

COMMERCE BANCSHARES INC /MO/

Form 11-K

June 29, 2011

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION {PRIVATE}  
Washington, D.C. 20549  
FORM 11-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the fiscal year ended December 31, 2010**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 0-2989**

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**COMMERCE BANCSHARES PARTICIPATING INVESTMENT PLAN**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**COMMERCE BANCSHARES, INC.**

1000 Walnut, Kansas City, MO 64106

---

**COMMERCE BANCSHARES PARTICIPATING INVESTMENT PLAN  
TABLE OF CONTENTS**

|   | Page<br>Number |
|---|----------------|
| <u>Reports of Independent Registered Public Accounting Firms</u>  | 1, 2           |
| Financial Statements:   |                |
| <u>Statements of Net Assets Available for Benefits</u>            | 3              |
| <u>Statements of Changes in Net Assets Available for Benefits</u> | 4              |
| <u>Notes to Financial Statements</u>                              | 5              |
| Supplemental Schedules:   |                |
| <u>1 Assets Held at End of Year</u>                               | 16             |
| Consent of Independent Registered Public Accounting Firm          |                |
| <u>EX-23.1</u>  |                |
| <u>EX-23.2</u>  |                |

---

**Table of Contents**

**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**COMMERCE BANCSHARES  
PARTICIPATING INVESTMENT PLAN**

By: /s/ Jeffery D. Aberdeen  
Jeffery D. Aberdeen  
Co-Chairperson, Retirement Committee

By: /s/ Sara E. Foster  
Sara E. Foster  
Co-Chairperson, Retirement Committee

Date: June 29, 2011

---

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Retirement Committee of Commerce Bancshares, Inc.

Commerce Bancshares Participating Investment Plan:

We have audited the accompanying statement of net assets available for benefits of the Commerce Bancshares Participating Investment Plan (the Plan) as of December 31, 2010, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying statement of net assets available for benefits of the Commerce Bancshares Participating Investment Plan as of December 31, 2009, and the related statements of changes in net assets available for benefits for the two years then ended, were audited by other auditors whose report thereon dated June 24, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010, and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule H, line 4i schedule of assets (held at year end) as of December 31, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Kansas City, Missouri

June 29, 2011

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Retirement Committee of Commerce Bancshares, Inc.  
Commerce Bancshares Participating Investment Plan  
Kansas City, Missouri

We have audited the accompanying statement of net assets available for benefits of the Commerce Bancshares Participating Investment Plan (the Plan) as of December 31, 2009, and the related statements of changes in net assets available for benefits for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009, and the changes in net assets available for benefits for the years ended December 31, 2009 and 2008, in conformity with U.S. generally accepted accounting principles.

/s/ Mayer Hoffman McCann P.C.

Leawood, Kansas

June 24, 2010

**Table of Contents****COMMERCE BANCSHARES PARTICIPATING INVESTMENT PLAN**

Statements of Net Assets Available for Benefits

December 31, 2010 and 2009

|   | <b>2010</b>    | <b>2009</b>    |
|---|----------------|----------------|
| <b>ASSETS</b>                               |                |                |
| Cash, non-interest bearing                  | \$             | \$ 1           |
| Investments, at fair value:                 |                |                |
| Commerce Bancshares, Inc. Common Stock      | 135,676,778    | 131,537,624    |
| Fidelity Retirement Money Market Fund       | 4,006,583      | 3,878,901      |
| Commerce Bancshares, Inc. Common Stock Fund | 139,683,361    | 135,416,525    |
| Mutual funds                                | 233,903,734    | 193,311,357    |
| Total investments                           | 373,587,095    | 328,727,882    |
| Notes receivable from participants          | 8,585,643      | 7,796,899      |
| Total assets                                | 382,172,738    | 336,524,782    |
| <b>LIABILITIES</b>                          |                |                |
| Excess contributions payable                | 58,470         | 269,824        |
| Net assets available for benefits           | \$ 382,114,268 | \$ 336,254,958 |

