above the state unemployment rate of 7.0 percent but below the U.S. unemployment rate of 9.6 percent. The unemployment rate decreased to 7.7 percent in June 2011. This is primarily due to a contracting labor force, however, and not added jobs. (Source: FDIC RECON/ Moody's Economy.com, June 2011)

The MSA does not have a significant backlog of foreclosures that will keep downward pressure on home prices. The housing affordability ratio in the Wichita MSA AA equaled 53.3 percent as of the 2000 Census, more affordable than the overall statewide figure of 50.2 percent. This is also the most affordable of the bank's full review AAs. The AA's percentage of owner-occupied housing units (62.3 percent) mirrors the total statewide figure (63.5 percent).

The percentage of families in the AA that are considered low-, moderate-, middle-, and upper-income generally mirror statewide figures. The percentage of families below the poverty level for the AA and the entire MSA also mirror statewide figures. In regards to age of population, makeup of families and households, and institutionalized persons, there were no significant anomalies between AA characteristics and total statewide figures that would provide a contextual basis for lending patterns outside the expected norm.

Table 24 shows income, housing, and general demographic characteristics of the AA.

Table 24
ASSESSMENT AREA DEMOGRAPHICS
WICHITA KS MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	3.8	2,498	1.9	810	32.4	23,825	17.7
Moderate-income	40	30.5	32,180	23.9	4,703	14.6	25,285	18.7
Middle-income	52	39.7	62,385	46.3	2,893	4.6	32,595	24.2
Upper-income	34	26.0	37,818	28.0	774	2.0	53,176	39.4
Total AA	**131**	**100.0**	**134,881**	**100.0**	**9,180**	**6.8**	**134,881**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	6,108	1,640	1.2	26.9	3,336	54.6	1,132	18.5
Moderate-income	61,113	27,017	20.2	44.2	27,753	45.4	6,343	10.4
Middle-income	95,706	65,047	48.7	68.0	24,657	25.8	6,002	6.3
Upper-income	51,382	39,758	29.8	77.4	8,763	17.1	2,861	5.6
Total AA	**214,309**	**133,462**	**100.0**	**62.3**	**64,509**	**30.1**	**16,338**	**7.6**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	539	2.5	443	2.3	56	3.7	40	3.3
Moderate-income	5,662	25.7	4,719	24.5	542	35.8	401	32.7
Middle-income	9,427	42.9	8,349	43.4	602	39.8	476	38.8
Upper-income	6,362	28.9	5,740	29.8	313	20.7	309	25.2
Total AA	**21,990**	**100.0**	**19,251**	**100.0**	**1,513**	**100.0**	**1,226**	**100.0**
	Percentage of Total Businesses:			**87.5**		**6.9**		**5.6**

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WICHITA MSA

LENDING TEST

The bank's performance with respect to the lending test in the Wichita MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. However, the bank's level of lending is low within the AA. The borrower distribution analysis reflected a good performance in the MSA, while the geographic distribution was adequate. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this market included 194 HMDA loans, which represented 28.2 percent of total HMDA loans within the state. The bank also originated 478 CRA loans within the AA, which represented 25.2 percent of the total state CRA loans. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 2.7 percent, while the deposits in the AA equaled approximately 4.4 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 38.1 percent. Therefore, the lending activity test reflected a low level of lending in this AA.

Geographic Distribution:

As shown in Table 25, the bank's overall geographic distribution of residential mortgage loans and business and farm loans reflected an adequate penetration among geographies of different income levels.

The concentration of rental units is more pronounced within the LMI tracts of the AA. In low-income tracts, only 26.9 percent of housing units are owner-occupied, and 54.6 percent are rentals; and in the moderate-income tracts, 44.2 percent are owner-occupied and 45.4 percent are rentals. These factors will increase the demand for lending on nonowner-occupied units in the LMI tracts. However, the bank's level of lending on nonowner-occupied units on the HMDA LAR was not high in this AA. Therefore, the demographic comparison to owner-occupied units is a relevant comparative in this AA.

<u>Home Purchase Loans</u>

The geographic distribution of home purchase loans reflected adequate penetration throughout the AA, particularly in moderate-income geographies. For 2009 and 2010, the bank did not originate any home purchase loans in low-income tracts; however, this was considered adequate given the very low level of owner-occupied housing units in these tracts. The bank's performance in moderate-income geographies was generally below area demographics, but consistent with aggregate figures.

Refinance Loans

Refinance lending across geographies of different income levels reflected adequate penetration in LMI geographies. Due to AA demographics, the bank had no loan originations in low-income tracts. The bank's performance for 2009 and 2010 in moderate-income geographies (2.2 percent and 8.5 percent, respectively) was below area demographics (20.2 percent) and aggregate for 2009 (8.1 percent) but above aggregate for 2010 (7.7 percent).

Table 25
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
WICHITA KS MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	41/15	0.0	0.0	9.8	13.3	51.2	60.0	39.0	26.7
Home Refinance	46/47	0.0	0.0	2.2	8.5	37.0	29.8	60.9	61.7
Home Improvement	22/23	9.1	4.3	22.7	8.7	54.5	60.9	13.6	26.1
Total HMDA Loans[2]	**109/85**	**1.8**	**1.2**	**9.2**	**9.4**	**45.9**	**43.5**	**43.1**	**45.9**
Percentage of owner-occupied housing units in AA by income level of tract [3]		1.2		20.2		48.7		29.8	
Aggregate Peer Data [4]									
Home Purchase		0.5	0.4	14.0	14.3	45.8	46.8	39.7	38.5
Home Refinance		0.3	0.2	8.1	7.7	45.5	43.9	46.0	48.1
Home Improvement		1.3	1.7	14.1	12.9	48.2	48.4	36.4	37.1
Total HMDA Loans		**0.5**	**0.4**	**10.8**	**10.6**	**45.8**	**45.3**	**43.0**	**43.8**
Business Loans:									
Business Loans	210/182	1.0	2.2	27.6	27.5	41.4	41.8	30.0	28.6
Percentage of businesses in AA by income level of tract [5]		2.5	2.5	26.0	25.7	42.7	42.9	28.8	28.9
Aggregate CRA lending in AA[4]		3.0	2.3	25.7	25.1	41.0	38.8	29.3	32.1
Farm Loans:									
Farm Loans	45/41	0.0	0.0	4.4	2.4	80.0	78.0	15.6	19.5
Percentage of farms in AA by income level of tract [5]		0.2	0.2	4.1	4.4	67.6	67.5	28.2	27.9
Aggregate CRA lending in AA[4]		0.0	0.0	2.2	2.3	77.9	79.1	19.0	17.3

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 Total HMDA loans include zero multifamily loans for this AA.
3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels reflected good penetration. The bank's performance in low-income tracts for 2009 and 2010 (9.1 percent and 4.3 percent, respectively) was well above the demographic

(1.2 percent) and aggregate data (1.3 percent and 1.7 percent, respectively). The bank's performance for 2009 in moderate-income tracts (22.7 percent) was above area demographics (20.2 percent) and aggregate data (14.1 percent). The performance for 2010 (8.7 percent) was below the demographic and slightly above aggregate data (7.7 percent).

Business and Farm Loans

The geographic distribution of business and farm loans is adequate in LMI geographies. The bank's performance for 2009 and 2010 was consistent with area demographics and the aggregate data. Farm loans will carry little weight in this AA, while business loans will carry the most weight.

Distribution by Borrower Income and Revenue Size of Business or Farm:

As shown in Table 26, the borrower distribution of the bank's lending reflected good distribution among individuals of different income levels and businesses and farms of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers exhibits good performance. The bank's distribution to low-income borrowers for 2009 (17.1 percent) was consistent with area demographics (17.7 percent) and above aggregate data (13.3 percent). The bank did not originate any home purchase loans to low-income borrowers for 2010. The bank's distribution to moderate-income borrowers was good for 2009 (14.6 percent) and strong for 2010 (46.7 percent). The 2009 level was below area demographics (18.7 percent), but the bank's 2010 lending was well above demographics. The bank's performance was also below aggregate data for 2009 (25.1 percent) but significantly above for 2010 (23.0 percent).

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits poor performance. The bank's distribution to low-income borrowers for 2009 (4.3 percent) and 2010 (2.1 percent) was below area demographics (17.7 percent) and aggregate data (6.2 percent and 5.6 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 and 2010 (10.9 percent and 4.3 percent, respectively) was also below area demographics (18.7 percent) and aggregate data (14.1 percent and 13.6 percent, respectively).

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (13.6 percent) and 2010 (8.7 percent) was below area demographics (17.7 percent) and consistent with the aggregate data (10.3 percent and 9.5 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 (36.4 percent) was well above area demographics (18.7 percent) and the aggregate

(19.0 percent). For 2010, the bank's distribution (17.4 percent) was consistent with the demographic and aggregate data. The bank's home improvement performance continues to reflect its significant efforts to market the program to LMI borrowers.

Table 26
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
WICHITA KS MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	41/15	17.1	0.0	14.6	46.7	22.0	13.3	46.3	40.0
Home Refinance	46/47	4.3	2.1	10.9	4.3	21.7	29.8	60.9	59.6
Home Improvement	22/23	13.6	8.7	36.4	17.4	27.3	26.1	22.7	47.8
Total HMDA Loans[1]	**109/85**	**11.0**	**3.5**	**17.4**	**15.3**	**22.9**	**25.9**	**47.7**	**52.9**
Percentage of families in AA by income level[2]		17.7		18.7		24.2		39.4	
Aggregate Peer Data[3]									
Home Purchase		13.3	13.8	25.1	23.0	22.9	22.5	25.5	24.7
Home Refinance		6.2	5.6	14.1	13.6	22.5	22.6	39.0	40.2
Home Improvement		10.3	9.5	19.0	19.0	24.5	24.0	42.4	42.3
Total HMDA Loans[1]		**9.1**	**8.9**	**18.6**	**17.5**	**22.7**	**22.6**	**34.0**	**34.4**

1 Borrower annual incomes reported as 'NA' for some bank (1 in 2009; 2 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. Zero multifamily loans were reported for this AA.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business and Farm Loans

The bank's distribution of loans to small businesses is considered good. However, the penetration is well below the demographic figure of small businesses in the AA for 2009 (45.2 percent vs. 87.4 percent) and 2010 (56.6 percent vs. 87.5 percent). The number of loans where revenue information was not reported was not as high in this AA, though the adjusted number does boost the bank to a slightly more favorable comparison with the demographic figures. Comparison to aggregate data may be a better comparative. The bank's performance compared to aggregate data is significantly higher in 2009 and 2010.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The distribution of loans to farms of different sizes is good. The bank's lending performance is consistent with area demographics and above aggregate data. Less weight is given to farm loans in the evaluation of this AA.

Table 27
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
WICHITA KS MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	95	74	41	103	64	15
Bank - Percentage of loans by size of business	45.2	35.2	19.5	56.6	35.2	8.2
Demographic - Percentage of businesses in the AA[2]	87.4	6.9	5.7	87.5	6.9	5.6
Aggregate CRA lending to small businesses in AA[3]	19.2			32.3		
Farm Loans						
Bank - Number of farm loans	42	2	1	39	0	2
Bank - Percentage of loans by size of farm	93.3	4.4	2.2	95.1	0.0	4.9
Demographic - Percentage of farms in the AA[2]	98.0	1.0	1.0	98.0	1.0	1.0
Aggregate CRA lending to small farms in AA[3]	83.5			79.1		

1 Small businesses or farms, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses or farms in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Wichita MSA AA, where it originated 25 loans for $52.2 million during the evaluation period. The distribution of community development lending included 20 for economic development, 3 for revitalization or stabilization of LMI geographies, and 2 for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A $3.5 million loan to a local, private university that is located in a moderate-income tract. The loan was to revitalize the university area that is a part of the City of Wichita Delano Neighborhood Revitalization Plan.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Wichita MSA AA. Investments in the area totaled $9.8 million and included 18 bonds and housing equity funds providing affordable housing to LMI individuals. A majority of the investments were made in the current evaluation period, as only two investments were from the prior period with a balance remaining on the bank's books.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 75 donations made in the AA during the review period totaling $237,149. Of the donations reviewed, 34 were qualified for community development purposes totaling $155,701, which represented 17.5 percent of the bank's statewide total qualified donations by number and 60.3 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Wichita MSA AA is excellent based on the accessibility of delivery systems and the high level of community development services provided.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is excellent. Six of the bank's 12 AA branches, 50.0 percent, are located in LMI tracts, while 34.4 percent of total AA tracts are LMI. Since the last examination, the bank closed one office that was located in a moderate-income tract and one in a middle-income tract. The bank also opened a new branch in a moderate-income tract. Banking offices are readily accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA**,** particularly LMI individuals.

