



# Corporate Social Responsibility Report

2016 – 2017



**Commerce Bank**<sup>™</sup>  
Member FDIC

## CHAIRMAN'S LETTER

At Commerce, corporate social responsibility means ensuring we're doing what's right for all of our stakeholders – our customers, shareholders, communities and employees. It is a commitment that we hold ourselves accountable to day in and day out. We are committed to being stewards of the Earth's natural resources and reducing the environmental impact of our business practices; to giving back to our communities, fostering growth and opportunity where we live and work; to creating an engaging and collaborative workplace for our employees where teams can thrive and do their best work; to conducting business and performing with the highest standards of governance and ethics; and to remaining agile and innovative in today's ever-evolving banking industry.

These commitments are demonstrated through our company values. At Commerce, we embody these values by living them in the work we do each and every day. We value taking a long-term view; we value unity and collaboration as one team; we value accountability

and act with integrity, recognizing our first duty is to do business in a manner that merits trust and confidence; we value relationships and maintain our customer focus in all that we do; and we value strong financial performance and strive for continuous improvement and excellence.



In the pages that follow, we share highlights that reflect our efforts to bring these values to life and our commitment to being a responsible, forward-thinking and philanthropic corporate citizen.

Thank you for your continued trust in our company and for the privilege to serve you.



**David Kemper**  
Commerce Bancshares, Inc.  
Chairman and CEO

## ABOUT THIS REPORT

At Commerce Bank, we believe in enriching the lives of our customers, neighbors, shareholders and employees. To achieve this, we invest in ideas, programs and technology that strengthen communities, help people tackle complex financial challenges and support a healthy environment. To ensure our efforts are making a difference, we make it our mission to get to know people and build strong relationships. It is through these relationships that we're able to celebrate continued

strong performance, invest in communities to strengthen our region and be a force for good in our industry.

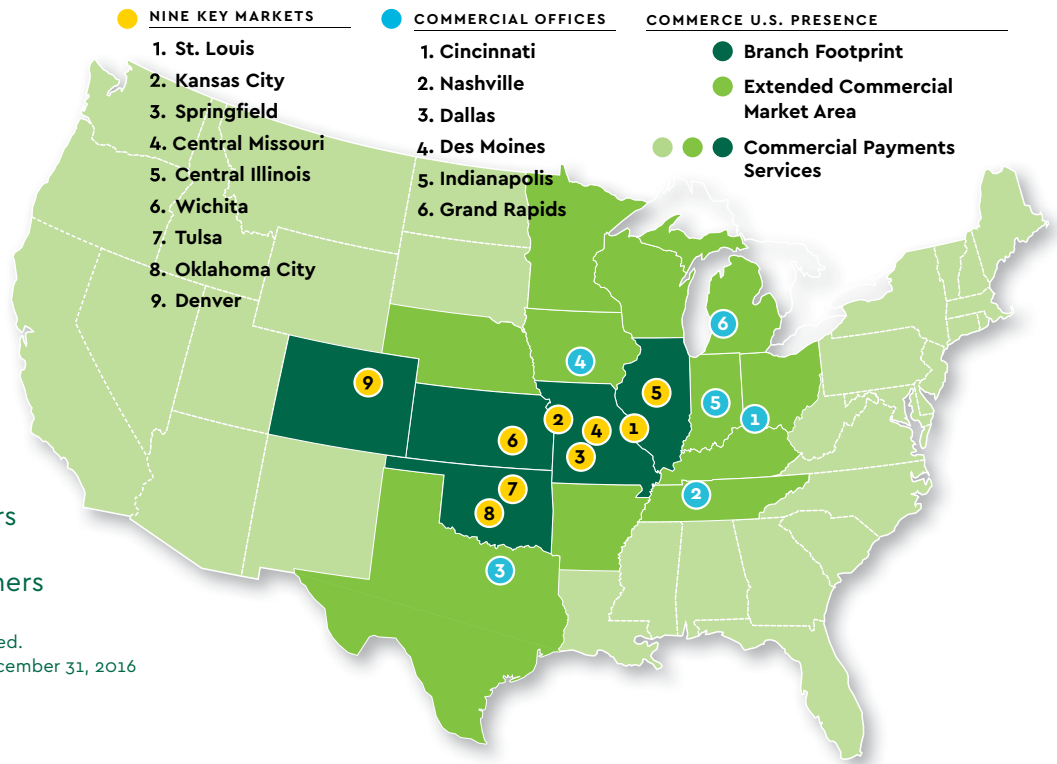
Our culture, which dates back more than 150 years, holds us accountable to our mission on a daily basis. In this report, you'll learn about our core values and how they guide our decisions and behaviors. This report highlights our ongoing efforts to be a valued and trusted partner for the communities across our footprint as well as our customers, shareholders and employees.