*See accompanying notes to financial statements.*

**Table of Contents****COMMERCE BANCSHARES PARTICIPATING INVESTMENT PLAN**

Statements of Changes in Net Assets Available for Benefits Years ended December 31, 2010, 2009, and 2008

|  | 2010           | 2009           | 2008           |
|--|----------------|----------------|----------------|
| <b>Additions to Net Assets Attributable to:</b>              |                |                |                |
| Investment income:   |                |                |                |
| Interest   | \$ 5,550       | \$ 198,946     | \$ 876,566     |
| Dividends  | 5,016,882      | 4,373,115      | 4,906,224      |
| Net appreciation (depreciation) in fair value of investments | 29,895,867     | 17,025,706     | (52,861,327)   |
| Total investment income                                      | 34,918,299     | 21,597,767     | (47,078,537)   |
| Interest income on notes receivable from participants        | 425,087        | 477,495        | 547,046        |
| Contributions:   |                |                |                |
| Participant  | 17,843,302     | 17,496,019     | 17,446,390     |
| Employer   | 9,891,938      | 9,772,262      | 9,481,765      |
| Participant rollover   | 946,248        | 463,575        | 1,560,825      |
| Total contributions  | 28,681,488     | 27,731,856     | 28,488,980     |
| Total additions (deductions)                                 | 64,024,874     | 49,807,118     | (18,042,511)   |
| <b>Deductions from Net Assets Attributable to:</b>           |                |                |                |
| Distributions to participants                                | (18,116,506)   | (11,805,549)   | (12,849,941)   |
| Administrative expenses                                      | (49,058)       | (44,204)       | (37,058)       |
| Total deductions   | (18,165,564)   | (11,849,753)   | (12,886,999)   |
| Net increase (decrease)                                      | 45,859,310     | 37,957,365     | (30,929,510)   |
| Net assets available for benefits:                           |                |                |                |
| Beginning of year  | 336,254,958    | 298,297,593    | 329,227,103    |
| End of year  | \$ 382,114,268 | \$ 336,254,958 | \$ 298,297,593 |

*See accompanying notes to financial statements.*

**Table of Contents**

**COMMERCE BANCSHARES PARTICIPATING INVESTMENT PLAN**

Notes to Financial Statements

Years Ended December 31, 2010, 2009, and 2008

**(1) Description of the Plan**

*General*

The following description of the Commerce Bancshares Participating Investment Plan (the Plan) is provided for general informational purposes only. Terms of the Plan are more fully described in the Plan document, which is available to each participant. The Plan is a defined contribution plan that is qualified under section 401 of the Internal Revenue Code and covers employees of Commerce Bancshares, Inc. (the Company) or a participating subsidiary who are 21 years or older. Employees are eligible to participate as of January 1, April 1, July 1, or October 1 following the completion of thirty days of service. The Plan is subject to the provisions of the Employee Retirement Security Act of 1974 (ERISA).

The Company is the plan sponsor and is advised by the Retirement Committee of Commerce Bancshares, Inc., which acts as the plan administrator. Commerce Bank, N.A., a subsidiary of the Company, is the trustee of the Plan. There were 4,348 and 4,379 participants with balances in the Plan at December 31, 2010 and 2009, respectively.

*Contributions*

Participating employees may elect to contribute to the Plan a maximum of 25% of their eligible compensation, as defined by the Plan, and subject to certain limitations under the Internal Revenue Code (not to exceed \$16,500, \$16,500 and \$15,500 in 2010, 2009 and 2008, respectively). Additionally, participants who attained the age of 50 could contribute an additional \$5,500 of catch-up contributions in 2010 and 2009 and an additional \$5,000 of catch-up contributions in 2008. The catch-up contributions are not subject to the employer matching contribution. All participant contributions are made on a pretax basis.

The Company's matching contribution is a graded matching percentage from 50% - 100% determined by age plus years of employment on the first 7% of eligible compensation. Additionally, the Company may make a discretionary contribution. For the year ended December 31, 2010, the Company made a discretionary contribution of \$1.6 million. The Company did not make any discretionary contributions in 2009 or 2008.

