

COMMERCE BANCSHARES INC /MO/

Form DEF 14A

March 16, 2011

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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:

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3) Filing Party:

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March 16, 2011

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 20, 2011, 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 20, 2011
- Time:** 9:30 a.m., Central Daylight Time
- Place:** The Auditorium on the 15th Floor of the Commerce Trust Building at 922 Walnut Street, Kansas City, Missouri.
- Purposes:**
1. To elect four directors to the 2014 Class for a term of three years;
 2. To ratify the selection of KPMG LLP as the Company's independent registered public accountant for 2011;
 3. To hold a non-binding advisory vote on executive compensation (Say on Pay);
 4. To hold a non-binding advisory vote on the frequency of future advisory Say on Pay votes; and
 5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.
- Who Can Vote:** Shareholders at the close of business February 22, 2011 are entitled to vote at the meeting. If your shares are registered in the name of a bank or brokerage firm, telephone or Internet voting will be available to you only if offered by your bank or broker and such procedures are described on the voting form sent to you.
- How You Can Vote:** You may vote your proxy by marking, signing and dating the enclosed proxy card and returning it as soon as possible using the enclosed envelope. Or, you may vote over the telephone or the Internet as described on the enclosed proxy card.

By Authorization of the Board of Directors,

James L. Swarts
Secretary

March 16, 2011

**Important Notice regarding the availability of proxy materials for the
Shareholder Meeting to be held on April 20, 2011**

**The Proxy Statement and Annual Report to Shareholders are available at
www.edocumentview.com/CBSH**

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**The Proxy Statement and Annual Report to Shareholders are also available on the
Company's website at www.commercebank.com/ir**

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

PROXY STATEMENT

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PROXY STATEMENT
COMMERCE BANCSHARES, INC.

Annual Meeting April 20, 2011

SOLICITATION

This Proxy Statement, the accompanying proxy card and the 2010 Annual Report to Shareholders of Commerce Bancshares, Inc. (the Company or Commerce), are being mailed on or about March 16, 2011. The Board of Directors of the Company (the Board) is soliciting your proxy to vote your shares at the Annual Meeting of Shareholders (the Meeting) on April 20, 2011. 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 22, 2011.

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

As of February 22, 2011, there were 87,061,111 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.

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.

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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 return the original proxy received from your broker, banker, trustee or nominee and obtain a new proxy from your broker, banker, trustee or nominee, specifically giving you the right to vote the shares at the Meeting.

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

The Board recommends that you vote your shares as follows:

Proposal One **FOR** the election of all four nominees for the 2014 Class of Directors with terms expiring at the 2014 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, 2011.

Proposal Three **FOR** the approval of compensation awarded by the Company to the Named Executive Officers.

(Say on Pay)

Proposal Four For a Say on Pay frequency of **1 year**.

(Say When on Pay)

What are my choices when voting?

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

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

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

Proposal Four You may cast your vote for a frequency of 1 year, 2 years, or 3 years, 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 2014 Class of Directors with terms expiring at the 2014 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, 2011.

Proposal Three **FOR** the resolution approving executive compensation awarded as described in the Compensation Discussion and Analysis, tabular disclosures, and narrative discussion in this Proxy Statement.

Proposal Four For a frequency of Say on Pay votes of **1 year**.

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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.

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

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

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

Proposal Four requires the affirmative vote of a majority of those shares present in person or represented by proxy and entitled to vote thereon at the Meeting. If none of the alternatives receives a majority vote, the Company will consider the alternative with the highest number of votes cast as the frequency recommended by the shareholders. The vote on Proposal Four is a non-binding advisory vote.

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 \$8,000 plus reasonable out-of-pocket expenses, to aid in the solicitation of proxies. Brokerage houses and other custodians, nominees and fiduciaries may be requested to forward soliciting material to their principals and the Company will reimburse them for the expense of doing so. This proxy statement and proxy will be

first sent to security holders on or about March 16, 2011.

