COMMERCE BANCSHARES INC /MO/
Form DEF 14A
March 12, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

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

Check the appropriate box:

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

Commerce Bancshares, Inc.

(Name of Registrant as Specified In Its Charter)

Commerce Bancshares, Inc.

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

Payment of Filing Fee (Check the appropriate box):

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

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

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3) Filing Party:

4) Date Filed:

SEC 1913 (02-02) **Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

March 12, 2009

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of the Shareholders of Commerce Bancshares, Inc. The meeting will be held at 9:30 a.m. on April 15, 2009, in the Auditorium on the 15th Floor of the Commerce Trust Building at 922 Walnut Street, Kansas City, Missouri.

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

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

Sincerely,

David W. Kemper
Chairman of the Board, President and
Chief Executive Officer

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Notice of Annual Meeting of Shareholders of

Commerce Bancshares, Inc.

Date:	Wednesday, April 15, 2009
Time:	9:30 a.m., Central Daylight Time
Place:	Auditorium on the 15th Floor of the Commerce Trust Building at 922 Walnut Street, Kansas City, Missouri
Purposes:	1. To elect four directors to the 2012 Class for a term of three years; 2. To ratify the selection of KPMG LLP as the Company s independent registered public accountant for 2009; 3. To consider and act upon a shareholder proposal requesting necessary steps to cause the annual election of all directors, if properly presented at the Meeting; and 4. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.
Who Can Vote:	Shareholders at the close of business February 17, 2009 are entitled to vote at the meeting. If your shares are registered in the name of a bank or brokerage firm, telephone or Internet voting will be available to you only if offered by your bank or broker and such procedures are described on the voting form sent to you.
How You Can Vote:	You may vote your proxy by marking, signing and dating the enclosed proxy card and returning it as soon as possible using the enclosed envelope. Or, you can vote over the telephone or the Internet as described on the enclosed proxy card.

By Authorization of the Board of Directors,

J. Daniel Stinnett
Secretary

March 12, 2009

Important Notice regarding the availability of proxy materials for the Shareholder Meeting to be held on April 15, 2009

The Proxy Statement and Annual Report to Shareholders are available at www.commercebank.com/ir

Your Vote Is Important. Whether You Own One Share or Many, Your Prompt

Cooperation in Voting Your Proxy Is Greatly Appreciated.

PROXY STATEMENT

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PROXY STATEMENT

COMMERCE BANCSHARES, INC.

Annual Meeting April 15, 2009

SOLICITATION

This Proxy Statement, the accompanying proxy card and the Annual Report to Shareholders of Commerce Bancshares, Inc. (the Company or Commerce), are being mailed on or about March 12, 2009. The Board of Directors (the Board) of the Company is soliciting your proxy to vote your shares at the Annual Meeting of Shareholders (the Meeting) on April 15, 2009. The Board is soliciting your proxy to give all Shareholders of record the opportunity to vote on matters that will be presented at the Meeting. This Proxy Statement provides you with information on these matters to assist you in voting your shares.

What is a Proxy?

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

Why did I receive more than one proxy card?

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

VOTING INFORMATION

Who is qualified to vote?

You are qualified to receive notice of and to vote at the Meeting if you owned shares of Common Stock of the Company at the close of business on our record date of Tuesday, February 17, 2009.

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

As of February 17, 2009, there were 76,003,299 shares of Common Stock outstanding and entitled to vote. Each share of Common Stock is entitled to one vote on each matter presented.

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

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

How do I vote my shares?

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

by mailing the enclosed proxy card;

over the telephone; or

via the Internet.

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

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

Can I vote my shares in person at the Meeting?

If you are a *shareholder of record,* you may vote your shares in person at the Meeting. If you hold your shares in *street name,* you must obtain a proxy from your broker, banker, trustee or nominee, giving you the right to vote the shares at the Meeting.

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

The Board recommends that you vote your shares as follows:

Proposal One **FOR** the election of all four nominees for the 2012 Class of Directors with terms expiring at the 2012 Annual Meeting of Shareholders.

Proposal Two **FOR** the ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm (independent auditors) for the fiscal year ending December 31, 2009.

Proposal Three **AGAINST** the shareholder proposal requesting necessary steps to cause the annual election of all directors.

What are my choices when voting?

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

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

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

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

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

Proposal One **FOR** the election of all four nominees for the 2012 Class of Directors with terms expiring at the 2012 Annual Meeting of Shareholders.

Proposal Two **FOR** the ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm (independent auditors) for the fiscal year ending December 31, 2009.

Proposal Three	**AGAINST** the shareholder proposal requesting necessary steps to cause the annual election of all directors.

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

In the election of directors, abstentions and broker non-votes will be considered solely for quorum purposes and are not counted for the election of directors. On all other matters presented for shareholder vote, abstentions will be treated as votes against such matters and broker non-votes will be treated as not entitled to vote and have no effect on the outcome.