Participants have the option to direct the investment of their contributions and the matching employer's contributions in any combination of the Commerce Bancshares, Inc. Common Stock Fund (Company Stock Fund), Commerce Bond Fund, Commerce Growth Fund, Commerce Short Term Government Bond Fund, Vanguard Total Stock Market Index Fund, AIM Funds Group Small Cap Growth - A Fund, Vanguard Small Cap Value Index Fund, Fidelity Freedom Income Fund, Fidelity Freedom 2005 Fund, Fidelity Freedom 2010 Fund, Fidelity Freedom 2015 Fund, Fidelity Freedom 2020 Fund, Fidelity Freedom 2025 Fund, Fidelity Freedom 2030 Fund, Fidelity Freedom 2035 Fund, Fidelity Freedom 2040 Fund, Fidelity Freedom 2045 Fund, Fidelity Freedom 2050 Fund, Fidelity Retirement Money Market Fund, Fidelity Retirement Government Money Market Fund, Fidelity Mid Cap Value Fund, Spartan 500 Index Fund, 3<sup>rd</sup> Ave. Real Estate Value Fund, ABF Large Cap Value Fund, Dodge & Cox International Stock Fund, Vanguard Morgan Growth Fund, American Century Inflation Adjusted Fund, and the Fidelity U.S. Bond Index Fund. During 2010, the Spartan International Index Fund, Columbia Acorn International Fund, DFA Emerging Markets Value Fund, and Morgan Stanley Institutional Mid Cap Growth Fund were added to the Plan's investment options. The Plan eliminated the American Century Vista Investment Fund and the Fidelity Diversified International Fund as investment options in 2010.



**Table of Contents**

Participants may roll over funds into the Plan from any qualified plan, subject to the approval of the plan administrator. Rollover contributions earn investment income and share in investment gains or losses. Participants are 100% vested in rollover contributions. Participants direct the investment of their rollover contributions to any of the various investment options offered by the Plan.

Assets of the Company Stock Fund include Commerce Bancshares, Inc. common stock. As a result, cash dividends on Commerce Bancshares, Inc. common stock are paid directly to the Company Stock Fund and allocated to the participants. Participants with balances in the Company Stock Fund have the option to reinvest their cash dividends in the Company Stock Fund or have dividends paid to them directly.

*Participant Accounts*

Each participant's account is credited with the participant's contribution, the Company's matching and discretionary contributions, and an allocation of Plan earnings and administrative expenses. The earnings allocation is based on the performance of the participant's allocated investment fund balances. The benefit to which a participant is entitled is the vested portion of the participant's account.

Participants may make transfers between existing fund balances at any time. Participating employees may change future investment elections at any time upon notification to the Plan. Both transactions are done in 1% increments.

*Participant Vesting*

Participants are vested immediately in their contributions plus actual earnings thereon, however, only upon termination of employment are participants entitled to receive their contributions and accumulated earnings thereon. Current Company matching contributions and Company discretionary contributions are subject to the following vesting schedule:

| Years of Vesting Service | Percentage Vested |
|--------------------------|-------------------|
| Less than 3              | 0 %               |
| 3 or more                | 100%              |

A participant will become fully vested in the value of all Company contributions in the event of death, permanent and total disability, or retirement on or after age 65, regardless of the participant's years of vesting service. A year of vesting service generally is each Plan year during which the participant earns at least 1,000 hours of service and is over the age of 18.

*Forfeitures*

Forfeitures are based on the nonvested portion of the Company's contribution upon employee termination. Forfeited amounts are applied as a reduction of contributions by the Company or by participating subsidiaries. Forfeitures were used to reduce the Company's contribution by \$236,856 in 2010, \$147,979 in 2009 and \$203,744 in 2008. The balance of unallocated forfeitures available to offset future Company contributions amounted to \$9,912 and \$11,609 at December 31, 2010 and 2009, respectively.

*Notes Receivable from Participants*

A participant may borrow from the Plan amounts collateralized by the vested portion of his or her Plan account. These loans may not exceed the lesser of \$50,000 or 50% of the participant's vested account balance

**Table of Contents**

(excluding employee stock ownership plan account balances). The loans are repaid through payroll deductions over terms which are based upon the amounts borrowed and normally do not exceed five years. The loans are secured by the balance in the participant's account. Interest rates charged on participant loans are based on the Commerce Prime Rate plus 1% at the date of the distribution and are fixed throughout the life of the loan. The participant may continue to make contributions to the Plan throughout the term of the loan.