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

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

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

Table of Contents**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, 2010. 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	9,344,621(1)(2)	10.8
BlackRock, Inc. 40 East 52 nd Street New York, New York 10022	5,026,446(3)	5.8
State Street Corporation One Lincoln Street Boston, MA 02111	4,714,976(4)	5.4

- (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 4,762,899 shares; (ii) shared voting power over 4,238,441 shares; (iii) sole investment power over 3,776,301 shares; and (iv) shared investment power over 1,204,067 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 Meeting FOR Proposals One, Two and Three, and for a frequency of 1 year on Proposal Four.
- (2) Those shares for which Commerce Bank, N.A. has shared voting power include 3,473,488 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.
- (3) This information is based solely on a Schedule 13G filed with the SEC on February 3, 2011. Based upon the information contained in the filing, BlackRock, Inc. has sole voting power and dispositive power with respect to, and beneficially owns, 5,026,446 shares of the Company's common stock.
- (4) This information is based solely on a Schedule 13G filed with the SEC on February 11, 2011. Based upon the information contained in the filing, State Street Corporation has shared voting and dispositive power with respect to, and beneficially owns, 4,714,976 of shares of the Company's common stock. The reporting persons expressly disclaim beneficial ownership of all such shares pursuant to SEC Rule 13D-4, except in their fiduciary capacity under the Employee Retirement Income Security Act of 1974.

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, 2010.

Name of Beneficial Owner	Number of Shares	Percent of Class
Kevin G. Barth	144,730(2)	*
John R. Capps	11,404	*
Earl H. Devanny, III	1,189	*
W. Thomas Grant, II	12,382	*
James B. Hebenstreit	49,750	*
	111,141(6)	

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Name of Beneficial Owner	Number of Shares	Percent of Class
David W. Kemper	1,261,343(2) 157,113(1) 192,345(3) 1,162,977(4) 162,238(5)	3.4
Jonathan M. Kemper	324,550(2) 392,442(1) 192,345(3) 1,162,977(4)	2.4
Charles G. Kim	108,570(2)	*
Seth M. Leadbeater	143,239(2)	*
Terry O. Meek	44,312	*
Benjamin F. Rassieur, III	13,914	*
Todd R. Schnuck	811	*
Dan C. Simons	2,676	*
Andrew C. Taylor	27,629	*
Kimberly G. Walker	3,147	*
All directors, nominees and executive officers as a group (including those listed above)	4,589,979(2)	5.3

- (1) Shared voting power and investment power.
- (2) Includes shares which could be acquired within 60 days by exercise of options or stock appreciation rights (SARs). Shares acquired by exercise of SARs were computed on a net basis, assuming the rights were exercised at a price equal to the fair market value of the common stock at December 31, 2010. Shares which could be acquired within 60 days by exercise of options or SARs are as follows: Messrs. Barth 80,690; D. Kemper 114,887; J. Kemper 206,788; Kim 63,556; Leadbeater 76,018; and all directors, nominees and executive officers as a group (including those listed above) 809,991.
- (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%

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PROPOSAL ONE

ELECTION OF THE 2014 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 2014 Class will take place at the Meeting. At its meeting of January 28, 2011, the Board approved the recommendation of the Committee on Governance/Directors that four 2014 Class Directors be elected for a three-year term.

If elected, the four 2014 Class Director nominees will serve on the Board until the Annual Meeting in 2014, or until their successors are duly elected and qualified in accordance with the Company's bylaws. If any of the four nominees should become unable to accept election, the persons named on the proxy card as proxies may vote for such other person(s) recommended by the Company's Board of Directors. Management has no reason to believe that any of the four nominees for election named below will be unable to serve.

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

Nominees For Election to the 2014 Class of Directors:

John R. Capps

Age:	60
Director Since:	January 2000
Committees:	Audit Committee
Principal Occupation:	President and Chief Executive Officer of Plaza Motor Company (since 1981)
Other Directorships:	None
Discussion:	Mr. Capps, a graduate of Stanford University, created a group of automobile dealership franchises in St. Louis County, Missouri that was acquired by Asbury Automotive Group in 1997. Mr. Capps stayed active in the acquiring company through its initial public offering. Mr. Capps gives the Board a direct insight into a major line of business for the Company. He is active in the community and currently serves as a board member of St. Louis Priory School, St. Louis Muny Opera, Forest Park Forever, Webster University, St. Louis Children's Hospital Foundation, the St. Louis Zoo, and Backstopper's.