Community Development Services:

The bank is considered a leader in providing community development services in the Wichita MSA AA, with 36 qualified services provided during the review period. Twenty-nine of the qualified services were with organizations offering community services targeted to LMI individuals. Examples include services provided to Dress for Success, Junior Achievement, Salvation Army, and Catholic Charities.

OTHER KANSAS METROPOLITAN STATISTICAL AREAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN LIMITED REVIEW KANSAS MSA AAs

Lawrence, KS MSA AA

The bank's Lawrence MSA AA includes Douglas County, which constitutes the entire MSA. This AA has five branches and 10.0 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 14.2 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 4.0 percent of total statewide CRA loans.

Manhattan, KS MSA AA

The bank's Manhattan MSA AA includes two of three counties in the MSA, excluding Geary County, which includes Junction City. This AA has three branches and 10.8 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 16.0 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 7.3 percent of total statewide CRA loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LIMITED REVIEW KANSAS MSA AAs

Under the lending test, the bank's performance for all limited review MSA AAs regarding borrower distribution and geographic distribution was evaluated based on a review of similar relevant facts and data as displayed previously for those AAs with full-scope reviews, including bank performance figures, aggregate comparisons, and demographic information. These tables are not required to be displayed in this Performance Evaluation. The conclusions regarding the bank's performance, which did not alter the overall state rating, are as follows:

Assessment Area	Lending Test	Investment Test	Service Test
Lawrence, KS MSA AA	Consistent	Consistent	Below
Manhattan, KS MSA AA	Consistent	Below	Consistent

NONMETROPOLITAN STATEWIDE KANSAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN NONMETROPOLITAN KANSAS AAs

The bank has delineated four nonmetropolitan AAs throughout the state of Kansas, referred to as the Garden City AA, Hays AA, Hutchinson AA, and the Southeast Kansas/Pittsburg AA. The bank's product offerings in these markets mirror the overall institution, with primary lending products including commercial loans and residential real estate loans.

Combined, these nonmetropolitan AAs included 3.8 percent of total bank deposits as of June 30, 2011. These AAs held 36.3 percent of the bank's statewide deposits (excluding the multistate MSA) and 41.7 percent of statewide HMDA originations and 63.5 percent of CRA LAR originations.

The bank's deposit market share was first or second in three nonmetropolitan Kansas markets and fifth in the Hutchinson AA out of ten financial institutions in Reno County. Each AA has one to five bank branches located in the market.

Although the bank's market share is significant relative to the competition within the respective markets, the overall concentration of bank deposits and lending activity in these markets as a percent of the bank's overall activity is relatively low due to the very high concentration of loans and deposits in the Kansas City and St. Louis multi-state MSAs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NONMETROPOLITAN KANSAS AAs

The conclusions for all nonmetropolitan Kansas AAs were based on a limited review, and did not alter the overall state rating.

Assessment Area	Lending Test	Investment Test	Service Test
All Rural Kansas AAs Combined	Consistent	Consistent	Consistent

STATE OF ILLINOIS

CRA RATING FOR ILLINOIS: [8] ***"Satisfactory"***
The lending test is rated: ***"High Satisfactory"***
The investment test is rated: ***"High Satisfactory"***
The service test is rated: ***"High Satisfactory"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the state.
- The bank provided a significant level of community development investments and grants in the state that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank provided a relatively high level of community development services in the state; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected good responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage loans was good and adequate among business and farm loans.

SCOPE OF EXAMINATION

The scope of the review for the state of Illinois was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The deposit concentration for the entire state of Illinois equaled only 5.5 percent of total bank deposits, as of June 30, 2011. The AA chosen for a full-scope review was the Bloomington MSA AA, which contained the greatest deposit concentration within the state, equaling 2.9 percent of total bank deposits. The bank's presence ranked fourth of 29 banks in the MSA. The Peoria MSA had more LMI tracts; however, that AA was reviewed at the prior evaluation. The Peoria and Champaign MSA AAs will be assessed using limited review procedures. The Illinois rating will not weigh heavily into the overall bank rating. For this evaluation, two prior community contacts conducted during the previous two years were referenced.

[8] For institutions with branches in two or more states in a multistate MSA, this statewide evaluation is adjusted and does not reflect performance in the parts of the state contained within the multistate MSA. Refer to the multistate MSA rating and discussion for the rating and evaluation of the institution's performance in that area.

DESCRIPTION OF BANK'S OPERATIONS IN ILLINOIS

Outside of the St. Louis multistate MSA AA, the bank's Illinois markets include three MSA AAs located in the central portion of the state. The bank has 15 branches in these three AAs, and 5.5 percent of total bank deposits as of June 30, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

LENDING TEST

The bank's performance with respect to the lending test in the state of Illinois is rated "high satisfactory". The bank is a leader in community development lending in the AAs, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending is adequate within the statewide AAs. The borrower distribution analysis reflected an adequate performance in the AAs, while the geographic distribution was good. A more in-depth discussion of the state's performance follows.

Lending Activity:

The state of Illinois review, included 365 HMDA loans, which represented 5.8 percent of total HMDA loans reviewed for this evaluation; and 754 CRA loans, which represented 6.2 percent of total CRA loans. Per the bank's internal analysis, the statewide AAs LTD ratio of 61.5 percent for 2010 is above the two multistate MSA AAs, but below the Missouri ratio.

Geographic and Borrower Distribution:

Commerce Bank's overall geographic distribution of mortgage, business, and farm loans reflected good penetration in LMI tracts throughout the Illinois AAs. In all AAs, the bank's performance was typically lagging the demographic data; however, the bank's HMDA performance was similar to or exceeded aggregate HMDA reporters, and its business and farm lending performance was consistent with aggregate CRA reporters.

The bank's HMDA-related loans reflected a good distribution among borrowers of different income levels, and an adequate distribution among businesses and farms of different revenue sizes. This conclusion was based on the bank's performance in all AAs. The HMDA loan distribution generally exceeded demographics and aggregate performance. The bank's business and farm performance was below demographic data and generally consistent with aggregate data.

Community Development Loans:

Overall, the bank is considered a leader in originating community development loans, with excellent levels of community development lending in the Bloomington MSA AA. The high level of activity had a positive impact on the overall lending test rating. The bank made 25 loan commitments in the Illinois AAs totaling $49.8 million. A majority of the lending is in the Bloomington MSA AA, where 19 community development loans totaling $35.7 million were originated. The limited review MSA AAs included six additional community development loan originations totaling $14.1 million.

The bank originated nine community development loans for affordable housing, seven for economic development, eight to organizations that provide community services targeted to LMI individuals, and one to revitalize and stabilize an LMI tract that was part of an Enterprise Zone.

INVESTMENT TEST

The state of Illinois investment test rating is “high satisfactory”, as the bank exhibits good responsiveness to community development needs within the state. The bank's investment activity within the state during the two-year evaluation period totaled $2.1 million and was considered adequate. The bank had no investments in the Bloomington or Peoria MSA AAs, and only one investment totaling $120,688 in the Champaign MSA AA, a mortgage-backed security comprised of home loans to low-income borrowers. The bank did have six investments totaling $1.9 million that targeted the entire state of Illinois, which could include potential projects in the bank’s AAs. These investments were all state of Illinois Housing Authority bonds that provided affordable housing to LMI individuals. The overall Illinois rating was influenced by the statewide level of investment activity as well as the number and amount of qualified grants and donations in relation to the bank’s relatively minor presence in the state.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 236 donations within the state during the review period, totaling $276,993. Of the donations reviewed, 82 were qualified for community development purposes, totaling $149,905 and representing 7.4 percent of the bank’s total qualified donations by number and 7.0 percent of the total qualified dollars.

SERVICE TEST

The bank’s performance under the service test is rated “high satisfactory” for the state of Illinois. The rating is based on the bank’s relatively high performance in the Bloomington MSA AA as well as the limited review AAs, which were consistent with the overall outstanding rating of the state. This conclusion was based on the accessibility of delivery systems, the effect of branch openings and closings, and the level of qualified community development services.

Two of the bank's 15 banking offices (13.3 percent) in the state are located in LMI geographies. All banking offices are reasonably accessible to all portions of the AAs. The wide array of services offered by the bank and business hours do not vary in a way that inconveniences certain portions of the AAs or LMI individuals.

The bank provided a relatively high level of community development services in the Bloomington (15 services) and Peoria (16 services) MSA AAs. No community development services were provided in the Champaign MSA AA, but the bank only has one banking office in this AA. A majority of the community development services supported community services targeted towards LMI individuals and economic development.

BLOOMINGTON IL METROPOLITAN STATISTICAL AREA
(Full Review)

DESCRIPTION OF BANK'S OPERATIONS IN THE BLOOMINGTON MSA AA

The bank's Bloomington MSA AA includes six of 15 branches located in the state, and 53.2 percent of total statewide deposits, as of June 30, 2011. HMDA loans within this AA equaled 43.8 percent of total HMDA loans included within the state's three AAs, and CRA loans in the AA equaled 53.1 percent of total statewide CRA loans.

DESCRIPTION OF ASSESSMENT AREA

The bank's Bloomington MSA AA includes McLean County, which constitutes the entire MSA. The MSA's 2000 population equaled 150,433. As of 2010 Census data, the MSA population increased 12.7 percent, to 169,572. The largest industry sectors in the MSA are professional and business services (19.6 percent), government (17.1 percent), financial services (13.4 percent), educational and health services (12.5 percent), and leisure and hospitality (10.6 percent). (Source: Moody's Economy.com/Moody's Analytics and BLS, 2010; BEA, 2009)

The MSA's largest nongovernment employers are State Farm Mutual Insurance Company (15,509 employees), Illinois State University (3,205), County Insurance (2,178), BroMenn Healthcare (1,595), Mitsubishi Motor Manufacturing (1,418), and OSF St. Joseph Medical Center (1,122). (Source: FDIC RECON/Economic Development Council of the Bloomington-Normal Area, 2009)

Bloomington's economy is at risk of sliding back into recession. The sluggish U.S. economy is hurting the MSA's insurance industry, the state's fiscal woes are problematic for Illinois State University, and new home construction and home sales are weak. The presence of Mitsubishi Motors is a bright spot for the economy. Sales of products assembled in the MSA have soared in 2011, and Mitsubishi has been the fastest growing automaker in the U.S. (Source: FDIC RECON/Moody's Economy.com, June 2011)

The MSA unemployment rate for 2010 was 7.7 percent, compared to 10.3 percent statewide and 9.6 percent for the U.S. The unemployment rate improved to 6.4 percent in June 2011.

Due to Illinois State University and Illinois Wesleyan University, the MSA has a much higher population of residents aged 18 to 24 than the overall state of Illinois (18.6 percent vs. 9.8 percent). The AA concentration of residents living in college dormitories equaled 6.5 percent, compared to the overall statewide figure of 0.7 percent.

The percentage of families that are low-, moderate-, middle-, and upper-income in the AA generally mirror the overall state figures for Illinois, with the exception of approximately two

percentage points fewer of low- and upper-income families, and four percentage points more of middle-income families. The percentage of AA families below the poverty level is lower than the state figure (4.1 percent vs. 7.8 percent, as of 2000 data). The housing affordability ratio for the MSA equaled 43.1 percent as of the 2000 Census, more affordable than the statewide figure of 36.5 percent. The AA's percentage of total housing units concentrated in rental housing, owner-occupied units, and vacant units all mirror the overall state figures.