*Administrative Expenses*

Certain administrative functions are performed by officers or employees of Commerce Bancshares, Inc. (the Company). No such officer or employee receives compensation from the Plan. Administrative expenses incidental to the administration of the Plan may be paid by the Company, and, if not paid by the Company, shall be paid by the Plan. A setup fee for new loans (currently \$50) is deducted from the respective participant's account. The Company elected to pay all other administration fees for the years ended December 31, 2010, 2009 and 2008 and presently intends to continue to do so, although the Company can, at its discretion, discontinue this practice.

*Distributions*

Distributions of vested account balances are available upon termination, retirement, death or permanent and total disability. Distributions are made in lump sum amounts to the participant or designated beneficiaries.

**(2) Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America.

*Investments*

The Plan's investments are held in an account at Fidelity Management Trust Company. On each valuation date, as defined by the Plan, securities held by the Plan are valued at fair value, and the increase or decrease in the value of securities held, plus any net income or loss of the Plan, is allocated to the participant's accounts. Refer to the Fair Value Measurements note for additional valuation information.

Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses. Also included is the reinvestment of interest and dividends earned on funds invested in the mutual and Company Stock funds. Purchases and sales of securities are recorded on a trade-date basis (the date the order to buy or sell is executed). Interest is accrued as earned and dividend income is recorded on the ex-dividend date.

*Notes Receivable from Participants*

Loans to participants are carried at amortized cost and are measured as the unpaid principal balance plus any accrued but unpaid interest. Delinquent participation loans are reclassified as distributions, based upon the terms of the Plan document.

**Table of Contents***Use of Estimates*

The Plan utilizes a number of informed estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

*Payment of Benefits*

Distributions to the participants of the Plan are recorded when paid.

**(3) Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

**(4) Company Stock Fund**

The Company Stock Fund is accounted for on a unitized accounting basis. The fund has a cash reserve in order to provide the liquidity necessary to process daily fund transactions by the close of market each business day. The cash reserve generally represents between one and five percent of the total fund value and varies depending upon account activity. The reserve may consist of cash or cash equivalents. As of December 31, 2010 and 2009, the cash reserve totaled approximately \$4.0 million and \$3.9 million, respectively.

In January 1995, all assets held by the Company's qualified employee stock ownership plan were merged into the Plan and remain under a portion of the Plan that qualifies as an employee stock ownership plan (ESOP). All Company common stock attributable to the ESOP has been fully allocated to participant account balances at December 31, 2010 and 2009 and is held as units of the Company Stock Fund. At December 31, 2010 and 2009, 824 and 858 participants, respectively, had an ESOP related account balance.

Information about changes in ESOP assets included in the Company Stock Fund for the years ended December 31, 2010, 2009 and 2008, is as follows:

|  | <b>2010</b>   | <b>2009</b>   | <b>2008</b>   |
|--|---------------|---------------|---------------|
| Beginning balance:   | \$ 25,038,611 | \$ 27,277,351 | \$ 27,811,358 |
| Unrealized appreciation (depreciation) (including reinvested dividends and interest) | 1,898,335     | (1,514,355)   | 121,609       |
| Benefits paid to participants  | (840,634)     | (724,385)     | (655,616)     |
| Ending balance   | \$ 26,096,312 | \$ 25,038,611 | \$ 27,277,351 |

In addition, the Company Stock Fund utilizes available cash from participant and employer directed contributions and dividends to purchase Commerce Bancshares Inc. common stock on the open market. During 2010, 2009 and 2008, total dividends paid on shares of Company stock held by the Company Stock Fund and the amount thereof which was distributed directly to the participants is as follows:

**Table of Contents**

|   | <b>2010</b>  | <b>2009</b>  | <b>2008</b>  |
|---|--------------|--------------|--------------|
| Portion of dividend reinvested in company stock | \$ 1,182,707 | \$ 1,125,923 | \$ 1,098,647 |
| Portion of dividend distributed to participants | 1,947,308    | 1,980,166    | 1,983,632    |
| Dividends paid on shares of Company stock       | \$ 3,130,015 | \$ 3,106,089 | \$ 3,082,279 |