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W. Thomas Grant, II

Age: 60
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: LabOne, Inc. (ended November 2005) and SelectQuote (since November 2009)
Discussion: Mr. Grant served as the Chief Executive Officer of LabOne, Inc. from 1995 through the sale of the company to Quest Diagnostics in 2005. During his tenure the company grew from a market capitalization of less than \$80 million to \$934 million at the time of sale. Prior to LabOne, Mr. Grant was the Chairman, President and Chief Executive Officer at Seafield Capital Corporation, a healthcare holding company, from 1990-1995. From 1986 to 1990, he served as Chief Executive Officer of Business Men's Assurance Company, an insurance company. Mr. Grant received a Bachelor's degree in History from the University of Kansas and a Master's degree in Business Administration from the Wharton School of Finance, University of Pennsylvania, and brings to the Board an insight into the insurance and healthcare industries.

James B. Hebenstreit

Age: 64
Director Since: October 1987
Committees: Audit Committee; Committee on Governance/Directors (Chairman); and Executive Committee
Principal Occupation: President of Bartlett and Company (since January 1992)
Other Directorships: None
Discussion: Mr. Hebenstreit graduated from Harvard College and has an M.B.A. from Harvard University. Mr. Hebenstreit has a wealth of experience in the financial industry, having served as corporate treasurer of the Company and as president of the Company's venture capital firm in the 1980's. As president of Bartlett and Company, Mr. Hebenstreit provides insight to the agricultural industry that has long been a major focus of business for the Company.

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David W. Kemper

Age: 60
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 Holdings, Inc. (formerly known as Enterprise Rent-A-Car) and Bunge North America
Discussion: Mr. Kemper has been the CEO of the Company since 1991. He graduated cum laude from Harvard College, earned a masters degree in English literature from Oxford University, and an M.B.A. from the Stanford Graduate School of Business. He is the Past President of the Federal Advisory Council of the Federal Reserve and a director of The Financial Services Roundtable. Mr. Kemper is active in the St. Louis community, serving as a board member of Washington University, the Missouri Botanical Garden, and the Donald Danforth Plant Science Center, and a member of Civic Progress in St. Louis. Mr. Kemper brings to the Board a thorough understanding of the financial industry and an appreciation of the values upon which the Company was founded.

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

2013 Class of Directors

Benjamin F. Rassieur, III

Age: 56
Director Since: August 1997
Committees: Audit Committee (Chairman); Committee on Governance/Directors; and Executive Committee
Principal Occupation: President of Paulo Products Company (since August 1987)
Other Directorships: None
Discussion: Mr. Rassieur is president of a successful, private company that performs heat treating and metal finishing at five plants in three states. His business provides a leading indicator of general economic conditions. Mr. Rassieur graduated cum laude from Amherst College with a degree in economics. He has been a director of Commerce Bank, N.A. and has been a long time member of the Company's Audit Committee, and is the current Chairman of the Audit Committee. His community involvement includes being a founding member of the Corporate Committee of the Juvenile Diabetes Foundation.

Andrew C. Taylor

Age: 63

Director Since: February 1990
Committees: Compensation and Human Resources Committee (Chairman); Committee on Governance/Directors; and Executive Committee
Principal Occupation: Chairman (since 2001) and Chief Executive Officer (since 1990) of Enterprise Holdings, Inc. (formerly known as Enterprise Rent-A-Car)
Other Directorships: Anheuser-Busch Companies (directorship ended November 2008)

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Discussion:

Mr. Taylor has led Enterprise Holdings to the position as the largest rental car company in America. He has public company board experience and is actively engaged in community service and philanthropic activities in the St. Louis area. His company is ranked high in customer satisfaction and as a place to work and start a career. Mr. Taylor is a graduate of the University of Denver with a degree in business administration.

Earl H. Devanny, III

Age: 58
Director Since: April 2010
Committees: Committee on Governance/Directors
Principal Occupation: President of TriZetto Group
Other Directorships: None
Discussion: Mr. Devanny is a former advisory director of Commerce Bank, N. A. and has extensive experience in regulated industries. Mr. Devanny holds a Bachelor of Arts degree in English from the University of the South (Sewanee). In July of 2010, Mr. Devanny became the CEO of The TriZetto Group. The TriZetto Group provides core administration solutions, care and network management solutions in the healthcare field. In Mr. Devanny's current position with TriZetto, he is responsible for the overall operations and corporate functions of the company. Mr. Devanny previously held a similar position with Cerner Corporation, a leader in healthcare technology. This experience brings a professional insight into the healthcare industry, one of the Company's most important target industries for financial services.

Todd R. Schnuck

Age: 52
Director Since: April 2010
Committees: Audit Committee