Table 28 shows income, housing, and general demographic characteristics of the AA.

Table 28
ASSESSMENT AREA DEMOGRAPHICS
BLOOMINGTON IL MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	2.4	10	0.0	5	50.0	6,222	17.4
Moderate-income	9	22.0	7,790	21.8	855	11.0	6,738	18.9
Middle-income	23	56.1	19,895	55.8	528	2.7	9,490	26.6
Upper-income	8	19.5	7,981	22.4	79	1.0	13,226	37.1
Total AA	**41**	**100.0**	**35,676**	**100.0**	**1,467**	**4.1**	**35,676**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	271	0	0.0	0.0	270	99.6	1	0.4
Moderate-income	15,860	8,009	21.2	50.5	6,683	42.1	1,168	7.4
Middle-income	33,104	20,839	55.3	63.0	10,776	32.6	1,489	4.5
Upper-income	10,737	8,859	23.5	82.5	1,310	12.2	568	5.3
Total AA	**59,972**	**37,707**	**100.0**	**62.9**	**19,039**	**31.7**	**3,226**	**5.4**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	43	0.8	35	0.7	4	1.1	4	1.2
Moderate-income	1,296	22.7	1,126	22.4	84	23.9	86	26.5
Middle-income	3,331	58.4	2,932	58.3	210	59.8	189	58.3
Upper-income	1,032	18.1	934	18.6	53	15.1	45	13.9
Total AA	**5,702**	**100.0**	**5,027**	**100.0**	**351**	**100.0**	**324**	**100.0**
	Percentage of Total Businesses:			**88.2**		**6.2**		**5.7**

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN BLOOMINGTON MSA

LENDING TEST

The bank's performance with respect to the lending test in the Bloomington MSA AA is considered good. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending within the AA is adequate. The borrower distribution analysis reflected an adequate performance in the MSA, while the geographic distribution was good. A more in-depth discussion of performance in the AA follows.

Lending Activity:

HMDA loans originated in this market represented 43.8 percent of total HMDA loans within the state, and CRA loans represented 53.1 percent of total CRA loans within the state. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 2.2 percent, while the deposits in the AA equaled approximately 2.5 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 54.9 percent, and the lending activity test is considered adequate.

Geographic Distribution:

As shown in Table 29, the overall geographic distribution of the bank's residential mortgage loans and business and farm loans reflected good loan penetration among geographies of different income levels.

The Bloomington AA only has one low-income tract and the percentage of rental units is an astounding 99.6 percent within this tract. This tract includes Illinois State University and contains no owner-occupied units. These factors will increase the demand for lending on nonowner-occupied units in the LMI tracts. However, the bank's level of lending on nonowner-occupied units was not high in this AA.

Home Purchase Loans

The geographic distribution of home purchase loans reflected good penetration throughout the AA, particularly in moderate-income geographies. For 2009 and 2010, the bank did not originate any home purchase loans in low-income tracts, but this was considered adequate compared to the demographics. The bank's performance in moderate-income geographies for 2009 and 2010 (30.8 percent and 33.3 percent, respectively) was well above area demographics (21.2 percent) and aggregate figures (21.5 percent and 20.0 percent, respectively). While the bank's performance in moderate-income tracts is good, the data includes only four of 13 originations for 2009, and only three of nine originations for 2010.

Refinance Loans

Refinance lending across geographies of different income levels reflected adequate penetration in LMI geographies. Due to AA demographics, the bank had no loan originations in the low-income tract. The bank's performance for 2009 and 2010 in moderate-income geographies (7.4 percent and 9.3 percent, respectively) was below area demographics (21.2 percent) and below aggregate data (15.6 percent and 15.3 percent, respectively). The refinance loan volume included 54 originations in both 2009 and 2010, and equaled the highest volume of HMDA-related loans originated by the bank in the AA.

Table 29
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
BLOOMINGTON IL MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	13/9	0.0	0.0	30.8	33.3	53.8	44.4	15.4	22.2
Home Refinance	54/54	0.0	0.0	7.4	9.3	55.6	50.0	37.0	40.7
Home Improvement	9/11	0.0	0.0	33.3	18.2	55.6	63.6	11.1	18.2
Total HMDA Loans[2]	**79/81**	**0.0**	**0.0**	**17.7**	**14.8**	**53.2**	**53.1**	**29.1**	**32.1**
Percentage of owner-occupied housing units in AA by income level of tract [3]		0.0		21.2		55.3		23.5	
Aggregate Peer Data [4]									
Home Purchase		0.0	0.0	21.5	20.0	47.7	47.2	30.8	32.8
Home Refinance		0.0	0.0	15.6	15.3	43.5	41.3	40.9	43.4
Home Improvement		0.0	0.0	15.8	17.3	48.6	49.5	35.7	33.2
Total HMDA Loans		**0.0**	**0.1**	**17.3**	**16.8**	**44.8**	**43.2**	**37.8**	**39.9**
Business Loans:									
Business Loans	116/90	0.9	2.2	19.0	18.9	44.8	51.1	35.3	27.8
Percentage of businesses in AA by income level of tract [5]		0.7	0.8	22.9	22.7	58.5	58.4	17.9	18.1
Aggregate CRA lending in AA[4]		0.7	0.3	19.3	18.0	55.7	53.6	23.0	25.1
Farm Loans:									
Farm Loans	104/90	0.0	0.0	1.9	3.3	67.3	65.6	30.8	31.1
Percentage of farms in AA by income level of tract [5]		0.0	0.0	3.0	3.2	75.9	75.7	21.1	21.2
Aggregate CRA lending in AA[4]		0.0	0.0	3.7	2.9	80.3	79.5	16.0	16.9

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 Total HMDA loans include multifamily loans (3 in 2009; 7 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home purchase and improvement loans remained in the analysis.
3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Home Improvement Loans

The geographic distribution of home improvement lending across geographies of different income levels reflected good penetration. Again, due to area demographics, the bank had no

loan originations in the low-income tract. The bank's performance for 2009 and 2010 in moderate-income tracts (33.3 percent and 18.2 percent, respectively) was above or consistent with area demographics (21.2 percent) and exceeded aggregate data (15.8 percent and 17.3 percent, respectively). Again, there was low volume, with the bank's performance in the moderate-income tracts including only three of nine originations in 2009 and two of 11 originations in 2010.

Business and Farm Loans

The geographic distribution of business and farm loans was good in LMI geographies. The bank's performance for 2009 and 2010 was consistent with area demographics and the aggregate data.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 30 and Table 31, the borrower distribution of the bank's lending reflected good distribution among individuals of different income levels and adequate distribution among businesses and farms of different revenue sizes.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers exhibited good performance. The bank's distribution to low-income borrowers for 2009 (23.1 percent) exceeded area demographics (17.4 percent) and aggregate data (15.5 percent). The bank did not originate any home purchase loans to low-income borrowers for 2010. The bank's distribution to moderate-income borrowers for 2009 (7.7 percent) was well below the demographics (18.9 percent) and aggregate data (27.2 percent). The 2010 performance (44.4 percent) was strong, exceeding area demographics and aggregate data (22.4 percent). The bank's performance was skewed by the low volume of originations (13 for 2009; 9 for 2010), as one loan origination to an LMI borrower significantly changes the bank's performance percentages.

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibited adequate performance. The bank's distribution to low-income borrowers for 2009 (5.6 percent) and 2010 (11.1 percent) was below area demographics (17.4 percent) and consistent with aggregate data for 2009 (5.7 percent) but above aggregate data for 2010 (6.0 percent). The bank's distribution to moderate-income borrowers for 2009 and 2010 (14.8 percent and 18.5 percent, respectively) was below area demographics (18.9 percent) but above aggregate data for 2009 (15.6 percent) and 2010 (14.0 percent).

Home Improvement Loans

The overall level of home improvement lending reflected good performance. The bank's distribution to low-income borrowers for 2009 (22.2 percent) and 2010 (27.3 percent)

exceeded area demographics (17.4 percent) and aggregate data (13.5 percent and 14.9 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 and 2010 (22.2 percent and 18.2 percent, respectively) was consistent with area demographics (18.9 percent) and exceeded aggregate (19.3 percent and 14.5 percent, respectively). The bank's home improvement performance in this AA also reflected its significant efforts to market the program in areas that include LMI borrowers. However, the bank had very low volume, with nine originations for 2009 and 11 for 2010.

Table 30
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
BLOOMINGTON IL MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	13/9	23.1	0.0	7.7	44.4	15.4	33.3	46.2	22.2
Home Refinance	54/54	5.6	11.1	14.8	18.5	25.9	18.5	53.7	51.9
Home Improvement	9/11	22.2	27.3	22.2	18.2	0.0	18.2	55.6	36.4
Total HMDA Loans[1]	**79/81**	**10.1**	**11.1**	**13.9**	**19.8**	**20.3**	**18.5**	**50.6**	**42.0**
Percentage of families in AA by income level[2]		17.4		18.9		26.6		37.1	
Aggregate Peer Data[3]									
Home Purchase		15.5	14.3	27.2	22.4	24.1	21.5	23.4	27.2
Home Refinance		5.7	6.0	15.6	14.0	23.9	22.5	42.1	43.4
Home Improvement		13.5	14.9	19.3	14.5	22.2	22.1	40.2	39.4
Total HMDA Loans[1]		**8.6**	**8.4**	**18.9**	**16.1**	**23.8**	**22.0**	**36.6**	**38.5**

1 Borrower annual incomes reported as 'NA' for some bank (4 in 2009; 7 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes multifamily loans (3 in 2009; 7 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home purchase and improvement loans remained in the analysis.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business and Farm Loans

The bank's distribution of loans to small businesses is considered adequate. The penetration was well below the demographic figure of small businesses in the AA for 2009 (40.5 percent vs. 88.2 percent) and 2010 (28.9 percent vs. 88.2 percent). The bank has a fairly high percentage of loans where revenue information was not reported. If both the bank and the demographic figures are adjusted, the comparison improves somewhat (50.0 percent vs. 93.6 percent for 2009; 42.6 percent vs. 93.5 percent for 2010). Comparison to aggregate data may be a better comparative. The bank's performance is above the aggregate data in 2009, but below aggregate in 2010.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

The bank's distribution of loans to small farms is also adequate. The bank had a very high number of farm loans in this AA with unreported revenues, especially in 2009 when nearly 90 percent of farm borrowers had reported revenues of 'NA'. Therefore, adjusting the figures for the bank changes the analysis dramatically. In 2009, loans to small farms improved from 9.6 percent of total farm loans to 90.0 percent of total farm loans with reported revenues. Unadjusted numbers are well below demographic and aggregate figures. After adjusting to exclude unreported revenues, the bank's figures exceed aggregate figures and are slightly lower than demographic figures. Significant levels of unreported revenues skew small business and small farm lending dramatically.

Business and farm loans are weighted fairly evenly in the evaluation of this AA.

Table 31
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
BLOOMINGTON IL MSA AA

	2009			2010		
Business Loans	**Small[1]**	**Large**	**NA**	**Small[1]**	**Large**	**NA**
Bank - Number of business loans	47	47	22	26	35	29
Bank - Percentage of loans by size of business	40.5	40.5	19.0	28.9	38.9	32.2
Demographic - Percentage of businesses in the AA[2]	88.2	6.1	5.8	88.2	6.2	5.7
Aggregate CRA lending to small businesses in AA[3]	28.6			46.7		
Farm Loans						
Bank - Number of farm loans	10	1	93	62	7	21
Bank - Percentage of loans by size of farm	9.6	1.0	89.4	68.9	7.8	23.3
Demographic - Percentage of farms in the AA[2]	99.2	0.2	0.7	99.0	0.2	0.8
Aggregate CRA lending to small farms in AA[3]	73.4			86.0		

1 Small businesses or farms, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses or farms in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Lending:

Commerce Bank is considered a leader in providing community development loans in the Bloomington MSA AA, where it originated 19 loans for $35.7 million during the evaluation period. The distribution of community development loans included nine for affordable housing, four for economic development, and six for community services targeted towards LMI families or individuals. Examples of community development lending included:

- A $1 million loan to a local nonprofit organization that provides community services to LMI people. The agency focuses on improving the lives of children and families by

providing safe and healthy environments including residential care, special education, and family and community services.