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

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

- by sending a written notice of revocation to the Secretary of the Company that is received prior to the Meeting, stating that you revoke your proxy;
- by delivery of a later-dated proxy (including a telephone or Internet vote) and submitting it so that it is received prior to the Meeting in accordance with the instructions included on the proxy card(s); or
- by attending the Meeting and voting your shares in person.

What vote is required to approve each proposal?

Proposal One requires a plurality of the votes cast to elect a director.

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

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

Who will count the votes?

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

Who pays the cost of this proxy solicitation?

The cost of solicitation of proxies will be borne by the Company. In addition to solicitation by mail, proxies may be solicited personally or by telephone, facsimile transmission or via email by regular employees of the Company. Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902, has been retained by the Company, at an estimated cost of $7,500 plus reasonable out-of-pocket expenses, to aid in the solicitation of proxies. Brokerage houses and other custodians, nominees and fiduciaries may be requested to forward soliciting material to their principals and the Company will reimburse them for the expense of doing so. This proxy statement and proxy will be first sent to security holders on or about March 12, 2009.

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

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

If you have any further questions about voting your shares or attending the Meeting, please call the Company s Secretary, J. Daniel Stinnett, at 816-234-2350.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security ownership of certain beneficial owners:

This table includes each person known to be the beneficial owner of 5% or more of the Company s outstanding common stock as of December 31, 2008. Under applicable Securities and Exchange Commission Rules, beneficial ownership of shares includes shares as to which a person has or shares voting power and/or investment power.

Name and Address of Beneficial Owner	Number of Shares	Percent of Class
Commerce Bank, N.A 1000 Walnut Street Kansas City, Missouri 64106	9,103,103(1)(2)	12.0

(1) These shares represent the beneficial ownership of the Company s common stock held in various trust capacities. Of those shares Commerce Bank, N.A. had (i) sole voting power over 4,755,783 shares; (ii) shared voting power over 3,716,870 shares; (iii) sole investment power over 3,760,707 shares; and (iv) shared investment power over 1,626,999 shares. The Company has been advised by Commerce Bank, N.A. that those shares for which it has sole voting authority will be voted at the annual meeting FOR Proposals One and Two and AGAINST Proposal Three.

(2) Those shares for which Commerce Bank, N.A. has shared voting power include 3,153,075 shares held as Trustee for the Commerce Bancshares, Inc. Participating Investment Plan (the Plan), a 401(k) plan established for the benefit of the Company s employees. Pursuant to the Plan participants are entitled to direct the Trustee with regard to the voting of each participant s shares held in the Plan. As to any shares for which no timely directions are received, the Trustee will vote such shares in accordance with the direction of the Company.

Security ownership of management:

The following information pertains to the common stock of the Company beneficially owned, directly or indirectly, by all directors and nominees for director, the executive officers named in the Summary Compensation Table, and by all directors, nominees and executive officers of the Company as a group as of December 31, 2008.

Name and Address of Beneficial Owner	Number of Shares	Percent of Class
Kevin G. Barth	46,617	*
Leawood, Kansas	87,861(2)	
John R. Capps	8,992	*
St. Louis, Missouri		
A. Bayard Clark	54,245	*
St. Louis, Missouri	117,839(2)	
W. Thomas Grant, II	10,591	*

Shawnee Mission, Kansas		
James B. Hebenstreit	43,232	*
Shawnee Mission, Kansas	51,076(6)	
David W. Kemper	1,218,888	
Ladue, Missouri	142,654(1)	
	212,179(2)	
	174,463(3)	
	1,133,860(4)	
	1,997,528(5)	6.3

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Name and Address of Beneficial Owner	Number of Shares	Percent of Class
Jonathan M. Kemper	88,797	
Kansas City, Missouri	484,388(1)	
	257,014(2)	
	174,463(3)	
	1,133,860(4)	
	925,186(5)	4.0
Charles G. Kim	30,500	*
Chesterfield, Missouri	98,629(2)	
Seth M. Leadbeater	50,726	*
St. Louis, Missouri	91,626(2)	
Thomas A. McDonnell	21,233	*
Kansas City, Missouri		
Terry O. Meek	38,587	*
Springfield, Missouri		
Benjamin F. Rassieur, III	10,938	*
St. Louis, Missouri		
Dan C. Simons	1,047	*
Lawrence, Kansas		
Andrew C. Taylor	23,266	*
St. Louis, Missouri		
Kimberly G. Walker	1,305	*
St. Louis, Missouri		
Robert H. West	23,872	*
Kansas City, Missouri		
All directors, nominees and executive officers as a group (including those listed above)	6,985,332	
	1,194,854(2)	9.1

(1) Shared voting power and investment power.

(2) Shares which could be acquired within 60 days by exercise of options or stock appreciation rights (SARs). Shares acquired by exercise of SARs were computed on a net basis, assuming the rights were exercised at a price equal to the fair market value of the common stock at December 31, 2008.

