COMMERCE BANCSHARES INC /MO/
Form 10-K
February 24, 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 |
| | (Zip Code) |
| (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 þ No o
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ
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 þ No o
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 þ No o
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. o
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 þ | Accelerated filer o | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

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.

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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

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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

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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

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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.


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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.

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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.

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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

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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.

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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<br>Kansas City, MO | 256,000 | 95 | % | 93 | % |
| 1000 Walnut<br>Kansas City, MO | 403,000 | 84 | | 39 | |
| 811 Main<br>Kansas City, MO | 237,000 | 100 | | 100 | |
| 8000 Forsyth<br>Clayton, MO | 178,000 | 97 | | 97 | |
| 1551 N. Waterfront Pkwy<br>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

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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. |

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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.

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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.

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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

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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 % |

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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

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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

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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) |

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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

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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

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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).

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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.

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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

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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.

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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.

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| | 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.

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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

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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.

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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 | % of Loan Portfolio | | 2012 Principal Outstanding at December 31 | % 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 | * | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $409,593 | 93.6 | % | $60,673 | 13.9 | % | $637,677 | 145.7 | % | $4,011 | .9 | % |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Loans with interest only payments | | | | | | | | |
| 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.

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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.

| (Dollars in thousands) | 2013 Principal Outstanding at December 31 | * | | New Loans Originated | * | | 2012 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.

| (In thousands) | 2013 Principal Outstanding at December 31 | New Loans Originated | Balances Over 30 Days Past Due | 2012 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.

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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.

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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.

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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.

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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 |

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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 |

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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.

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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.

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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.

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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.

| (In thousands) | 2013 Notional Amount | Positive Fair Value | Negative Fair Value | 2012 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.

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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.

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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

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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

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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.

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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.

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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 |
| | 155,885 | 387 | .25 | 135,319 | 339 | .25 | 194,176 | 487 | .25 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Interest earning deposits with banks | | | | | | | | | | | | |
| 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 | | | (2.90 | )% | | | (.64 | )% | | | .51 | % |

year

(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

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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 | |