# WHO WE ARE

- \$25.3 billion in assets
- 38th largest U.S. bank based on asset size<sup>1</sup>
- \$21.1 billion in total deposits
- \$44.5 billion in Trust assets
- 378 ATMs
- 184 branches
- 411 thousand active online banking customers
- 157 thousand mobile customers

Data as of March 31, 2017 unless noted.  
<sup>1</sup>SNL Financial data, ranking as of December 31, 2016



For more than 150 years, we have been an active member of communities throughout the Midwest, working with local individuals and businesses to address their unique needs with products and services you might typically find at a large national bank. We call this a super-community banking experience.

At Commerce Bank, our customers are at the center of all that we do. And we do a lot, from helping families

plan for their future to giving businesses more room to grow. We get excited about people's goals – almost as excited as they do. Fortunately, we have over 150 years of experience and many strong, established products to back us up. From Bloomington, Illinois to Denver, Colorado, and at 184 branches in between, we serve individuals, families, businesses and communities at the local branch, the ATM, online and through our 24/7 customer service line.





# We value forward thinking.

Since our founding in 1865, we've always looked to the future. Our team members, customers and the communities where we live and work are the foundation

of a strong and lasting business. As we look ahead to the next 150 years, we are committed to investing in ideas, people and communities for the long term.

## Building strong communities.

Our investment in the communities we serve spans all areas of the bank, through charitable giving by the Commerce Bancshares Foundation, volunteering and community reinvestment efforts. We support a wide range of charitable organizations, and they're all focused on improving the lives of people in the communities

where we are located. We believe everyone should have access to economic opportunities, affordable housing, education and culture. Working alongside our community partners, we are helping to build a strong future for the communities we serve.

## COMMERCE BANCSHARES FOUNDATION

2016

Total donations:  
**Over \$1.5 million**

Number of contributions:  
**712**



**SCHOOLS**



**ARTS &  
CULTURE**



**YOUTH  
PROGRAMS**



**COMMUNITY  
DEVELOPMENT**



**HOUSING**



## Focus on community development.

We not only comply with the Community Reinvestment Act, we make it a priority. Our branches work to meet the financial needs in the communities we serve, including low- and moderate-income neighborhoods, and we engage customers in those communities to understand their needs as we develop products and services. As a result, we have earned an "Outstanding" rating consistently for over 23 years.

### Commerce Team Members in the Community

From festivals to food drives, Commerce team members are active participants in the communities where we live and work. We're willing to captain a cardboard boat, flip burgers for hungry ball players and ride a bike in a Santa costume – as long as it's for a good cause. Commerce-sponsored volunteer opportunities are a popular way for employees to get involved, but our teams often plan activities on their own. Thanks to our employees, we can truly say we have a spirit of participation and service.



Commerce's efforts to support diverse neighborhoods such as the Tower Grove section of St. Louis have earned the bank a rating of "Outstanding" for more than two decades under the federal government's Community Reinvestment Act of 1977. The act encourages banks to ascertain and address the credit needs of their communities, especially in areas of low and moderate incomes.



A team from Commerce participates in the 10th Annual Wildcat Glades Audubon Center cardboard boat race in Joplin, MO.



Commerce employees sort and stock donated school supplies at KidSmart in St. Louis following the annual School Supply Drive.



Team members in Olathe, KS, or rather a group of Santas, deliver teddy bears to kids in need.

## Investing in ideas for the long-term.

Throughout our history, we've maintained an innovative mindset. This is valuable for launching new products and services, but it's also crucial for solving existing and emerging business challenges. At Commerce, all employees are encouraged to be innovative, no matter their role. There are many channels for pursuing new ideas, from discussing them with managers to participating in semi-annual Hackathons.