- Four loans totaling $29.8 million for economic development made to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had a poor level of qualified community development investments and donations in the Bloomington MSA AA. The bank did not have any investments during the evaluation period that specifically targeted the AA. However, the bank did purchase six state of Illinois Housing Authority bonds totaling $1.9 million that targeted affordable housing in the entire state, which could include the Bloomington MSA AA.

The bank did show adequate responsiveness to area community development needs through its donation activities. The bank submitted 126 donations made in the AA during the review period totaling $139,210. Of the donations reviewed, 45 were qualified for community development purposes totaling $74,430, which represented 54.9 percent of the bank's statewide total qualified donations by number and 49.7 percent by dollar amount.

SERVICE TEST

The bank's performance under the service test in the Bloomington MSA AA was good based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is adequate. One of the bank's six AA branches, 16.7 percent, is located in an LMI tract, while 24.4 percent of total AA tracts are LMI. Since the last examination, the bank closed one office and opened one office, both in middle-income tracts. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA**,** particularly LMI individuals.

Community Development Services:

The bank provided a relatively high level of community development services in the Bloomington MSA AA, with 15 qualified services provided during the review period. Twelve of the qualified services were with organizations offering community services targeted to LMI individuals and three were for economic development. Examples include services provided to Path, Inc., Salvation Army, and the Economic Development Council of Bloomington.

OTHER ILLINOIS METROPOLITAN STATISTICAL AREAS
(Limited Reviews)

DESCRIPTION OF BANK'S OPERATIONS IN LIMITED REVIEW ILLINOIS MSA AAs

Champaign, IL MSA AA

The bank's Champaign MSA AA includes only one of three counties in the MSA. This AA has only one branch and 2.4 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 4.4 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 2.4 percent of total statewide CRA loans.

Peoria, IL MSA AA

The bank's Peoria MSA AA operations are similar to its Bloomington MSA AA. However, since Peoria was given a full-scope review at the prior examination, only a limited review was conducted at this examination. The Peoria MSA AA includes three of five counties in the MSA. This AA has eight branches and 44.4 percent of the bank's total statewide deposits as of June 30, 2011. HMDA loans within this AA equaled 51.8 percent of total HMDA loans within the state, and CRA LAR loans in the AA equaled 44.6 percent of total statewide CRA loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LIMITED REVIEW ILLINOIS MSA AAs

Under the lending test, the bank's performance for all limited review MSA AAs regarding borrower distribution and geographic distribution was evaluated based on a review of similar relevant facts and data as displayed previously for the full-scope AA review, including bank performance figures, aggregate comparisons, and demographic information. These tables are not required to be displayed in this Performance Evaluation. The conclusions regarding the bank's performance, which did not alter the overall state rating, are as follows:

Assessment Area	Lending Test	Investment Test	Service Test
Champaign, IL MSA AA	Below	Consistent	Below
Peoria, IL MSA AA	Consistent	Below	Consistent

STATE OF COLORADO/
DENVER-AURORA-BROOMFIELD METROPOLITAN STATISTICAL AREA
(Full Review)

CRA RATING FOR* COLORADO*: ***"Outstanding"***
The lending test is rated: ***"Outstanding"***
The investment test is rated: ***"Outstanding"***
The service test is rated: ***"High Satisfactory"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the AA.
- The bank provided an excellent level of community development investments and grants in the AA that were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank is considered a leader in providing community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels and to businesses of different revenue sizes was adequate.
- The geographic distribution of home mortgage and business loans was excellent.

SCOPE OF EXAMINATION

For the state of Colorado, a full review of the bank's sole AA was conducted. Since there is only one AA, the statewide performance will be discussed concurrently with the Denver MSA AA. The scope of the review for the state of Colorado was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The deposit concentration for the entire state of Colorado equaled only 0.7 percent of total bank deposits, as of June 30, 2011. The bank's presence in the entire MSA ranked 37th out of 72 banks. The Colorado rating will not weigh heavily into the overall bank CRA rating.

During the evaluation, two prior community contacts conducted during the previous two years within the Denver MSA were referenced.

DESCRIPTION OF BANK'S OPERATIONS IN THE DENVER MSA AA

The bank's Colorado market includes three of the ten counties in the Denver MSA; consisting of Adams, Arapahoe, and Denver Counties. The bank has only one branch in this market, which had only 0.7 percent of total bank deposits as of June 30, 2011. HMDA and CRA loans in the AA each equaled 1.3 percent of total bank HMDA and CRA lines reviewed for this

evaluation. The Denver branch, acquired in 2007, has traditionally been a more commercial-oriented lender. This is reflected in the nature of the bank's HMDA lines, which are concentrated in business purpose, nonowner-occupied lines, such as for rental and rehabilitation projects. Of the bank's 111 HMDA originations in this AA during the review period, only 25 (or 22.5 percent) were for owner-occupied units.

DESCRIPTION OF ASSESSMENT AREA

The population of the Denver MSA equaled 2,179,240 as of the 2000 Census, constituting half the state's population. The bank's AA population equaled 1,391,016, or 63.8 percent of the entire MSA population. The AA population increased to 1,613,764 as of 2010 estimates, an increase of 16.0 percent, which was on par with the statewide increase of 16.9 percent. (Source: 2000 Census Data; 2010 U.S. Census Bureau QuickFacts)

Government and service industries are the MSA's largest employment sectors. As of May 2010, the largest private employers included HealthONE (9,640 employees), King Soopers (8,600), Wal-Mart (7,900), CenturyLink (7,380), Exempla Healthcare (7,320), Lockheed Martin (7,220), Safeway, Inc. (6,700), Centura Health (6,370), Kaiser Permanente (5,870), Denver Health and Hospital Authority (5,311), Dish Network (4,690), and United Airlines (4,500). CenturyLink recently acquired Qwest, resulting in a shrinking footprint of one of Denver's largest employers. (Source: FDIC RECON - Metro Denver EDC, April 2011)

One community contact stated that the Denver MSA has historically had a strong reliance on small businesses, indicating that very few Fortune 500 companies are located in the MSA. One contact stated that banks are very reluctant to lend to very small businesses in the current economic environment, indicating that micro-lenders and those providing gap financing are primary sources of funding for very small businesses. One contact indicated that access to capital for start-up businesses is limited, as banks' lending standards have tightened. The contact noted that this is particularly true with the larger banks; while community banks may be more likely to tailor a loan to a borrower's needs. The contact also indicated a need for funding women- and minority-owned businesses.

Denver's recovery from the recession has been anemic. The first quarter of 2010 showed signs of recovery, though discouraged workers who have not yet re-entered the workforce continue to keep the unemployment rate artificially low. The retail industry primarily led the decline in the economy, driven by the poor labor market and the increased personal savings rate. The number of unemployed persons declined in the latter part of 2009, but so did the labor force; likely an indication of people leaving the work force due to discouragement. Service industries, particularly professional/business services, have been expected to be the foundation for growth in the MSA.

Table 32
UNEMPLOYMENT RATES

Area	2009	2010	11Q2
Denver MSA	8.5	9.0	8.5
Colorado	8.3	8.9	8.5
U.S.	9.3	9.6	8.9

The Denver MSA benefits from a skilled workforce, expansive research base, and advanced technology industries. These attributes all continue to attract a healthy flow of new residents and capital investment. Tighter lending standards is keeping credit tight, but loan quality exceeds the national average. Delinquency rates for mortgages and shorter-term auto loans began trending downward in 2010. (Source: FDIC RECON - Moody's Economy.com, December 2009, August 2010, August 2011)

The AA 2000 vacancy rate of 3.9 percent was low compared to the 8.3 percent statewide vacancy rate. The higher statewide vacancy rate is due to the higher number of seasonal/second homes in the state's mountainous areas. The AA contained a higher concentration of multifamily units, equaling 30.2 percent of total housing units compared to 19.9 percent for the state and 25.0 percent for the entire MSA. Conversely, there is a slightly lower concentration of 1- to 4-family units. The AA has a small concentration of mobile homes. Of total area housing stock, mobile homes constituted 2.7 percent, vs. us the statewide figure of 5.7 percent.

The AA's median age of housing stock (29 years) is slightly older than the state (24 years) and MSA (26 years). As is typical, AA housing stock is much older in the low- (45 years) and moderate-income tracts (35 years). The overall housing affordability rate in the state of Colorado is very low compared to other 10th District states. The AA, overall Denver MSA, and statewide affordability rates are all comparable (29.3 percent, 30.0 percent, and 29.5 percent, respectively). The least affordable county in the AA is Denver County, at 24.7 percent. It may be difficult for LMI families to afford home ownership in the MSA AA, especially in Denver County.

Weak housing prices continue in the Denver MSA, and households continue to have an aversion to new debt. This is weighing on home sales and new construction. However, it has been favorable for landlords, as rents are up and vacancies are at a decade low. Given these conditions, coupled with low interest rates, it is an attractive investment environment. Therefore, demand for nonowner-occupied units is strong, and there may be increased construction activity of multifamily apartment buildings. (Source: FDIC RECON - Moody's Economy.com, August 2011)

Table 33 shows income, housing, and general demographic characteristics of the AA.

Table 33
ASSESSMENT AREA DEMOGRAPHICS
DENVER CO MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	21	6.2	19,794	5.9	5,426	27.4	75,465	22.5
Moderate-income	122	35.9	116,480	34.7	12,610	10.8	70,130	20.9
Middle-income	134	39.4	138,835	41.4	5,031	3.6	79,275	23.6
Upper-income	60	17.6	60,126	17.9	891	1.5	110,365	32.9
Unknown-income	3	0.9	0	0.0	0	0.0	0	0.0
Total AA	**340**	**100.0**	**335,235**	**100.0**	**23,958**	**7.1**	**335,235**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	38,793	10,760	3.2	27.7	25,943	66.9	2,090	5.4
Moderate-income	208,601	105,566	30.9	50.6	94,999	45.5	8,036	3.9
Middle-income	242,158	154,705	45.3	63.9	77,807	32.1	9,646	4.0
Upper-income	85,925	70,299	20.6	81.8	12,996	15.1	2,630	3.1
Total AA	**575,477**	**341,330**	**100.0**	**59.3**	**211,745**	**36.8**	**22,402**	**3.9**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	4,664	5.7	4,028	5.5	379	6.8	257	6.4
Moderate-income	24,847	30.2	21,166	29.1	2,256	40.5	1,425	35.6
Middle-income	31,845	38.7	28,873	39.7	1,642	29.5	1,330	33.2
Upper-income	19,954	24.2	17,955	24.7	1,119	20.1	880	22.0
Unknown-income	1,077	1.3	787	1.1	176	3.2	114	2.8
Total AA	**82,387**	**100.0**	**72,809**	**100.0**	**5,572**	**100.0**	**4,006**	**100.0**
	Percentage of Total Businesses:			**88.4**		**6.8**		**4.9**

Based on 2000 Census data and 2010 D&B business demographic data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DENVER MSA

LENDING TEST

The bank's performance with respect to the lending test in the Denver MSA AA and the state of Colorado is rated “outstanding”. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall, responsiveness to AA credit needs is considered adequate. The bank's level of lending is high within the AA. The borrower distribution analysis reflected an adequate performance in the AA, while the geographic distribution was excellent. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this market included 82 HMDA loans and 159 CRA loans within the AA. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 1.0 percent, while the deposits in the AA equaled approximately 0.7 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 98.7 percent. Therefore, the bank's lending activity test represents strong lending levels.

Geographic Distribution:

As shown in Table 34, the overall geographic distribution of the bank's residential mortgage loans and business loans reflected excellent loan penetrations among geographies of different income levels. The bank did not originate any home improvement loans in the Denver MSA AA during the evaluation period.