(3) Owned by a corporation for which Messrs. David W. Kemper and Jonathan M. Kemper serve as directors. Messrs. David W. Kemper and Jonathan M. Kemper disclaim beneficial ownership as to such shares.

(4) Mr. Jonathan M. Kemper has sole investment power, but shares voting power with Mr. David W. Kemper.

(5) Shared voting power.

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

* Less than 1%.

PROPOSAL ONE

ELECTION OF THE 2012 CLASS OF DIRECTORS

Composition of the Board

The full Board consists of twelve Directors. The Board is divided into three classes consisting of four Directors per class. The Directors in each class serve a three-year term. The term of each class expires at successive annual meetings so that the shareholders elect one class of Directors at each annual meeting.

The election of four Directors to the 2012 Class will take place at the Meeting. At its meeting of February 6, 2009, the Board approved the recommendation of the Committee on Governance/Directors that four 2012 Class Directors be elected for a three-year term.

If elected, the four 2012 Class Director nominees will serve on the Board until the Annual Meeting in 2012, or until their successors are duly elected and qualified in accordance with the Company s By-Laws. If any of the four nominees should become unable to accept election, the persons named on the proxy card as proxies may vote for such other person(s) recommended by the Company s Board of Directors. Management has no reason to believe that any of the four nominees for election named below will be unable to serve.

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

Nominees For Election to the 2012 Class of Directors:

Jonathan M. Kemper

Age:	55
Director Since:	January 1997
Committees:	Executive Committee
Principal Occupation:	Vice Chairman of the Company and Vice Chairman of Commerce Bank, N.A. Jonathan M. Kemper is the brother of David W. Kemper
Other Directorships:	Commerce Bank, N.A.; and Non-Executive Chairman of Tower Properties Company

Terry O. Meek

Age:	65
Director Since:	April 1989
Committees:	Compensation and Human Resources Committee
Principal Occupation:	President of Meek Lumber Yard, Inc.
Other Directorships:	None

Dan C. Simons

Age:	47
Director Since:	July 2007
Committees:	Committee on Governance/Directors

Principal Occupation:	President, Electronic Division, The World Company
Other Directorships:	None

Kimberly G. Walker

Age:	50
Director Since:	February 2007
Committees:	Audit Committee
Principal Occupation:	Chief Investment Officer, Washington University in St. Louis (November 2006 to present); Vice President of Qwest Communications International and President of Qwest Asset Management Co. (1998-2006 formerly US West, prior to 2000 merger)
Other Directorships:	None

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

2011 Class of Directors

John R. Capps

Age:	58
Director Since:	January 2000
Committees:	Audit Committee
Principal Occupation:	President and Chief Executive Officer of Plaza Motor Company
Other Directorships:	St. Louis Priory School, Muny Opera, Forest Park Forever, Webster University, and St. Louis Children s Hospital Foundation

W. Thomas Grant, II

Age:	58
Director Since:	June 1983
Committees:	Compensation and Human Resources Committee; and Committee on Governance/Directors
Principal Occupation:	Consultant, Quest Diagnostics (since May 2007), Sr. Vice President of Quest Diagnostics (from November 2005 to May 2007); formerly Chairman, President and Chief Executive Officer of LabOne, Inc. (October 1995 to November 2005)
Other Directorships:	None

James B. Hebenstreit

Age:	63
Director Since:	October 1987
Committees:	Audit Committee; Committee on Governance/Directors (Chairman); and Executive Committee
Principal Occupation:	President of Bartlett and Company
Other Directorships:	None

David W. Kemper

Age:	58
Director Since:	February 1982
Committees:	Executive Committee (Chairman)
Principal Occupation:	

	Chairman of the Board, President and Chief Executive Officer of the Company; and Chairman of the Board, President and Chief Executive Officer of Commerce Bank, N.A. David W. Kemper is the brother of Jonathan M. Kemper
Other Directorships:	Commerce Bank, N.A.; Ralcorp Holdings, Inc. and Tower Properties Company; Advisory Director of Enterprise Rent-A-Car and Bunge North America

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2010 Class of Directors

Thomas A. McDonnell

Age:	63
Director Since:	April 2001
Committees:	Audit Committee and the Committee on Governance/Directors
Principal Occupation:	President and Chief Executive Officer of DST Systems, Inc.
Other Directorships:	DST Systems, Inc.; Blue Valley Ban Corp; Euronet Worldwide, Inc.; Garmin, LTD; and Kansas City Southern

Benjamin F. Rassieur, III

Age:	54
Director Since:	August 1997
Committees:	Audit Committee
Principal Occupation:	President of Paulo Products Company
Other Directorships:	None