**(5) Investments**

The following table sets forth investments that represent 5% or more of the market value of the Plan's net assets at December 31, 2010 or 2009:

|  | <b>2010</b>    | <b>2009</b>    |
|--|----------------|----------------|
| Commerce Bancshares, Inc. Common Stock Fund: |                |                |
| Commerce Bancshares Common Stock             | \$ 135,676,778 | \$ 131,537,624 |
| Fidelity Retirement Money Market Fund        | 4,006,583      | 3,878,901      |
| Fidelity Retirement Money Market Fund        | 25,327,925     | 28,920,609     |
| Spartan 500 Index Fund                       | 20,927,576     | 18,434,971     |
| Commerce Growth Fund                         | 21,193,485     | 17,837,848     |
| Commerce Bond Fund                           | 25,329,161     | 19,858,822     |

During 2010, 2009 and 2008 the Plan's investments appreciated (depreciated) in value as follows:

|   | <b>2010</b>   | <b>2009</b>     | <b>2008</b>     |
|---|---------------|-----------------|-----------------|
| Commerce Bancshares, Inc. Common Stock Fund | \$ 10,188,683 | \$ (10,019,889) | \$ 4,528,180    |
| Mutual Funds                                | 19,707,184    | 27,045,595      | (57,389,507)    |
|   | \$ 29,895,867 | \$ 17,025,706   | \$ (52,861,327) |

**(6) Federal Income Taxes**

In a determination letter dated July 11, 2002, the Internal Revenue Service stated that the Plan, as amended through August 16, 2001, met the requirements of section 401(a) of the Internal Revenue Code (IRC) and the Trust established thereunder was exempt from federal tax under section 501(a) of the IRC. Although the Plan has been amended since receiving the determination letter, the plan administrator believes that the Plan, as designed and operated, is in compliance with the applicable provisions of the IRC.

The Company is entitled to deduct for federal income tax purposes the amount of contributions made by the Company and each of its participating subsidiaries for the benefit of employees. In general, neither such contributions nor the income from the trust will be taxable to participants as income prior to the time such participants receive a distribution from the Plan. Participant contributions are not required to be included in

**Table of Contents**

the employees' taxable income until the year or years in which they are distributed or made available to them.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan administrator has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2007.

**(7) Transactions with Related Parties**

Certain Plan investments are shares of mutual funds managed by The Commerce Trust Company, a division of Commerce Bank, N.A. The Company Stock Fund also includes shares of Company common stock. Transactions in these funds qualify as party-in-interest transactions. Plan investments also include shares of mutual funds managed by Fidelity Management Trust Company, custodian of the Plan, and Fidelity Investments Institutional Operations Company, Inc., record keeper of the Plan. Transactions in these funds are exempt party-in-interest transactions under ERISA.

Transactions with the Company and its affiliates during the years ended December 31, 2010, 2009, and 2008 were as follows:

|                       | Purchases |               | Sales     |               | Realized<br>Gains<br>(Losses) |
|-----------------------|-----------|---------------|-----------|---------------|-------------------------------|
|                       | Units     | Cost          | Units     | Proceeds      |                               |
| <b>2010:</b>          |           |               |           |               |                               |
| Company Stock Fund    | 960,001   | \$ 18,744,632 | 1,237,876 | \$ 24,666,479 | \$ 4,172,140                  |
| Commerce Mutual Funds | 783,994   | 15,769,463    | 463,651   | 9,292,419     | 215,487                       |
| <b>2009:</b>          |           |               |           |               |                               |
| Company Stock Fund    | 1,128,062 | \$ 19,447,254 | 1,017,125 | \$ 17,505,745 | \$ 1,285,415                  |
| Commerce Mutual Funds | 717,257   | 13,081,202    | 723,351   | 12,862,390    | (1,486,610)                   |
| <b>2008:</b>          |           |               |           |               |                               |
| Company Stock Fund    | 901,338   | \$ 17,631,406 | 1,194,971 | \$ 24,222,118 | \$ 6,192,315                  |
| Commerce Mutual Funds | 797,642   | 15,029,850    | 1,148,200 | 25,046,985    | (980,540)                     |

**(8) Excess Contributions Payable**

Contributions received from participants for 2010 and 2009 are net of payments of \$58,470 made in March 2011 and payments of \$269,824 made in March 2010 to certain active participants to return to them excess deferral contributions as required to satisfy the relevant nondiscrimination provisions of the Plan. At December 31, 2010 and 2009, \$58,470 and \$269,824, respectively, have been included in the Plan's statements of net assets available for benefits as excess contributions payable.