Home Purchase Loans

The geographic distribution of home purchase loans reflected excellent penetration throughout the AA, particularly in moderate-income geographies. For 2009, the bank's performance in low-income tracts (8.3 percent) exceeded demographics (3.2 percent) and aggregate data (4.5 percent). However, the bank did not originate any loans for 2010 in low-income tracts.

The bank's performance in moderate-income geographies for 2009 and 2010 (33.3 percent and 68.4 percent, respectively) was well above area demographics (30.9 percent) and aggregate figures (26.1 percent and 24.4 percent, respectively). The bank's overall home purchase lending volume was low, with 12 originations for 2009 and 19 originations for 2010.

Since the LMI tracts contain high levels of rental units and the bank has a very high concentration of business purpose HMDA lines in this AA, a better demographic comparison would be total 1- to 4-family housing units, as the comparison to owner-occupied housing units inflates the bank's performance somewhat. Using this comparison, the bank remains above the demographic in the low-income tracts (demographic increased from 3.2 percent to 6.7 percent). The bank fell slightly behind the demographic in the moderate-income tracts for 2009 (demographic increased from 30.9 percent to 36.2 percent), but the 2010 performance remains very strong compared to either owner-occupied housing units or total 1- to 4-family housing units.

Using both demographic comparisons, the bank's performance is favorable in LMI tracts. However, the bank's HMDA lending is low, so business lines will receive the greater weight in this AA.

Refinance Loans

The geographic distribution of refinance loans reflected excellent penetration throughout the AA, particularly in moderate-income geographies. For 2009 and 2010, the bank's performance

in low-income tracts (4.5 percent and 10.0 percent, respectively) was consistent with demographics (3.2 percent; or 6.7 percent adjusted for all 1-4 family units) and aggregate data (3.0 percent and 2.8 percent, respectively). The bank's performance in moderate-income geographies for 2009 and 2010 (50.0 percent and 45.0 percent, respectively) was well above area demographics (30.9 percent; 36.2 percent, adjusted) and aggregate figures (17.0 percent and 15.8 percent, respectively). The bank's overall home refinance lending volume was low, with 22 originations for 2009 and 20 originations for 2010.

Business Loans

The geographic distribution of business loans also reflected excellent penetration in LMI geographies. The bank's performance for 2009 and 2010 was above area demographics and generally exceeded aggregate data, except for in low-income tracts in 2010, but this figure was still generally consistent with the comparative figures.

Table 34
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
DENVER CO MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations[2]							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	12/19	8.3	0.0	33.3	68.4	16.7	31.6	41.7	0.0
Home Refinance	22/20	4.5	10.0	50.0	45.0	36.4	35.0	9.1	10.0
Total HMDA Loans[3]	**35/47**	**5.7**	**4.3**	**45.7**	**55.3**	**28.6**	**36.2**	**20.0**	**4.3**
Percentage of owner-occupied housing units in AA by income level of tract [4]		3.2		30.9		45.3		20.6	
Aggregate Peer Data [5]									
Home Purchase		4.5	3.9	26.1	24.4	48.2	48.9	19.5	20.9
Home Refinance		3.0	2.8	17.0	15.8	46.6	46.0	31.3	33.3
Total HMDA Loans		**3.6**	**3.2**	**20.7**	**19.1**	**47.2**	**47.0**	**26.6**	**28.7**
Business Loans:									
Business Loans	83/76	7.2	3.9	39.8	51.3	21.7	11.8	27.7	26.3
Percentage of businesses in AA by income level of tract [6]		5.8	5.7	30.3	30.2	38.5	38.7	24.1	24.2
Aggregate CRA lending in AA[5]		5.2	4.9	27.9	27.3	36.8	36.6	27.0	27.8

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 The tract category is unknown for a small number of business loans (3 in 2009; 5 in 2010), so not all tract categories add up to 100 percent.
3 Total HMDA loans include home improvement loans (0 in 2009; 4 in 2010) and multifamily loans (1 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home purchase and refinance loans remained in the analysis.
4 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
5 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
6 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Tables 35 and 36, the bank's borrower distribution reflected adequate distribution among individuals of different income levels and businesses of different revenue sizes.

The bank originated very few HMDA loans in the Denver MSA AA that were for owner-occupied housing units (22.5 percent). The majority were business purpose, nonowner-occupied lines, such as rental and rehabilitation projects. HMDA lines for multifamily units and those made to business entities do not require income to be reported; therefore, 'NA' was reported on nearly 77 percent of the Denver MSA AA HMDA lines, compared to the overall bank rate of approximately 11 percent. The borrower distribution analysis includes a

comparison of the bank's performance when removing those loans without reported incomes, in order to focus specifically on the bank's distribution of owner-occupied lines. This analysis causes the HMDA volumes to drop to very low levels; however, it does present an alternative view of lending to LMI borrowers when considering only owner-occupied units.

Home Purchase Loans

The bank did not originate any home purchase loans in 2009 or 2010 to low-income borrowers. The bank's distribution to moderate-income borrowers for 2009 (8.3 percent) and 2010 (10.5 percent) was below area demographics (20.9 percent) and aggregate data (32.7 percent and 29.2 percent, respectively). The bank's performance was skewed by the overall low volume of home purchase loans (12 for 2009; 19 for 2010), coupled with the significant number of loans that did not report incomes. Focusing only on loans with reported incomes (providing an alternative focus on owner-occupied lines), the bank's distribution to moderate-income borrowers improves to 25.0 percent for 2009 and 40.0 percent for 2010; which compare favorably to the percentage of moderate-income families in the AA. However, due to the very low volume of lines with reported incomes, this reflects only one of four originations in 2009 and two of five originations in 2010.

Refinance Loans

The bank's level of refinance loans to low-income borrowers exhibits adequate performance. The bank's distribution to low-income borrowers for 2009 (4.5 percent) and 2010 (5.0 percent) was below area demographics (22.5 percent) and somewhat consistent with aggregate data (7.2 percent and 6.9 percent, respectively). The bank's distribution to moderate-income borrowers for 2009 (4.5 percent) was also below area demographics (20.9 percent) and aggregate data (19.8 percent). The bank did not originate any loans in 2010 to moderate-income borrowers. Again, the bank's performance was skewed by overall low volumes and a high number of loans with no reported incomes. In the review of loans with reported incomes, the bank's distribution to LMI borrowers (50.0 percent) exceeded demographics and aggregate figures, but only reflected two of four originations in 2009 and one of two originations in 2010.

Table 35
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
DENVER CO MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	12/19	0.0	0.0	8.3	10.5	0.0	5.3	25.0	10.5
Home Refinance	22/20	4.5	5.0	4.5	0.0	4.5	0.0	4.5	5.0
Total HMDA Loans[1]	**35/47**	**2.9**	**6.4**	**5.7**	**6.4**	**2.9**	**2.1**	**11.4**	**8.5**
Percentage of families in AA by income level[2]		22.5		20.9		23.6		32.9	
Aggregate Peer Data[3]									
Home Purchase		17.5	17.7	32.7	29.2	23.9	24.2	25.9	28.8
Home Refinance		7.2	6.9	19.8	18.3	27.0	26.1	46.0	48.7
Total HMDA Loans[1]		11.7	11.3	25.4	22.8	25.6	25.3	37.3	40.5

1 Borrower annual incomes reported as 'NA' for some bank (27 in 2009; 36 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes home improvement loans (0 in 2009; 4 in 2010) and multifamily loans (1 in 2009; 4 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home purchase and refinance loans remained in the analysis.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business Loans

The bank appears to have a very poor level of lending to small businesses in the AA. The bank's penetration is well below the demographic figure for 2009 (9.6 percent vs. 88.2 percent) and 2010 (10.5 percent vs. 88.4 percent). However, the bank has a very large percentage of loans in this market where revenue information was not reported (80.7 percent in 2009; 80.3 percent in 2010). If both the bank and the demographic figures are adjusted, the comparison improves dramatically (50.0 percent vs. 92.8 percent for 2009; 53.3 percent vs. 92.9 percent for 2010), as the demographic figures did not have as many unreported revenues. This level appears to be adequate.

D&B demographic figures are gathered using a self-reported survey method, and there will be companies in any AA that do not participate in the survey. Therefore, comparison to aggregate data may be a better comparative. The bank's adjusted numbers are favorable compared to aggregate data; however, aggregate data was not able to be adjusted for loans with unreported revenue information, so this is not a like comparison. The comparison of the bank's unadjusted figures to aggregate figures reflected a very poor penetration of bank business loans to small businesses. However, the significant level of unreported revenues is skewing this small business assessment dramatically, and is not providing a meaningful analysis.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

Table 36
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
DENVER CO MSA AA

Business Loans	2009			2010		
	Small[1]	Large	NA	Small[1]	Large	NA
Bank - Number of business loans	8	8	67	8	7	61
Bank - Percentage of loans by size of business	9.6	9.6	80.7	10.5	9.2	80.3
Demographic - Percentage of businesses in the AA[2]	88.2	6.9	4.9	88.4	6.8	4.9
Aggregate CRA lending to small businesses in AA[3]	33.9			40.6		

1 Small businesses, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Denver MSA AA, where it originated 19 loans for $30.7 million during the evaluation period. The distribution of community development lending included ten for economic development, four for affordable housing, two for revitalization or stabilization of LMI geographies, and three for community services targeted towards LMI families or individuals. The performance was considered excellent given the bank's minimal presence in the Denver AA, based on deposit share and number of branches. Examples of community development lending included:

- A $678,000 loan to a local nonprofit hospital that primarily targets LMI individuals in need of medical services who do not have insurance or the ability to pay. Hospital data indicated that 65 percent of patients served are LMI.
- Various economic development loans to small businesses that meet the size eligibility standards set by the SBA, located in LMI tracts or state designated distressed areas, and with more than 50 percent of business employees earning less than 80 percent of the MFI.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Denver MSA AA. Investments in the area totaled $21.1 million. The investments included three bonds and housing equity funds that provided affordable housing to LMI individuals, two SBIC bonds, and three bonds that revitalized or stabilized LMI areas that were part of an Enterprise Zone. A majority of the investments were made in the current evaluation period, as only three investments totaling $1.8 million were from the prior period with a balance remaining on the bank's books.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 15 donations made in the AA during the review period totaling $18,550. Of the donations reviewed, four were qualified for community development purposes totaling $3,100. This level was considered good in relation to the bank's small presence in the AA.

SERVICE TEST

The bank's performance under the service test in the Denver MSA AA is rated "high satisfactory" based on the accessibility of delivery systems and the high level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is good. The bank's only AA branch is located in a moderate-income tract, while 42.1 percent of total AA tracts are LMI. Since the last examination, the bank did not open or close a branch office in the AA. The bank did receive approval in late 2011 to open a new branch in Greenwood Village, Colorado, that is in an upper-income tract within the current AA. Banking offices are accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA**,** particularly LMI individuals.

Community Development Services:

The bank provided a high level of community development services in the Denver MSA AA, considering its small presence. The bank provided three qualified services during the review period. The qualified services were with one organization that offers community services targeted to LMI individuals (Community College of Aurora) and with two economic development organizations (Colorado Lending Source and the Aurora Economic Development Council).

STATE OF OKLAHOMA/
TULSA OK METROPOLITAN STATISTICAL AREA
(Full Review)

CRA RATING FOR* OKLAHOMA*: ***"Satisfactory"***
The lending test is rated: ***"Low Satisfactory"***
The investment test is rated: ***"Outstanding"***
The service test is rated: ***"Low Satisfactory"***

Major factors supporting the rating include:

- The bank is considered a leader in making community development loans in the AA.
- The bank provided an excellent level of community development investments and grants in the AA, which were responsive to meeting the needs of LMI individuals and areas, as well as small businesses.
- The bank provided an adequate level of community development services in the AA; delivery systems are accessible to geographies of different income levels; and products, services, and hours do not vary by branch location.
- Lending levels reflected adequate responsiveness to AA credit needs.
- The distribution of loans among individuals of different income levels was very poor but the distribution to businesses of different revenue sizes was adequate.
- The geographic distribution was very poor for HMDA loans but adequate for business loans.