Andrew C. Taylor

Age:	61
Director Since:	February 1990
Committees:	Compensation and Human Resources Committee (Chairman); Committee on Governance/Directors; and Executive Committee
Principal Occupation:	Chairman and Chief Executive Officer of Enterprise Rent-A-Car
Other Directorships:	Anheuser-Busch Companies (directorship ended November 2008)

Robert H. West

Age:	70
Director Since:	October 1985
Committees:	Audit Committee (Chairman) designated as the Committee s financial expert; Committee on Governance/Directors; and Executive Committee
Principal Occupation:	Retired (July 1999) Chairman of the Board of Butler Manufacturing Company
Other Directorships:	Great Plains Energy, Inc. and Burlington Northern Santa Fe Corporation

CORPORATE GOVERNANCE

Corporate Governance Guidelines

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

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

Shareholder Communications

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

Director Independence

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

(1) John R. Capps
(2) W. Thomas Grant, II
(3) James B. Hebenstreit
(4) Thomas A. McDonnell
(5) Terry O. Meek
(6) Benjamin F. Rassieur, III
(7) Dan C. Simons
(8) Andrew C. Taylor
(9) Kimberly G. Walker
(10) Robert H. West

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

Board Meetings

The Board held four scheduled meetings and one special meeting in 2008. In conjunction with scheduled meetings, the Board regularly meets in Executive Session without the presence of any non-independent employee directors. All Directors except Thomas A. McDonnell and Andrew C. Taylor attended at least 75% of the Board and Committee meetings on which they served in 2008. It is the policy of the Company that Directors attend the annual meeting of shareholders. All the Directors attended the 2008 Annual Meeting of Shareholders on April 16, 2008.

Committees of the Board

The Board has four committees, three of which are standing committees and meet at least once per year. The Audit Committee, the Compensation and Human Resources Committee and the Committee on Governance/Directors are comprised solely of non-employee independent directors in accordance with NASDAQ listing standards. The charters for each committee are available online as noted above under Corporate Governance Guidelines. The charters are also available in print to any shareholder who makes a request of the Secretary of the Company. Pursuant to the Company s By-Laws, the Board has established an Executive Committee to meet as necessary. The Executive Committee does not have a charter and consists of both non-employee independent directors and employee directors. The Executive Committee is comprised of the Chairman and Vice Chairman of the Board and the Chairmen of the Audit Committee, the Compensation and Human Resources Committee and the Committee on Governance/Directors. The Executive Committee did not meet in 2008. The table below shows the current membership of the standing committees of the Board:

Audit	Compensation and Human Resources	Governance/Directors

John R. Capps	W. Thomas Grant, II	W. Thomas Grant, II
James B. Hebenstreit	Terry O. Meek	James B. Hebenstreit*
Thomas A. McDonnell	Andrew C. Taylor*	Thomas A. McDonnell
Benjamin F. Rassieur, III		Dan C. Simons
Kimberly G. Walker		Andrew C. Taylor
Robert H. West*		Robert H. West

* Committee Chairman

Audit Committee

In 2008, the Audit Committee had six members and met four times. The Audit Committee is comprised solely of independent, non-employee directors. The Board has determined that Mr. West, Chairman of the Audit Committee, is a Financial Expert as required by the Securities and Exchange Commission. The charter of the Audit Committee may be found on the Company s website at www.commercebank.com/governance.

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

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

Complete information on the activity of the Audit Committee is provided in the Audit Committee Report on page 35.

Compensation and Human Resources Committee

The Compensation and Human Resources Committee met once in 2008. The Compensation and Human Resources Committee is comprised solely of independent, non-employee directors. The charter of the Compensation and Human Resources Committee may be found on the Company s website at www.commercebank.com/governance.

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

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

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

Committee on Governance/Directors

The Committee on Governance/Directors met once in 2008. The Committee on Governance/Directors is comprised solely of independent, non-employee directors. The charter of the Committee on Governance/Directors may be found on the Company s website at www.commercebank.com/governance.

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

Evaluating proposed candidates for directorship in the Company;

Evaluating Board performance;

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Establishing the agenda for the annual meeting of shareholders;

Evaluating the quality of the information and analysis presented to the Board and standing committees;

Assessing the independence of directors; and

Evaluating the performance of the Company relative to corporate governance matters.

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

With respect to its recommendations of prospective candidates to the Board, the Committee may establish the criteria for director service and will consider, among other things, the independence of the candidates under NASDAQ standards and such experience and moral character as to create value to the Board, the Company and its shareholders. With respect to incumbent candidates, the Committee will also consider meeting attendance, meeting participation and ownership of Company stock. The criteria and selection process are not standardized and may vary from time to time. Relevant experience in business, government, the financial industry, education and other areas are prime measures for any nominee. The Committee will consider individuals for Board membership that are proposed by shareholders in accordance with the provisions of the Company s By-laws. A description of those provisions can be found under Shareholder Proposals and Nominations below. The Committee will consider individuals proposed by shareholders under the same criteria as all other individuals.