**Table of Contents**

**(9) Fair Value Measurements**

Effective January 1, 2008, the Plan adopted the Financial Accounting Standards Board's (FASB) guidance for fair value measurements. Under this guidance, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Depending on the nature of the asset or liability, the Plan uses various valuation techniques and assumptions when estimating fair value, which are in accordance with the FASB's guidance. The guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liabilities, either directly or indirectly (such as interest rates, yield curves, and prepayment speeds).

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value. These may be internally developed, using the Plan's best information and assumptions that a market participant would consider.

When determining the fair value measurements for assets and liabilities required or permitted to be recorded or disclosed at fair value, the Plan considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Plan looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Plan looks to observable market data for similar assets and liabilities. Nevertheless, certain assets and liabilities are not actively traded in observable markets and the Plan must use alternative valuation techniques to derive an estimated fair value measurement.

Following is a description of the Plan's valuation methodologies used for assets measured at fair value on a recurring basis:

*Common Stocks*

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded. Because the inputs to these assets are quoted prices in an active market, the measurements are classified as Level 1.

*Mutual funds*

Mutual funds are valued at the net asset value (NAV) of shares held by the Plan at year end. Because the inputs to these assets are quoted prices in an active market, the measurements are classified as Level 1.

**Table of Contents**

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2010 and 2009:

|                     | <b>December 31,<br/>2010</b> | <b>Quoted Prices in<br/>Active Markets<br/>for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Other<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
|---------------------|------------------------------|---|--|--|
| Commerce Bancshares |                              |   |  |  |
| Common Stock Fund   | \$ 135,676,778               | \$ 135,676,778  | \$   | \$   |
| Mutual Funds:       |                              |   |  |  |
| Large Cap           | 78,758,816                   | 78,758,816  |  |  |
| Mid Cap             | 16,788,521                   | 16,788,521  |  |  |
| Small Cap           | 14,176,441                   | 14,176,441  |  |  |
| International       | 20,912,213                   | 20,912,213  |  |  |
| Specialty           | 1,185,612                    | 1,185,612   |  |  |
| Target Date         |                              |   |  |  |
| Blended Fund        | 32,047,391                   | 32,047,391  |  |  |
| Other Blended Fund  | 851,497                      | 851,497   |  |  |
| Fixed Income        | 36,978,569                   | 36,978,569  |  |  |
| Other Income        | 1,546,402                    | 1,546,402   |  |  |
| Short-Term          |                              |   |  |  |
| Fixed Income        | 34,664,855                   | 34,664,855  |  |  |
|                     | \$ 373,587,095               | \$ 373,587,095  | \$   | \$   |

**Table of Contents**

|  | <b>December 31,<br/>2009</b> | <b>Quoted Prices in<br/>Active Markets<br/>for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Other<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
|--|------------------------------|---|--|--|
| Commerce Bancshares<br>Common Stock Fund | \$ 131,537,624               | \$ 131,537,624  | \$   | \$   |
| Mutual Funds:                            |                              |   |  |  |
| Large Cap                                | 65,988,253                   | 65,988,253  |  |  |
| Mid Cap                                  | 11,366,969                   | 11,366,969  |  |  |
| Small Cap                                | 10,085,977                   | 10,085,977  |  |  |
| International                            | 16,207,857                   | 16,207,857  |  |  |
| Specialty                                | 694,581                      | 694,581   |  |  |
| Target Date                              |                              |   |  |  |
| Blended Fund                             | 24,248,095                   | 24,248,095  |  |  |
| Other Blended Fund                       | 881,390                      | 881,390   |  |  |
| Fixed Income                             | 29,776,200                   | 29,776,200  |  |  |
| Other Income                             | 757,548                      | 757,548   |  |  |
| Short-Term<br>Fixed Income               | 37,183,388                   | 37,183,388  |  |  |
|  | \$ 328,727,882               | \$ 328,727,882  | \$   | \$   |

**(10) Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their employer contributions.

**(11) Plan Amendment**

There were no amendments to the Plan during 2010.