SCOPE OF EXAMINATION

For the state of Oklahoma, a full review of the bank's sole AA was conducted. Since there is only one AA, the statewide performance will be discussed concurrently with the Tulsa MSA AA. The scope of the review for the state of Oklahoma was consistent with the overall scope for the entire institution, including evaluations under the lending, investment, and service tests. The deposit concentration for the entire state of Oklahoma equaled only 0.7 percent of total bank deposits, as of June 30, 2011. The bank's presence in the Tulsa MSA ranked 37th out of 72 banks in the MSA. The Oklahoma rating will not weigh heavily into the overall bank CRA rating. During the evaluation, three prior community contacts conducted during the previous two years within the Tulsa MSA were referenced.

DESCRIPTION OF BANK'S OPERATIONS IN THE TULSA MSA AA

The bank's Oklahoma market includes the Tulsa MSA AA, consisting of only Tulsa County. This market has two branches and only 0.8 percent of total bank deposits as of June 30, 2011. HMDA and CRA loans in the AA were minimal, with 1.2 percent of total HMDA lines and

2.1 percent of total CRA lines reviewed for this evaluation. The Tulsa branches, acquired in 2007, have traditionally been more commercial-oriented lenders than Commerce Bank overall, though not as pronounced as in the Denver market. This is reflected in the nature of the bank's HMDA lines, which have a slightly higher concentration in business purpose, nonowner-occupied lines. This results in a higher number of lines with reported income as 'NA', totaling 25.0 percent of total AA HMDA lines, exceeding the 10.8 percent overall bank figure.

DESCRIPTION OF ASSESSMENT AREA

As of 2000 Census data, the population of Tulsa County equaled 563,299, which was 65.5 percent of the entire MSA population of 859,532. Tulsa County's population increased to an estimated 603,403 in 2010, an increase of 7.1 percent. In regards to age of population, makeup of families and households, and institutionalized persons, there were no AA anomalies compared to total MSA or statewide figures that would provide a significant contextual basis for lending patterns outside the expected normal.

As of 2010, service industries represented the MSA's largest sectors, with education and health services (14.7 percent) leading the way, followed by professional and business services (13.6 percent). The next largest industry sectors were government (13.7 percent), retail trade (11.1 percent), and manufacturing (10.7 percent). (Source: Moody's Economy.com, BLS 2010)

Some of the MSA's largest employers include American Airlines, AT&T, Bank of Oklahoma, Blue Cross and Blue Shield Association, Cherokee Casino Resort, DirecTV, Hillcrest Healthcare System, Nordham Group, and St. Francis Health System. American Airlines employs 6,850 workers, and the remaining companies each employ more than 1,000 workers. Government jobs in 2010 totaled 5,118 for federal, 8,411 for state, and 41,849 for local governments. (Tulsa Metro Chamber of Commerce, 2011)

Tulsa continues to maintain strong ties to the oil industry, though the MSA economy is diverse, with additional emphasis in the telecom and rental car industries. Oklahoma did not experience as severe a downturn as the rest of the country; however, Tulsa was hit a little harder than the rest of the state, due primarily to a higher reliance on manufacturing. Tulsa's recovery is gaining momentum in 2011 due to the return of high-wage manufacturing jobs; however, government layoffs continue to be a drag and there have been sharp labor force declines. Manufacturing is heavily skewed toward machinery and fabricated metals, and the statewide energy boom ensures demand for these products. Tulsa also has a foothold in aerospace transportation, with the MSA being home to more than 70 aerospace companies, including SpiritAerosystems and American Airlines' central maintenance and repair center, Tulsa's largest private sector employer. (Source: Moody's Economy.com, July 2010; July 2011)

The unemployment rate for the Tulsa MSA has been above the state figures, but below the national average. One community contact in the third quarter of 2010 stated that the MSA had recently experienced increased production levels in various manufacturing sectors and an increase in temporary workers. The contact anticipated permanent employment figures would soon begin to rise, as increases in temporary workers generally precede increases in permanent workers.

Table 37
UNEMPLOYMENT RATES

Area	2009	2010	11Q2
Tulsa MSA	7.1	7.9	6.1
Oklahoma	6.6	7.1	5.4
U.S.	9.3	9.6	8.9

Another community contact stated that there is room for bank participation in providing counseling in developing business plans, improving credit scores, and obtaining start-up business financing.

The percentage of families in the AA that are considered low-, moderate-, middle-, and upper-income mirror statewide figures. The percentage of families below the poverty level for the entire Tulsa MSA equals 9.0 percent, while the AA was just slightly lower at 8.8 percent.

The global financial panic has had an impact on the Tulsa housing market. Restricted bank lending and less confidence among buyers created a dip in home sales, significant housing permit declines, and fewer new construction jobs. House prices in Tulsa did not experience as significant a boom/bust as much of the country, but foreclosures in the MSA have been more prevalent than the rest of the state.

The housing affordability ratio in the bank's Tulsa MSA AA equaled 45.0 percent as of the 2000 Census, only slightly behind the overall MSA figure of 47.0 percent and the statewide figure of 49.3 percent. The AA's percentage of owner-occupied housing units (57.4 percent) is below the entire MSA figure (62.1 percent). Conversely, the percentage of rental units is above the MSA figure (35.6 percent vs. 30.0 percent).

Table 38 shows income, housing, and general demographic characteristics of the AA.

Table 38
ASSESSMENT AREA DEMOGRAPHICS
TULSA OK MSA AA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	7	4.1	3,612	2.4	1,483	41.1	28,055	18.9
Moderate-income	44	25.6	33,062	22.3	6,127	18.5	25,894	17.5
Middle-income	61	35.5	57,979	39.1	3,779	6.5	30,960	20.9
Upper-income	60	34.9	53,536	36.1	1,573	2.9	63,280	42.7
Total AA	**172**	**100.0**	**148,189**	**100.0**	**12,962**	**8.7**	**148,189**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	7,013	2,093	1.5	29.8	3,968	56.6	952	13.6
Moderate-income	59,750	27,023	19.3	45.2	26,824	44.9	5,903	9.9
Middle-income	96,397	55,480	39.6	57.6	35,169	36.5	5,748	6.0
Upper-income	80,793	55,535	39.6	68.7	20,800	25.7	4,458	5.5
Total AA	**243,953**	**140,131**	**100.0**	**57.4**	**86,761**	**35.6**	**17,061**	**7.0**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	478	1.6	399	1.6	45	2.0	34	1.9
Moderate-income	6,530	22.3	5,322	21.1	708	31.6	500	28.4
Middle-income	10,215	35.0	8,890	35.2	750	33.5	575	32.6
Upper-income	12,004	41.1	10,615	42.1	736	32.9	653	37.1
Total AA	**29,227**	**100.0**	**25,226**	**100.0**	**2,239**	**100.0**	**1,762**	**100.0**
	Percentage of Total Businesses:			**86.3**		**7.7**		**6.0**

Based on 2000 Census data and 2010 D&B data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TULSA MSA

LENDING TEST

The bank's performance with respect to the lending test in the Tulsa MSA AA is rated “low satisfactory”. The bank is a leader in community development lending in the AA, which boosted the bank's overall lending performance rating. Overall responsiveness to area credit needs is considered adequate. The bank's level of lending is high within the AA. The borrower distribution analysis reflected a very poor performance in the MSA regarding HMDA loans, and a adequate performance regarding business loans. The geographic distribution was very poor for HMDA loans and adequate for business loans. The bank is predominantly a

commercial lender in this market, and the overall rating is weighted more towards its business lending performance. A more in-depth discussion of performance in the AA follows.

Lending Activity:

The review for this AA included 76 HMDA loans and 253 CRA loans. Per the bank's internal analysis as of December 31, 2010, the percent of total bank lending in the AA equaled approximately 2.3 percent, while the deposits in the AA equaled approximately 0.8 percent of total bank deposits. This resulted in an approximate LTD ratio in this market of 179.0 percent. Therefore, the bank's lending activity test represents strong lending levels in this AA.

Geographic Distribution:

As shown in Table 39, the geographic distribution of the bank's residential mortgage loans was very poor, but the distribution of business loans reflected an adequate loan penetration among geographies of different income levels. The bank did not originate any home improvement loans in the Tulsa MSA AA during the evaluation period.

The bank only has two branches in the AA, both in upper-income tracts. Although one branch is near a moderate-income tract, this branch is primarily oriented towards commercial lending. The concentration of rental units is more pronounced within the LMI tracts of the AA. In low-income tracts, only 29.8 percent of housing units are owner-occupied, and 56.6 percent are rentals; and in the moderate-income tracts 45.2 percent are owner-occupied and 44.9 percent are rentals. These factors may impact the bank's ability to make owner-occupied home purchase or refinance loans in the AA, especially within the LMI tracts. The economic characteristics also vary widely by tract income category. In the low-income tracts, 41.1 percent of families are below the poverty level, and this demographic figure equals 18.5 percent in the moderate-income tracts. In the middle- and upper-income tracts, this indicator drops to 6.5 percent and 2.9 percent, respectively.

Home Purchase Loans

The geographic distribution of home purchase loans reflected very poor penetration throughout the AA. Of the bank's 19 home purchase originations for 2009 and 2010, only one loan was originated in an LMI tract. The one loan was in 2010 and in a moderate-income tract, where the bank's performance (9.1 percent) exceeded aggregate data (8.3 percent). The overall lending volume was low, with eight originations for 2009 and 11 originations for 2010.

Refinance Loans

The geographic distribution of refinance loans reflected very poor penetration throughout the AA, particularly in LMI geographies. The overall lending volume was low, with 25 originations for 2009 and 29 originations for 2010. The bank did not originate any refinance loans in LMI tracts during the evaluation period.

Business Loans

The geographic distribution of business loans reflected adequate penetration in LMI geographies. The bank did not originate any business loans in low-income tracts during the evaluation period, while the bank's performance in moderate-income geographies for 2009 and 2010 was slightly below area demographics and aggregate data.

Table 39
DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT[1]
TULSA OK MSA AA

Loan Type	# '09/'10	Percentage of Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
HMDA Loans:		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	8/11	0.0	0.0	0.0	9.1	0.0	18.2	100.0	72.7
Home Refinance	25/29	0.0	0.0	0.0	0.0	12.0	0.0	88.0	100.0
Total HMDA Loans[2]	**34/42**	**0.0**	**0.0**	**0.0**	**2.4**	**8.8**	**4.8**	**91.2**	**92.9**
Percentage of owner-occupied housing units in AA by income level of tract [3]		1.5		19.3		39.6		39.6	
Aggregate Peer Data [4]									
Home Purchase		0.5	0.5	8.6	8.3	38.9	36.6	52.0	54.6
Home Refinance		0.4	0.4	6.0	5.5	30.1	29.3	63.5	64.9
Total HMDA Loans		**0.4**	**0.5**	**7.5**	**7.2**	**34.4**	**32.9**	**57.7**	**59.4**
Business Loans:									
Business Loans	130/121	0.0	0.0	16.2	14.9	23.1	14.9	60.8	70.2
Percentage of businesses in AA by income level of tract [5]		1.6	1.6	22.5	22.3	35.1	35.0	40.8	41.1
Aggregate CRA lending in AA[4]		1.2	0.9	19.8	18.3	31.4	30.0	46.1	48.9

1 Low-income census tracts are those geographies with MFI less than 50 percent of the MSA or statewide nonMSA MFI based on 2000 Census data; moderate-income equals 50 percent - 80 percent; middle-income is 80 percent - 120 percent; and upper-income is greater than 120 percent.
2 Total HMDA loans include home improvement loans (0 in 2009; 2 in 2010) and multifamily loans (1 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume. Despite relatively low volume, home purchase loans remained in the analysis.
3 The percentage of owner-occupied housing units in each tract category is based on 2000 Census data.
4 Aggregate loan data reflects all loan originations in the area reported by all HMDA and CRA filers.
5 The percentage of businesses and farms in each tract category is based on 2010 D&B business data and tract categories are based on 2000 Census tract designations and 2008 MSA designations.