### INNOVATION SPECTRUM:



Our innovation efforts are managed across three areas: Incremental, Significant and Breakthrough. While we appreciate the value of breakthrough ideas that can transform our business and industry, we also encourage our employees to make incremental daily improvements to our processes and significant developments in our products and services. In the last year, we implemented many innovative ideas, including the following:

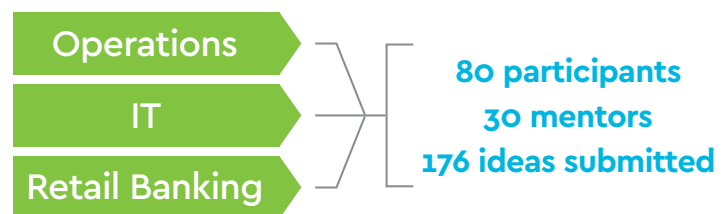
### INNOVATION HIGHLIGHTS FOR 2016:

- ▶ Leveraged data modeling to advance real time fraud detection.
- ▶ Evolved the technology for our Special Connections Card to create the first multi-account card with an EMV chip.
- ▶ Simplified reports on funds transfers for business customers to make them easier to understand.

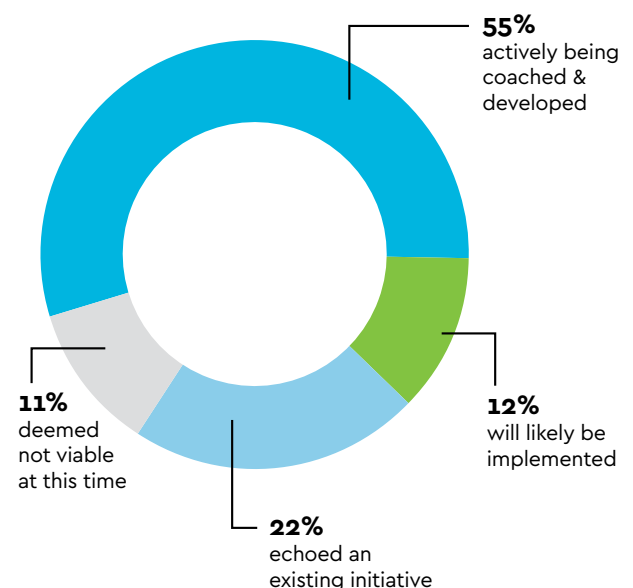
## Innovation Campaigns

Employees are brought together from across the bank to participate in campaigns focused on stimulating brainstorming and idea generation. They're encouraged to submit ideas and are then matched with a mentor who helps them expand on their idea. Finally, the mentor facilitates conversations between the employee and the decision makers who can best leverage the idea.

### 3 INNOVATION CAMPAIGNS:



### 176 INNOVATION IDEAS:







IT Hackathon

## Semi-Annual Hackathons

Each year, our IT department hosts two Hackathons to encourage exploration and development of new ideas. The events bring together cross-functional groups from IT, retail banking, commercial banking and several other departments to tackle challenges in a multi-faceted way. Teams have 48 hours to build out their idea, potentially paving the way for cutting-edge solutions. Each group presents their idea and is connected to an executive that can help develop or implement the project as appropriate. The winning ideas from the 2016 Hackathons addressed issues ranging from better detecting and preventing credit and debit card fraud to advancing our authentication technology.



Employees in the IT department are recognized with executive-level Blue Chips after earning five Blue Chips.

## Blue Chips

To help reinforce long-term thinking, we identify our long-term goals as "Blue Chips." These are the priorities we work toward even in the midst of day-to-day responsibilities, and they help the entire bank align in a strategic direction. In addition to bank-wide Blue Chips, each department, team and individual identifies their own priorities. When a milestone is reached, we celebrate each other's successes with a Blue Chip. Company-wide, our Blue Chips help us stay accountable and motivated as we work toward our long-term goals.

## Reinvesting in Software

In 2016, Commerce selected Temenos, the world's leading software specialist for banks and financial institutions, to provide its world-class core deposit banking system. With the selection of the Temenos platform, Commerce will acquire an innovative, real-time core processor to drive strong customer relationships and faster speed-to-market of consumer and commercial products.