By the end of February of each year, the Committee meets and makes its recommendations to the Board of its proposed slate of directors for the class of directors to be elected at the next annual meeting; the date, time and place of the annual meeting; and the matters to be placed on the agenda for the annual meeting. At its meeting on January 26, 2009, the Committee on Governance/Directors determined its nominees for the Class of 2012.

Shareholder Proposals and Nominations

If a shareholder intends to present a proposal for consideration at the Company s annual meeting to be held on April 21, 2010, the proposal must be in proper form pursuant to SEC Rule 14a-8 and must be received by the Secretary of the Company at its principal offices no later than November 11, 2009.

Shareholder nominations for directors and shareholder proposals that are not presented pursuant to SEC Rule 14a-8 must comply with the Company s By-laws. In order to be considered, shareholders must provide timely notice to the Secretary. To be timely, the notices for the April 21, 2010 annual meeting must be received by the Secretary no later than February 20, 2010 nor before January 21, 2010. The notices must contain the name and record address of the shareholder, and the class or series and the number of shares of Company capital stock owned beneficially or of record by the shareholder.

The notice must also provide a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) or shareholder proposal is made; and a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the person or bring the business proposal before the meeting. The notice must also set forth as to each person the shareholder proposes to nominate for election as a director the name, age, business and residence address of the person; the principal occupation or employment of the person; the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person; and any other information relating to the person nominated or the nominating shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities and Exchange Act of 1934. Lastly, the notice must also be accompanied by a written consent of each proposed nominee to be named a nominee and to serve as a director if elected.

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

Transactions with Related Persons

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

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

The collection and maintenance of a Related Party list derived from the records of the Company and the responses to an annual questionnaire completed by directors and executive officers;

The distribution of the list to the appropriate officers and employees of the Company so that transactions with Related Parties may be identified;

A quarterly comparison of the list to payments made by the Company;

Preparation and delivery of a report to the General Counsel of the Company for review, analysis and an initial determination of whether the transaction is material and falls within the Policy; and

Referral to the Company s Disclosure Committee, which consists of the Company s Chief Risk Officer, Controller, Auditor and General Counsel, of any transaction that may be considered material and require approval or ratification by the Board of Directors or Audit Committee or disclosure in a Proxy Statement.

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

Pursuant to the application of the Policy, it was determined that Messrs. David W. Kemper and Jonathan M. Kemper are directors of Tower Properties Company (Tower), and Mr. Jonathan M. Kemper is the non-compensated Chairman of the Board of Tower. Tower is primarily engaged in the business of owning, developing, leasing and managing real property.

At December 31, 2008, Messrs. David W. Kemper and Jonathan M. Kemper together with members of their immediate families beneficially own approximately 76% of Tower. During 2008, the Company, or its subsidiaries, paid Tower $501,000 for rent on leased properties, $19,000 for leasing fees, $114,000 for operation of parking garages, $118,000 for property construction management fees and $1,525,000 for building management fees.

During 2008, Commerce Bank, N.A., a subsidiary of the Company, paid a salary of $142,943 to Michael Fields, the brother-in-law of Messrs. David W. Kemper and Jonathan M. Kemper. During 2008, the Company paid a salary of $122,000 to John W. Kemper, the son of David W. Kemper.

Various Related Parties have deposit accounts with the subsidiary banks of the Company, and some Related Parties also have other transactions with the subsidiary banks, including loans in the ordinary course of business, all of which were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than normal risk of collectibility or present other unfavorable features.

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Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16 of the Securities Exchange Act of 1934, the Company s Directors and certain executive officers are required to report, within specified due dates, their initial ownership of the Company s common stocks and all subsequent acquisitions, dispositions or other transfers of interest in such securities, if and to the extent reportable events occur which require reporting by such due dates. The Company is required to identify in its proxy statement whether it has knowledge that any person required to file such a report may have failed to do so in a timely manner. Based on that review, all of the Company s directors and all executive officers subject to the reporting requirements satisfied such requirements in full, except for the following delinquencies which were filed on either Form 4 or Form 5: for Sara E. Foster two delinquent Form 4 s were filed to report the acquisition of stock through an exempt grant of stock; for W. Thomas Grant, II a delinquent Form 4 was filed to report the disposition of stock through an open market transaction; for Charles G. Kim a delinquent Form 4 was filed to report the exercise of stock options and the subsequent sale of the shares received; and for Jeffery D. Aberdeen a delinquent Form 4 was filed to report the exercise of stock options and the subsequent sale of the shares received.

Director Compensation

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

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

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

Compensation earned during 2008 by the non-employee directors of the Company for their service as directors is listed in the table below.