Distribution by Borrower Income and Revenue Size of Business:

As shown in Table 40, the borrower distribution of the bank's HMDA lending reflected a very poor distribution among individuals of different income levels. However, the bank's CRA lending reflected a good distribution among businesses of different revenue sizes.

Home Purchase Loans

The bank's level of home purchase loans to LMI borrowers exhibited a very poor performance. The bank did not originate any home purchase loans to LMI borrowers in 2009 or 2010.

The bank's two branch locations are in upper-income tracts and the bank's primary line of lending focus in the Tulsa MSA AA is commercial lending. Therefore, a majority of the bank's home purchase loans are originated to commercial loan customers for rental/rehabilitation purposes or as an accommodation to business customers for their personal residences.

Refinance Loans

The bank's level of refinance loans to LMI borrowers exhibited poor performance. The bank originated only two loans to LMI borrowers during the evaluation period. Both loans were originated in 2009, with one each to a low-income borrower and a moderate-income borrower. Again, the bank's location and business focus had an impact on the bank's performance for refinance loans. Seventeen of the 54 refinance loans (31.5 percent) originated during the evaluation period were nonowner-occupied and for business purpose, such as rental and rehabilitation projects, so income was not required to be reported.

Table 40
DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER
TULSA OK MSA AA

Loan Type	# '09/'10	Percentage of Bank Lending by Number of Loan Originations							
		Low-Income		Mod-Income		Mid-Income		Upper-Income	
		2009	2010	2009	2010	2009	2010	2009	2010
Home Purchase	8/11	0.0	0.0	0.0	0.0	12.5	27.3	50.0	54.5
Home Refinance	25/29	4.0	0.0	4.0	0.0	8.0	13.8	60.0	62.1
Total HMDA Loans[1]	**34/42**	**2.9**	**0.0**	**2.9**	**0.0**	**8.8**	**19.0**	**55.9**	**59.5**
Percentage of families in AA by income level[2]		18.9		17.5		20.9		42.7	
Aggregate Peer Data[3]									
Home Purchase		8.7	10.6	25.6	25.3	23.1	22.0	32.6	35.0
Home Refinance		4.0	4.8	13.7	14.4	19.9	20.6	49.1	48.9
Total HMDA Loans[1]		**6.2**	**7.5**	**19.2**	**19.2**	**21.4**	**21.3**	**41.6**	**42.6**

1 Borrower annual incomes reported as 'NA' for some bank (10 in 2009; 9 in 2010) and aggregate HMDA lines, so columns do not add up to 100 percent. The sum of total HMDA loans includes home improvement loans (0 in 2009; 2 in 2010) and multifamily loans (1 in 2009; 0 in 2010), though these are not displayed or analyzed due to low volume and lack of reported income on multifamily HMDA lines. Despite relatively low volume, home purchase loans remained in the analysis.
2 The percentage of families living in the AA is based on 2000 Census data and 2008 MSA designations.
3 Aggregate loan data reflects all loan originations and purchases in the bank's AA reported by all HMDA filers.

Business Loans

The bank's level of lending to small businesses in the AA was well below the demographic figure for 2009 (31.5 percent vs. 86.4 percent) and 2010 (40.5 percent vs. 86.3 percent). The bank has a large percentage of loans where revenue information was not reported. If both the bank and the demographic figures were adjusted, the comparison improves somewhat (53.9 percent vs. 91.8 percent for 2009; 58.3 percent vs. 91.8 percent for 2010). Comparison to aggregate data may be a better comparative. The bank's performance was somewhat favorable compared to aggregate data, equaling approximately five to eight percentage points above the aggregate data (unadjusted). This level appears to reflect an adequate distribution among businesses of different revenue sizes.

As stated earlier, the independent study by NFIB provides some context to explain the lower levels of lending to small business by all CRA filers nationwide.

Table 41
DISTRIBUTION OF LENDING BY SIZE OF BUSINESS OR FARM
TULSA OK MSA AA

Business Loans	2009			2010		
	Small[1]	Large	NA	Small[1]	Large	NA
Bank - Number of business loans	41	35	54	49	35	37
Bank - Percentage of loans by size of business	31.5	26.9	41.5	40.5	28.9	30.6
Demographic - Percentage of businesses in the AA[2]	86.4	7.7	5.9	86.3	7.7	6.0
Aggregate CRA lending to small businesses in AA[3]	23.1			35.5		

1 Small businesses, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of businesses in the AA is based on 2010 D&B business data.
3 Aggregate loan data reflects all originations in the AA reported by all institutions that report CRA data.

Community Development Loans:

Commerce Bank is considered a leader in providing community development loans in the Tulsa MSA AA. The bank originated two loans for economic development during the evaluation period totaling $2.9 million. The performance was considered excellent in comparison to the bank's minimal presence in the Tulsa AA.

INVESTMENT TEST

The bank had an excellent level of qualified community development investments and donations in the Tulsa MSA AA. Investments in the area totaled $5.5 million. The investments included three mortgage-backed securities that provided affordable housing to LMI individuals, three SBIC bonds, and one tax credit that revitalized or stabilized an LMI area that was part of an Enterprise Zone. Four investments totaling $2.6 million were from the prior period with a balance remaining on the bank's books. The other three investments totaling $2.9 million were made during the evaluation period.

The SBIC bonds are considered complex and innovative, as all were underwritten by an affiliate of the bank. In addition, the bank made efforts to purchase mortgage-backed securities that specifically target LMI borrowers within the Tulsa MSA AA to compensate for its low performance of HMDA-related loans to LMI borrowers.

The bank shows good responsiveness to area community development needs through its donation activities. The bank submitted 22 donations made in the AA during the review period totaling $31,698. Of the donations reviewed, 15 were qualified for community development purposes totaling $20,458. This level was considered good in relation to the bank's small presence in the AA.

SERVICE TEST

The bank's performance under the service test in the Tulsa MSA AA is rated “low satisfactory” based on the accessibility of delivery systems and the level of community development services.

Retail Services:

Retail services were discussed under the overall bank review and do not vary by market.

The branch penetration within LMI tracts in the AA is poor, as the bank’s two AA branches are located in upper-income tracts, while 29.7 percent of AA tracts are LMI. Since the last examination, the bank did not open or close a branch office in the AA. Banking offices are reasonably accessible to LMI geographies and the wide array of services offered by the bank does not vary in a way that inconveniences certain portions of the AA**,** particularly LMI individuals.

Community Development Services:

The bank provided a high level of community development services in the Tulsa MSA AA, considering its small presence. The bank provided three qualified services during the review period. The qualified services were with organizations that offer community services targeted to LMI individuals, including the Tulsa Area United Way, Family and Children Services, and the Salvation Army.

CRA APPENDIX A

SCOPE OF EXAMINATION TABLE

SCOPE OF EXAMINATION	
FINANCIAL INSTITUTION: **Commerce Bank** **Kansas City, Missouri**	**PRODUCTS REVIEWED:** **HMDA LAR Loans:** Home Purchase, Refinance, Home Improvement **CRA LAR Loans:** Small Business, Small Farm **Community Development Activities:** Loans, Investments, Services
TIME PERIOD REVIEWED: **HMDA and CRA LAR Loans:** 2009 and 2010 **Community Development Activities**: 2009 and 2010	

LIST OF AFFILIATES SUBJECT TO REVIEW FOR THIS EVALUATION		
AFFILIATES	**AFFILIATE RELATIONSHIP**	**PRODUCTS REVIEWED**
Commerce Mortgage Corporation (CMC)	Subsidiary of Commerce Bank	Home Mortgage Loans
Capital for Business, Inc. (CFB)	Subsidiary of Commerce Bancshares, Inc. (CBI)	Qualified Investments
Two Small Business Investment Companies (SBICs)	Subsidiaries of CFB	Qualified Investments

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	**TYPE OF EXAMINATION**	**BRANCHES VISITED[2]**	**COMMUNITY CONTACTS**
Multi-State MSAs			
28140 - Kansas City, MO-KS (7 of 15 MSA counties)	**Full**	922 Walnut St	8 Prior, 3 current
41180 - St. Louis, MO-IL (6 of 15 MSA counties, plus St. Louis City)	**Full**	None	2 Prior, 1 current
Missouri			
16020 - Cape Girardeau-Jackson, MO-IL[1] (1 of 3 MSA counties)	Limited	None	None
17860 - Columbia, MO (1 of 2 MSA counties)	**Full**	None	2 Prior
27620 - Jefferson City, MO (1 of 4 MSA counties)	Limited	None	None
27900 - Joplin, MO (2 of 2 MSA counties)	Limited	None	None
41140 - St. Joseph, MO-KS[1] (2 of 4 MSA counties)	Limited	None	None
44180 - Springfield, MO (4 of 5 MSA counties)	**Full**	None	None
Rural Branson (1 county)	Limited	None	None
Rural Hannibal (2 counties)	Limited	None	None
Rural Lebanon (1 county)	Limited	None	None
Rural Mexico/Moberly (2 counties)	Limited	None	None
Rural Poplar Bluff (1 county)	Limited	None	None
Rural St. Francois (2 counties)	Limited	None	None
Rural SW MO (2 counties)	Limited	None	None
Kansas			
29940 - Lawrence, KS (1 of 1 MSA counties)	Limited	None	None
31740 - Manhattan, KS (2 of 3 MSA counties)	Limited	None	None
48620 - Wichita, KS (2 of 4 MSA counties)	**Full**	None	2 Prior
Rural Garden City (2 counties)	Limited	None	None
Rural Hays (1 county)	Limited	None	None
Rural Hutchinson (1 county)	Limited	None	None
Rural SE KS (3 counties)	Limited	None	None

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	**TYPE OF EXAMINATION**	**BRANCHES VISITED[2]**	**COMMUNITY CONTACTS**
Illinois			
14060 - Bloomington-Normal, IL (1 of 1 MSA counties)	**Full**	None	2 Prior
16580 - Champaign-Urbana, IL (1 of 3 MSA counties)	Limited	None	None
37900 - Peoria, IL (3 of 5 MSA counties)	Limited	None	None
Colorado			
19740 - Denver-Aurora-Broomfield, CO (3 of 10 MSA counties)	**Full**	None	2 Prior
Oklahoma			
46140 - Tulsa, OK (1 of 7 MSA counties)	**Full**	None	3 Prior

1 The Cape Girardeau and St. Joseph MSA AAs have branches only in Missouri; therefore, these AAs are not evaluated as multi-state MSAs.

2 "Branches visited" indicates where technical compliance with the CRA (signs, public file, etc.) was confirmed. The evaluation of the bank's CRA performance takes into consideration activity from all branch locations, as described in the Scope of Examination.