*"Commerce invests in our people and technology to deliver innovative solutions and convenience for our customers. The Temenos solution will enable Commerce to bring innovative products to market more quickly and efficiently. The modern software architecture and real-time features will provide the foundation for our digital business."*

-Dave Roller  
Chief Information Officer  
Commerce Bancshares, Inc.

## Investing in a sustainable future.

In our branches, headquarters, operations centers and offices throughout the Midwest, we pay close attention to the impact our business has on the environment. We aim to be as efficient as possible in our use of the Earth's resources and measure our consumption and waste each year to ensure we're being mindful stewards.

### Project Green Committee

The Project Green committee sets goals, tracks sustainability metrics, explores new technology and fosters an eco-friendly mindset throughout the bank.

In recent years, the committee has accomplished several sustainability goals, including incorporating LEED principles in all construction projects and enhancing a recycling program for all employees. In 2016, we converted exterior lights to LED bank-wide.

### Repurposing Plastic Bags as "Plarn" Sleeping Mats

According to the EPA, Americans use more than 380 billion plastic bags each year<sup>1</sup>. Troubled by that fact, a group of employees in Kansas City found a way to take action. They set up a collection bin for employees to drop off plastic bags. The plastic bags are then cut up and crocheted into sleeping mats for the homeless. Each mat is made with 500–700 shopping bags and is hygienic, waterproof and portable.

### Carpooling our Resources

Commerce has partnered with RideFinders, a free carpool and vanpool ride matching service for commuters in the St. Louis region, for our Clayton-based employees. By sharing a ride with others instead of driving alone, Commerce employees not only save money and reduce traffic congestion, but also play an important role in our sustainability efforts by helping to improve air quality – making the already great communities in the St. Louis region even better places to live, work and play.

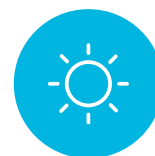


A team in Kansas City uses Agile principles to "plarn" sleeping mats for the homeless.

## REDUCING OUR IMPACT:



Decreased paper usage by 6.5%



Installed solar systems at 12 Commerce locations since 2010



Recycled more than three million pounds of paper, 600 pounds of aluminum cans & 800 pounds of plastic bottles

1. <https://blog.epa.gov/blog/tag/plastic-bags/>



## Charge Your Car While You Bank

Electric car charging stations were installed at 12 Commerce Bank branches throughout the St. Louis Metro area. For electric car drivers on the go, the stations make it easy to “fill up” while they’re running errands. They can get a full charge in 30 minutes or less, whether or not they’re a Commerce Bank customer. Commerce partnered with Nissan to fund the project, and the stations are managed by EVgo.

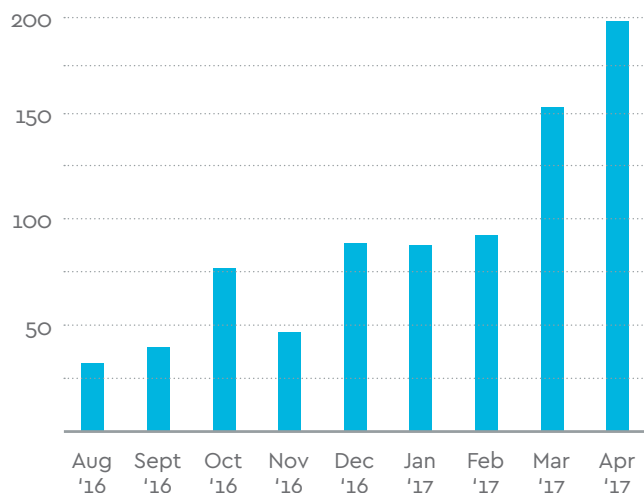


## Celebrating the Earth With Some Friendly Competition

Project Green encourages our teams to be sustainable on a daily basis with clearly-marked recycling bins in kitchens, volunteer opportunities and more. Each year, the Project Green committee hosts a week dedicated to Earth Day, with a bank-wide competition. The Earth Day Challenge inspires employees to get involved and compete in different categories. This year, employees stepped up to the challenge with the following winning initiatives:

- Delivered seedlings to each floor in the St. Louis headquarters
- Collected and donated used children's books
- Collected recyclables including light bulbs, clothing and plastic bags from employees and customers
- Collected batteries for disposal and eyeglasses for donation
- Sponsored Earth Day Rocks employee appreciation event with a station for potting plants

## EVGO CHARGE SESSIONS BY MONTH:



**Total Energy Used:**  
**5,546.42 kWh**  
 Replacing 164 Gallons of Gas<sup>1</sup>

<sup>1</sup>Based on formula in U.S. Environmental Protection Agency (EPA) (May 2011). "New Fuel Economy and Environment Labels for a New Generation of Vehicles". EPA. Retrieved 2017-6-5.