During 2009, the Plan was amended as follows:

Sections 1.13 and 3.05 were amended to comply with the final regulations under Internal Revenue Code Section 415.

Sections 3.01, 3.07(b), and 3.07(c) were amended to provide that a corrective distribution includes income through the date of distribution (i.e., gap period income) in accordance with Treasury Regulation Section 1.401(k)-2(b)(2)(iv) for the 2007 Plan Year, and to provide that a corrective distribution for Plan Years beginning on and after January 1, 2008 includes income only through the end of the year in which the excess contributions were made (i.e., no gap period income), to comply with the Pension Protection Act of 2006.

Section 3.09 was amended to provide additional rights for participants in military service, to comply with the Heroes Assistance and Relief Tax Act of 2008.

Sections 5.05 and 5.09 were amended to allow a distribution notice to be provided up to 180 days before distribution instead of 90 days in accordance with the Pension Protection Act of 2006.

Section 5.10 was amended in its entirety to allow direct rollovers by non-spousal beneficiaries, allow

**Table of Contents**

direct rollover of after-tax contributions to any qualified plan or a 403(b) annuity that agrees to separately account for such amounts, and allow direct rollovers to a Roth IRA, all to comply with the Pension Protection Act of 2006.

**(12) New Accounting Pronouncements**

During 2010, the Plan adopted the following accounting pronouncements:

In January 2010, the FASB issued an amendment requiring additional disclosures related to transfers among fair value hierarchy levels and the activity of Level 3 assets and liabilities. This guidance also provided clarification for the segregation of fair value measurements of assets and liabilities, as well as the discussion of inputs and valuation techniques for fair value measurements. The new disclosures were effective January 1, 2010, except for the disclosures related to the activity of Level 3 financial instruments, which are effective January 1, 2011. Adoption of the new guidance did not have a significant effect on the Plan's financial statements.

In September 2010, the FASB amended existing guidance with respect to the reporting of participant loans for defined contribution plans. The amendment requires that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. The amendment was effective for periods ending after December 15, 2010 and requires retrospective application to all periods presented. As such, prior year amounts and disclosures have been revised to conform to current year presentation. Specifically, the adoption resulted in the reclassification of participant loans of \$7,796,899 on the statement of net assets available for benefits as of December 31, 2009. There was no impact to the measurement of net assets as of December 31, 2010 or 2009 as a result of the adoption.

During 2009, the Plan adopted the following accounting pronouncements:

In April and September 2009, the Financial Accounting Standards Board ( FASB ) issued guidance which (i) provided additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased, (ii) provided guidance on identifying circumstances that indicate a transaction is not orderly, (iii) permitted, as a practical expedient, entities to measure the fair value of certain investments based on the net asset value per share and (iv) expanded the required disclosures about fair value measurements. The adoption of this guidance did not have a material effect on the Plan's net assets available for benefits or the changes in net assets available for benefits.

In May 2009 and February 2010, the FASB issued guidance which established general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this guidance established (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of this guidance did not have a material effect on the Plan's net assets available for benefits or the changes in net assets available for benefits.

In June 2009, the FASB issued new codification standards which represent the source of authoritative U.S. generally accepted accounting principles ( GAAP ) recognized by the FASB to be applied by non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission ( SEC ) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The codification supersedes all non-SEC accounting and reporting

**Table of Contents**

standards which existed prior to the codification. All other non-grandfathered, non-SEC accounting literature not included in the codification is non-authoritative. The new codification standards were effective for 2009.

**(13) Subsequent Events**

The Plan has evaluated subsequent events through June 29, 2011. No significant matters were identified for disclosure during this evaluation.