Director Compensation

Name	Fees Earned or Paid in Cash (1) ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and NQDC Earnings ($)	All Other Compensation ($)	Total ($)
John R. Capps	$ 27,000	$	$	$	$	$	$ 27,000
W. Thomas Grant, II	$ 28,500	$	$	$	$	$	$ 28,500
James B. Hebenstreit	$ 38,000	$	$	$	$	$	$ 38,000
Thomas A. McDonnell	$ 29,250	$	$	$	$	$	$ 29,250
Terry O. Meek	$ 30,750	$	$	$	$	$	$ 30,750
Benjamin F. Rassieur, III	$ 33,000	$	$	$	$	$	$ 33,000
Dan C. Simons	$ 27,000	$	$	$	$	$	$ 27,000
Andrew C. Taylor	$ 32,750	$	$	$	$	$	$ 32,750
Kimberly G. Walker	$ 32,250	$	$	$	$	$	$ 32,250
Robert H. West	$ 38,750	$	$	$	$	$	$ 38,750

(1) Fees earned were credited to the Director Plan and converted to shares of the Company s common stock during 2008. In January 2009, the following number of shares were issued to the non-employee directors: Mr. Capps 639 shares; Mr. Grant 678 shares; Mr. Hebenstreit 898 shares; Mr. McDonnell 683 shares; Mr. Meek 725 shares; Mr. Rassieur 777 shares; Mr. Simons 634 shares; Mr. Taylor 776 shares; Ms. Walker 758 shares; and Mr. West 915 shares.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This section provides information regarding the compensation programs for our CEO, chief financial officer (CFO), and four other most highly compensated executives (collectively, our NEOs), including the overall objectives of our compensation program and what it is designed to reward, each element of compensation that we provide, and an explanation of the reasons for the compensation decisions we have made regarding these individuals with respect to 2008. Our NEOs for 2008 were as follows:

Name	Title
David W. Kemper	Chairman, President and CEO

A. Bayard Clark	Executive Vice President and CFO
Jonathan M. Kemper	Vice Chairman
Seth M. Leadbeater	Vice Chairman
Kevin G. Barth	Executive Vice President
Charles G. Kim	Executive Vice President

Objectives of Our Compensation Program

The Company s compensation program has the following objectives:

Provide total compensation that is competitive with bank holding companies in geographic proximity, comparable asset size, and considered a direct competitor in order to attract and retain top performers;

Align the interests of our executive officers with the long-term interests of our shareholders;

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Provide reward systems that are credible and consistent with our core values; and

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

Compensation and Human Resources Committee Processes

The Compensation and Human Resources Committee (the Committee) is responsible for establishing the Company s compensation philosophy and ensuring that the objectives of the Company s compensation program are satisfied.

Benchmarks

For all NEOs, the Committee reviewed compensation data from the Towers Perrin 2008 US Commercial Banks Survey (the Towers Perrin Survey). Participants included in this survey had median assets of $21.6B to $179.6B depending on the specific position that was analyzed. All position data was regressed, when possible, for assets of $20B. Each NEO was individually compared to descriptions in the Towers Perrin Survey in order to best match overall compensation levels of our NEOs with comparable executive officer positions for the companies included in the Towers Perrin Survey. The input of Towers Perrin was limited to supplying the survey data and performing the regression analysis for each NEO position where possible. The Committee did not use any other outside compensation consultants in determining or recommending any amount or form of compensation for our NEO s.

In addition to considering the Towers Perrin Survey to review compensation levels for our CEO for 2008, the Committee considered publicly available compensation data from a comparison group of nine publicly traded financial services companies (the Comparison Group) approved by the Committee with total assets that are comparable to the Company. Those companies were:

Associated Banc-Corp

BOK Financial Corp

City National Corp

Colonial BancGroup, Inc.

Cullen/Frost Bankers, Inc.

FirstMerit Corp.

TCF Financial Corp

Zions Bancorporation

References in this compensation discussion and analysis to the Benchmarks refer to the Towers Perrin Survey and the Comparison Group to the extent the Benchmarks relate to our CEO, and refer to only the Towers Perrin Survey to the extent the Benchmarks relate to our other NEOs.

Performance Reviews

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

The CEO and all NEO s are evaluated against four key measurements used throughout the company: revenue growth, pre-tax profit growth, customer satisfaction and employee engagement. The targets and results of these measurements are based on corporate-wide results. The CEO and all other NEO s have the same target and all share the final results. The two financial measures (in addition to earnings per share targets) are also used in the formula for our annual cash incentive plan. In addition to the system-wide measures, each executive is evaluated on their individual areas of responsibility and against the objectives outlined in their performance review. The individual performance and contribution criteria may include:

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

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

Setting Compensation

Based on the performance evaluations, an analysis of the Benchmarks, and a review of the Company s goals and objectives, the Committee approves, and submits to the Board of Directors for approval, base salary (effective April 1), annual incentive compensation targets and amounts, and long-term equity awards for our executive officers for the current year, as well as incentive compensation earned for the prior year. The Committee s approval generally occurs during January and the Committee makes its presentation to the Board of Directors at the next regularly scheduled meeting, which generally occurs in late January or early February. All equity awards are granted on the date the Board approves the awards using the fair market value of the Company s stock at the close of that business day.