CRA APPENDIX B

SUMMARY OF STATE AND MULTISTATE MSA RATINGS

STATE OR MULTISTATE METROPOLITAN AREA	LENDING TEST RATING	INVESTMENT TEST RATING	SERVICE TEST RATING	OVERALL RATING
Kansas City, MO-KS MSA	High Satisfactory	High Satisfactory	Outstanding	Satisfactory
St. Louis, MO-IL MSA	High Satisfactory	Outstanding	Outstanding	Outstanding
Missouri	High Satisfactory	Outstanding	Outstanding	Outstanding
Kansas	High Satisfactory	Outstanding	Outstanding	Outstanding
Illinois	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Colorado	Outstanding	Outstanding	High Satisfactory	Outstanding
Oklahoma	Low Satisfactory	Outstanding	Low Satisfactory	Satisfactory

CRA APPENDIX C

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

Community development: Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Small Business Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies. Effective September 1, 2005, the Board of Governors of the Federal Reserve System, adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize (i) low-or moderate-income geographies; (ii) designated disaster areas; or (iii) distressed or underserved nonmetropolitan middle-income geographies designated by the Board, based on: (a) rates of poverty, unemployment, and population loss; or (b) population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance under the lending, investment and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act ("HMDA"): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as race, gender and income of applications, amount of loan requested, and disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the lending, investment and service tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area ("MA"): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economical and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units**.**

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report"). These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

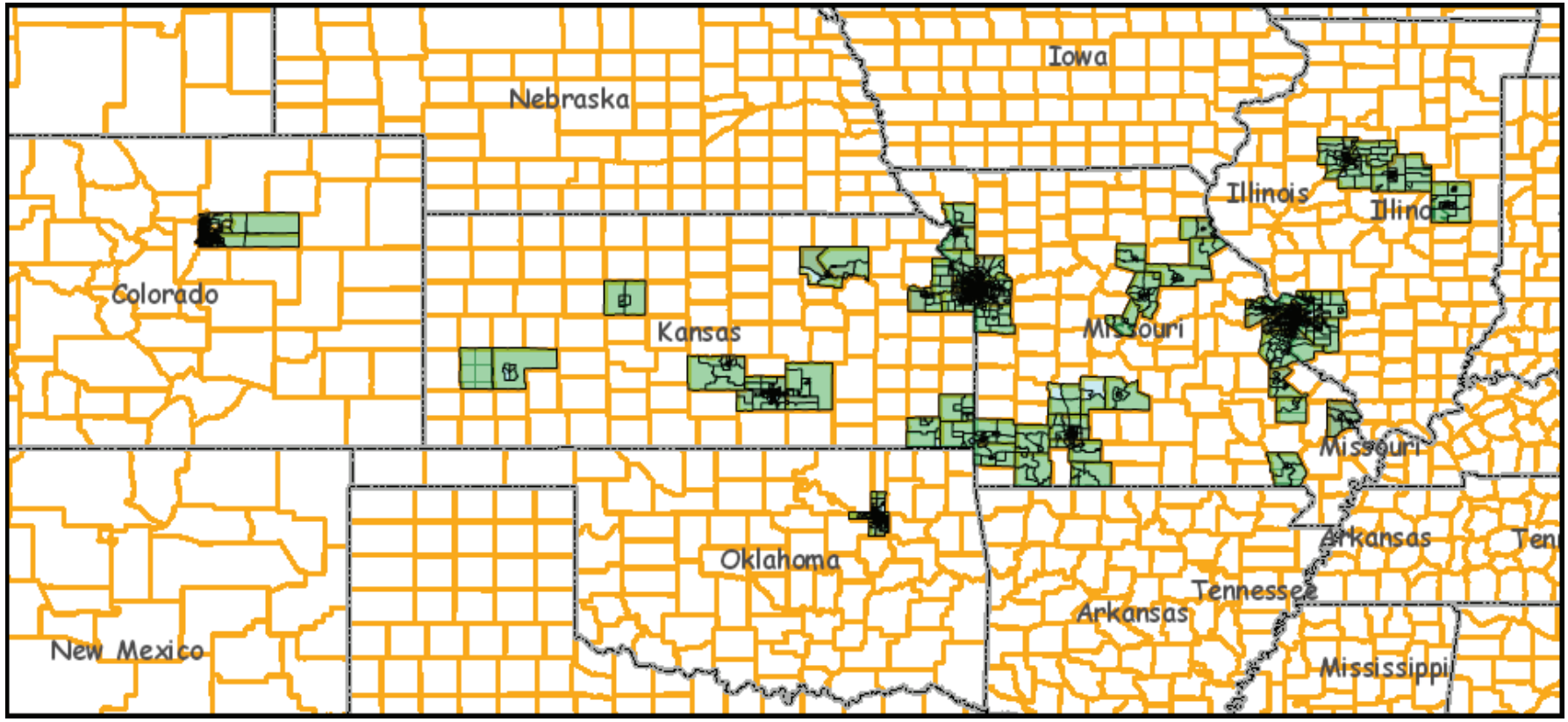
Small loan(s) to farm(s): A loan included in "loans to small farms" as defined in the instructions for preparation of the Call Report. These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

CRA APPENDIX D

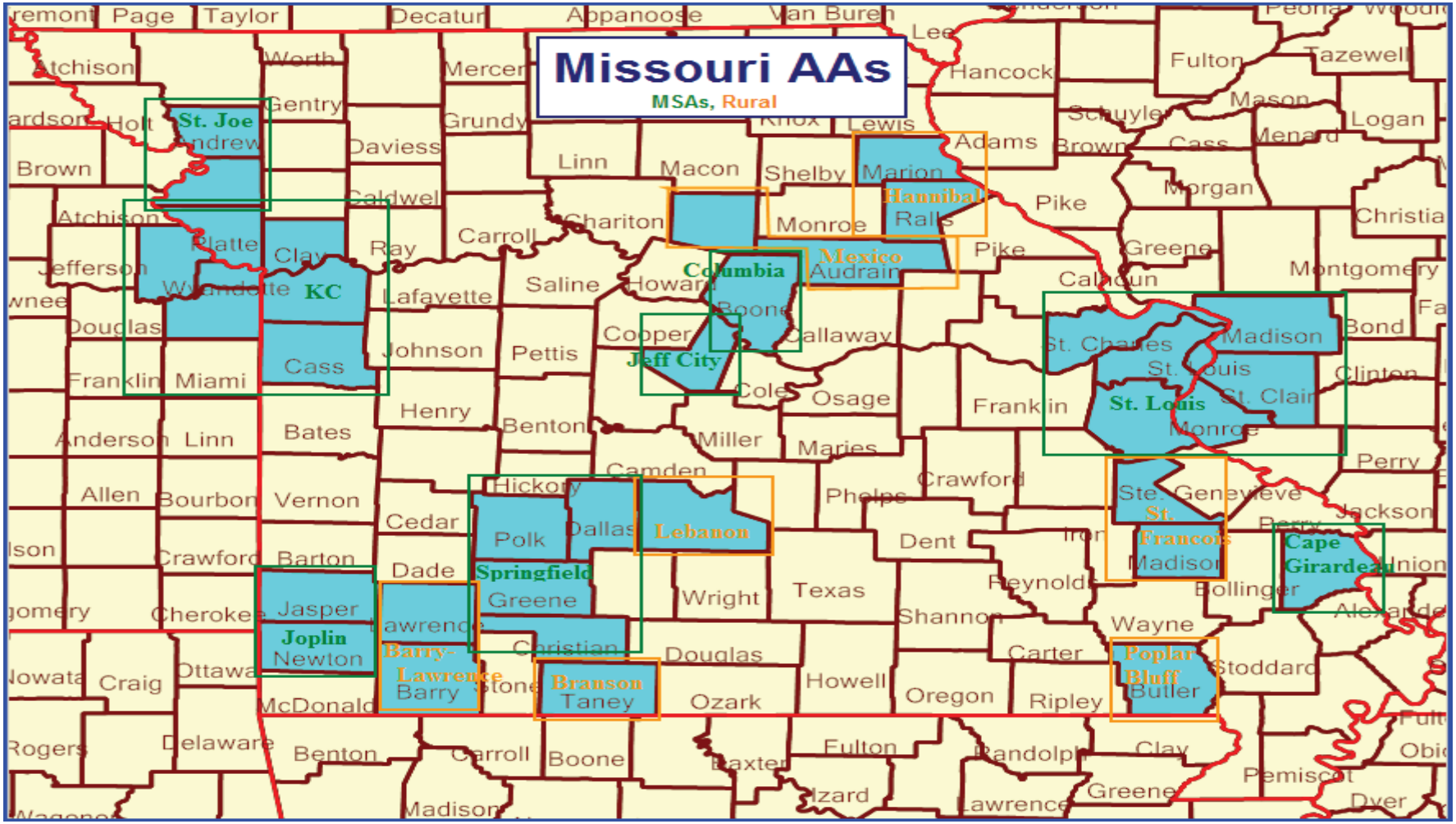
ASSESSMENT AREA MAPS

Commerce Bank - All Assessment Areas



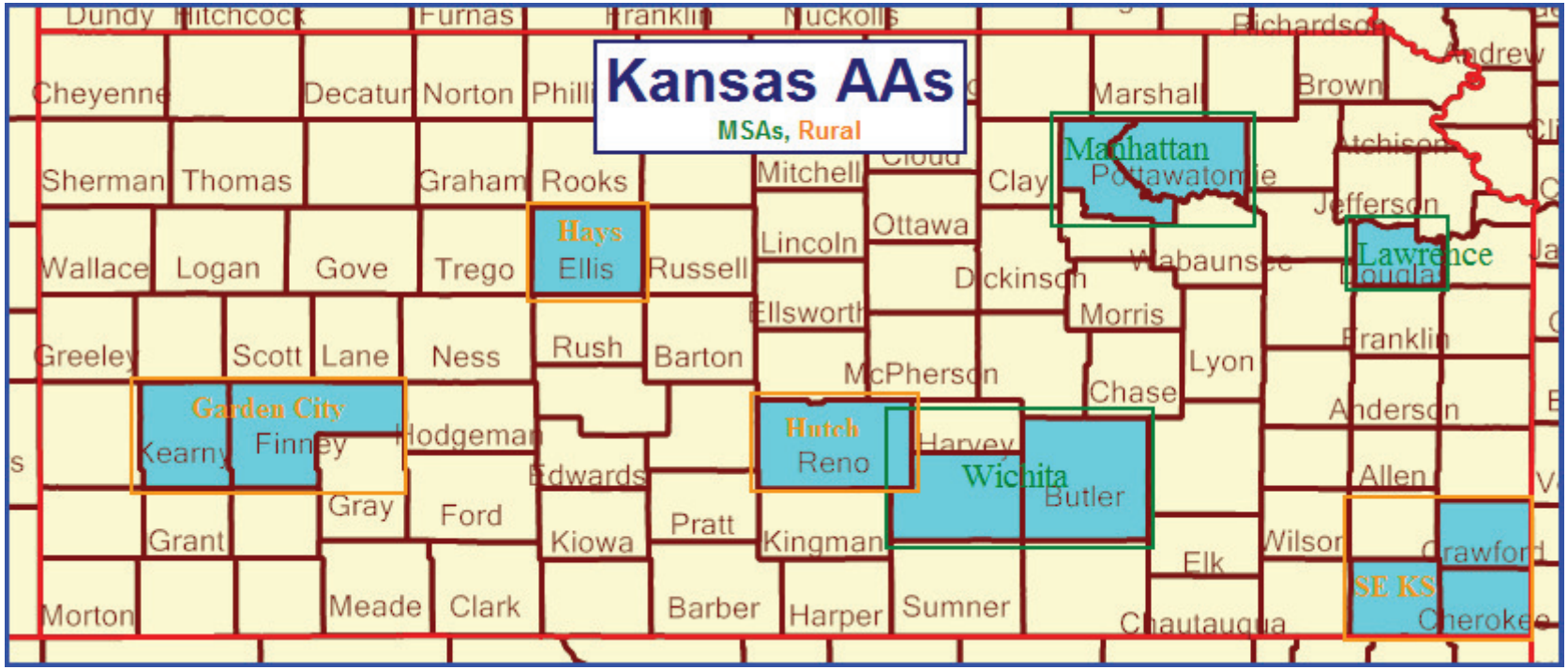
The next two pages display maps for the State of Missouri and Kansas, the only two states with rural AAs.

Missouri Assessment Areas



Multistate MSAs (with branches in each state): Kansas City MO/KS; St. Louis MO/IL
MSAs: Cape Girardeau-Jackson MO/IL; Columbia MO; Jefferson City MO; Neosho MO; St. Joseph MO/KS; Springfield MO
Rural MO: Barry-Lawrence Counties; Branson (Taney Co); Hannibal (Marion-Ralls Co); Lebanon (Laclede Co); Mexico (Audrain Co); Poplar Bluff (Butler Co); St. Francois (St. Francois-Madison Co)

Kansas Assessment Areas



MSAs: Lawrence KS; Manhattan KS; Wichita KS
Rural KS: Garden City (Kearny-Finney Co); Hays (Ellis Co); Hutchinson (Reno Co); SE KS (Cherokee-Crawford-Labette Co)

Commerce Bank – Branch Closing Policy 12/31/13

It is the policy of Commerce Bank to perform a thorough analysis when determining if a branch should be closed. Accordingly, the Bank will follow all state and federal regulatory requirements during the closing process.