**Table of Contents**Schedule 1**COMMERCE BANCSHARES PARTICIPATING INVESTMENT PLAN**

Schedule H, line 4i Schedule of Assets (Held at End of Year)

EIN #: 43-0889454

Plan #: 002

December 31, 2010

| (a) | (b) Identity of issue                            | Number<br>of<br>shares/units | (d)<br>Cost | (e) Fair Value |
|-----|--|------------------------------|-------------|----------------|
| *   | Commerce Bancshares, Inc. Common Stock Fund:     |                              |             |                |
| *   | Commerce Bancshares, Inc. Common Stock           | 3,396,088                    | **          | \$ 135,676,778 |
| *   | Fidelity Retirement Money Market Fund            | 4,006,583                    | **          | 4,006,583      |
|     | Total Common Stock Fund                          | 6,645,260                    |             | 139,683,361    |
|     | Mutual Funds                                     |                              |             |                |
|     | 3rd Ave. Real Estate Value Fund                  | 51,192                       | **          | 1,185,612      |
|     | ABF Large Cap Value Fund                         | 893,954                      | **          | 16,564,986     |
|     | AIM Funds Group Small Cap Growth A Fund          | 227,182                      | **          | 6,495,162      |
|     | American Century Inflation Adjusted Fund         | 131,051                      | **          | 1,546,402      |
|     | Columbia Acorn International Fund                | 17,527                       | **          | 717,238        |
| *   | Commerce Bond Fund                               | 1,271,544                    | **          | 25,329,161     |
| *   | Commerce Growth Fund                             | 812,010                      | **          | 21,193,485     |
| *   | Commerce Short Term Government Bond Fund         | 390,855                      | **          | 7,125,297      |
|     | DFA Emerging Markets Value Fund                  | 62,241                       | **          | 2,250,646      |
|     | Dodge & Cox International Stock Fund             | 488,733                      | **          | 17,452,684     |
| *   | Fidelity Freedom 2005 Fund                       | 90,664                       | **          | 980,078        |
| *   | Fidelity Freedom 2010 Fund                       | 234,492                      | **          | 3,186,758      |
| *   | Fidelity Freedom 2015 Fund                       | 418,331                      | **          | 4,743,881      |
| *   | Fidelity Freedom 2020 Fund                       | 494,867                      | **          | 6,824,227      |
| *   | Fidelity Freedom 2025 Fund                       | 366,884                      | **          | 4,226,509      |
| *   | Fidelity Freedom 2030 Fund                       | 335,696                      | **          | 4,622,537      |
| *   | Fidelity Freedom 2035 Fund                       | 169,541                      | **          | 1,944,638      |
| *   | Fidelity Freedom 2040 Fund                       | 417,622                      | **          | 3,345,153      |
| *   | Fidelity Freedom 2045 Fund                       | 101,608                      | **          | 964,263        |
| *   | Fidelity Freedom 2050 Fund                       | 128,928                      | **          | 1,209,347      |
| *   | Fidelity Freedom Income Fund                     | 75,487                       | **          | 851,497        |
| *   | Fidelity Mid Cap Value Fund                      | 172,708                      | **          | 2,754,695      |
| *   | Fidelity Retirement Government Money Market Fund | 5,330,347                    | **          | 5,330,347      |
| *   | Fidelity Retirement Money Market Fund            | 25,327,925                   | **          | 25,327,925     |
| *   | Fidelity US Bond Index Fund                      | 399,303                      | **          | 4,524,111      |
|     | Morgan Stanley Institutional Mid Cap Growth Fund | 387,674                      | **          | 14,033,826     |
| *   | Spartan 500 Index Fund                           | 470,494                      | **          | 20,927,576     |
| *   | Spartan International Index Fund                 | 13,979                       | **          | 491,645        |
|     | Vanguard Morgan Growth Fund                      | 258,957                      | **          | 4,669,003      |
|     | Vanguard Small Cap Value Index Fund              | 479,780                      | **          | 7,681,279      |
|     | Vanguard Total Stock Market Index Fund           | 487,924                      | **          | 15,403,766     |

|   |                |
|---|----------------|
| Total Mutual Funds  | 233,903,734    |
| Total assets held for investment purposes   | 373,587,095    |
| Loans to Participants Interest rates on these loans range<br>from 4.25% to 10.50% | 8,585,643      |
| Total assets  | \$ 382,172,738 |

\* Party-in-interest as defined by ERISA.

\*\* In accordance with instructions to the Form 5500, the Plan is no longer required to disclose the cost component of participant-directed investments.

**Table of Contents**

**EXHIBIT INDEX**

- 23.1 Consent of Independent Registered Public Accounting Firm KPMG LLP
- 23.2 Consent of Independent Registered Public Accounting Firm Mayer Hoffman McCann P.C.