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

The timing of compensation decisions is driven by a variety of tax considerations. To the extent the Committee determines that an award is intended to satisfy the deductibility requirements under Section 162(m) of the Internal Revenue Code, performance objectives must be established in the first 90 days of the performance period. For annual incentive awards, this means performance objectives must be established no later than the end of March. In addition, in order to avoid being considered deferred compensation under Section 409A of the Internal Revenue Code and to be deductible for the prior tax year, our annual incentive awards with respect to the prior year must be paid out by March 15.

There is no policy for the allocation between cash and non-cash or annual and long-term compensation. Instead, the Committee determines the allocation of each component of compensation based on the role of each executive officer in the Company, performance evaluations, the Benchmarks, and knowledge of our local markets. Generally, the percentage of compensation consisting of the annual cash incentive and long-term equity awards increases as the responsibilities of the executive officer and the executive officer s ability to affect Company performance increase. These compensation elements for our CEO for 2008 were allocated as follows: 37.0% base salary, 16.8% annual cash incentive, and 46.2% long-term equity awards. The Committee feels that a greater percentage of the CEO s compensation should be based on the long term performance of the company than the percentage used for the other NEO s, but has not identified a specific target. On average, these compensation elements for our other NEOs for 2008 were allocated as follows: 48.9% base salary, 14.8% annual cash incentive, and 36.3% long-term equity awards. For purposes of the above calculations, the long-term equity awards were valued as of the grant date using the Black Scholes valuation model. Other benefits, including Company allocations and contributions to benefit plans and perquisites, while not considered in determining these allocations, are provided to our executive officers in order to offer a total compensation package that is competitive in the marketplace.

The amount of salary, annual cash incentive and long-term equity awards is considered individually and in combination so that the total of such compensation is targeted at approximately the 50th percentile of the applicable Benchmarks. The total compensation data for 2008 of our NEO s did not exceed the outlined parameter. Realized and unrealized equity compensation gains and vesting of prior equity grants are not considered by the Committee when establishing compensation. The factors used to determine base salary, annual cash incentives, and long-term equity awards are discussed in more detail under the heading Elements of Compensation below. The Committee used tally sheets to set compensation for our executive officers for 2008. The tally sheets were included in the packet of data that was sent to the Committee for review prior to the meeting and used during the meeting for discussion purposes. The tally sheets were used as tools for review of total compensation comparison of the NEO s and included information such as:

- Base salary for 2007 and 2008
- Bonus information for 2007 and 2008
- Stock awards with specific grant amortization expense for 2007 and 2008
- Stock option information with specific grant amortization expense for 2007 and 2008
- Change in pension value
- Details on all other compensation by category

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

Elements of Compensation

Base Salary

Base salary is a guaranteed element of annual compensation on which our executive officers may rely, regardless of performance. Base salary reflects the external market value of a particular position based on the experiences and qualifications that an individual brings to the position. Base salary levels for our NEOs were reviewed against the Benchmarks to determine whether salary levels are appropriate. Factors included in the comparison of base salaries of our NEOs to those in the Benchmarks included the relative size of companies, financial performance (both currently and over a period of time), and the experience and responsibility of the individuals. The Committee does not assign a weight to any particular factor. While the committee did review external data this year, the CEO made the recommendation to freeze all NEO s base salaries due to the current economic conditions, and the Committee approved this action.

Annual Cash Incentive Compensation

In furtherance of the Company s pay for performance philosophy, the Company s Executive Incentive Compensation Plan (EICP) is a short-term cash incentive plan to reward our executive officers for the achievement of Company annual performance goals. In awarding annual cash incentives, the factors considered by the Committee are the Company s financial performance (the Company Performance Factor) compared to the annual target for the following categories earnings per share (EPS), revenue growth, and pre-tax net income growth.

Our NEO s are eligible to receive an annual cash incentive equal to a percentage of their base salary. During the Compensation and Human Resources Committee meeting in January 2008 it was determined that there would be no adjustments to the target percent for the annual cash incentive component for the CEO and the other NEO s for performance year 2008.

The target annual cash incentives as percentages of base salary for our NEOs in 2008 were as follows:

Name	Target Percentage
David W. Kemper	90%
A. Bayard Clark	50%
Jonathan M. Kemper	65%
Seth M. Leadbeater	60%
Kevin G. Barth	60%
Charles G. Kim	60%

In determining the amount of annual cash incentives to be paid under the EICP in 2009 for 2008 performance, the Committee weighted the components of the Company Performance Factor as follows:

80% based on actual EPS of $2.48 vs. the target of $3.01

10% based on actual revenue growth of 8.5% vs. the target of 7.0%

10% based on actual pre-tax net income growth of (12.5)% vs. the target of 5.0%

For every 1% above/below target for a particular component of the Company Performance Factor, the eligible incentive tied to the factor increases/decreases by 5%.

For purposes of the EICP:

EPS means the earnings per share (on a fully diluted basis) of the Company s common stock.

Revenue growth means the percentage increase from year to year of the Company s net interest income and non-interest income.

Pre-tax net income growth means the percentage increase from year to year of the Company s pre-tax net income (excluding securities gains).

For example: Assume for 2008 that an NEO s base salary was $200,000; target annual cash incentive percentage was 50%; actual EPS was 2% below target; actual revenue growth was three percentage points below target; and actual pre-tax net income growth was one percentage point below target. After applying the five-for-one formula described above to these assumptions in comparing actual performance as a percentage of targets, the Company achieved 90% of its EPS target, 85% of the revenue growth target and 95% of its pre-tax net income target, resulting in a Company Performance Factor of 90%. Therefore, the annual incentive compensation for the officer would be:

$100,000 * [(80% * 90%) + (10% * 85%) + (10% * 95%)] = $90,000

For 2008, the calculated payout was 30.8% for all NEO s. In addition, the Committee has reserved discretion to declare additional compensation to the NEO s that does not qualify as performance based under Internal Revenue Code Section 162(m). The Committee determined to award additional bonuses outside the EICP in the following

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amounts in recognition of the Company outperforming its peers and other banks as a whole during 2008. These additional bonuses combined with the calculated bonuses total 50% of the eligible target for each NEO.

Name	
David W. Kemper	$ 147,003
A. Bayard Clark	$ 25,554
Jonathan M. Kemper	$ 54,743
Seth M. Leadbeater	$ 39,847
Kevin G. Barth	$ 39,847
Charles G. Kim	$ 39,847

For 2008, the total cash incentive awards pursuant to the EICP and the additional awards for Messrs. D. Kemper, Clark, J. Kemper, Leadbeater, Barth, and Kim were approximately 45%, 25%, 32.5%, 30%, 30% and 30% of base salary, respectively.

Long-Term Equity Awards

Stock option and restricted stock grants have historically been awarded to provide our executive officers with long-term equity awards for profitable growth, to more closely align their interests with the interests of our shareholders, and for retention purposes. The 2005 Equity Incentive Plan, which was approved at the 2005 Annual Meeting of Shareholders, provides for the issuance of equity-based awards, including stock options, stock appreciation rights (SARs), restricted stock and restricted stock units, and performance shares and performance units. Commencing in 2006, the Company began issuing SARs in lieu of nonqualified stock options.

In determining the level and type of equity awards for the NEOs in 2008, the Committee considered the restricted stock awards for each NEO, so that the aggregate value of the restricted stock equals a targeted percentage of each NEO s base salary consistent with the applicable Benchmarks. The Committee also considered stock option/SAR grant practices of the Benchmarks, the level of FAS 123R expense that the Company will incur, and expected long-term Company performance and individual contributions over time.

The second component of our long-term equity awards for our executive officers is an annual award of restricted stock, the value of which is determined by a formula. Each NEO was awarded restricted stock during 2008 with a value equal to 35% of the average annual cash incentive target for the officer for the three prior years, multiplied by the average Company Performance Factor for the three prior years. The restricted stock awards vest at the end of five years. However, holders of restricted stock will receive cash and stock dividends declared by the Company prior to the vesting date.

For example: If the Company Performance Factor for 2007, 2006 and 2005 was 95%, 90% and 100%, respectively, the three-year average Company Performance Factor would be 95%. If the NEO has a three-year average annual cash incentive target of $100,000, the officer would receive restricted stock in 2008 equal to $33,250 ($100,000 * 35% * 95% = $33,250).

Other Benefits

Restated Retirement Plan

The Company maintains the Commerce Bancshares Restated Retirement Plan (the Retirement Plan). The Retirement Plan provides benefits based upon earnings, age and years of participation. Our NEOs were participants in the Retirement Plan during 2008. See Executive Compensation Pension Benefits Narrative of this Proxy Statement for a description of the Retirement Plan and our NEOs benefits under the plan.

Executive Retirement Plan

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

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The Pre-2005 Benefit is paid in the same form as payments are made from the Retirement Plan and shall commence within one year following commencement of distributions from the Retirement Plan. This may be amended after the regulations under Internal Revenue Code Section 409A are finalized. The Post-2004 Benefit is payable as a lump sum within one year following commencement of distributions from the Retirement Plan. This may be amended after the regulations under Internal Revenue Code Section 409A are finalized.

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

Deferred Compensation

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

Perquisites

Our NEOs are eligible for personal use of the Company airplane (in accordance with our corporate airplane policy) and long-term care insurance, the premiums for which are paid by the Company. Our NEOs are also reimbursed for club dues as necessary for business purposes. All employees, including the