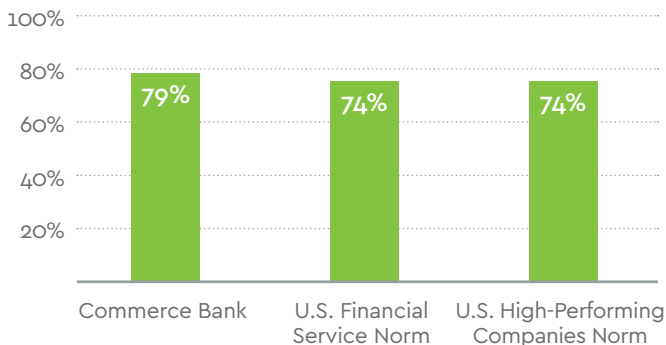
# We value teamwork.

## BUILDING BONDS, FORMING FUTURES.

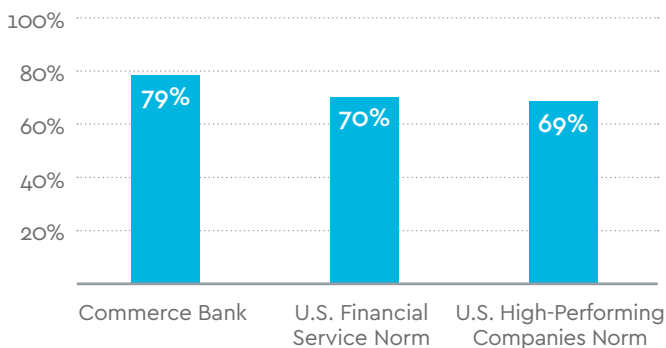
As a regional company, it can be difficult to maintain strong relationships with team members in other bank locations. At Commerce, we believe it's important to work together across the bank, and we are committed to fostering a positive culture in which team members feel connected. To help all employees be at their best, we foster a positive culture in which all voices are heard, and we encourage personal development through a variety of opportunities.

As a result, in 2016, we celebrated employee engagement and enablement scores of 79% – a score significantly higher than both the U.S. financial services norm and other U.S. high-performing companies. Our survey partner, Korn Ferry, identifies engagement and enablement as key factors for team success and retention.

### EMPLOYEE ENGAGEMENT:



### EMPLOYEE ENABLEMENT:



## Forbes Recognizes Commerce as a Best Midsize Employer

On Forbes' annual Best Midsize Employers list, Commerce ranked #62 and second among other banks on the list. The ranking was based on anonymous feedback from employees about whether they would recommend their company to others. We are honored by the recognition and see it as a marker of our commitment to creating a positive environment for our team members.



## Commerce Named One of Three Outstanding Employers in America

Each year, we collect feedback from our team members through a bank-wide survey. We work with Korn Ferry, a third party company, to ensure responses are anonymous. Recently, Korn Ferry recognized Commerce for best-in-class levels of engagement and a high percentage of employees who feel proud to work here and would recommend us to others. Commerce received one of the top three scores among companies in the United States. Research by Korn Ferry has shown that a high level of employee engagement is a key competitive advantage, and that companies with high engagement often experience revenue growth of "up to two and a half times over peer companies"<sup>1</sup>.



1. "Korn Ferry Recognizes Highly Engaged Organizations For 2017", June 15, 2017, [https://www.kornferry.com/press/korn\\_ferry\\_recognizes\\_highly\\_engaged\\_organizations\\_for\\_2017/](https://www.kornferry.com/press/korn_ferry_recognizes_highly_engaged_organizations_for_2017/)



## Our culture is our EDGE.

In recent years, Commerce leadership has been doing substantial research – and some organizational soul searching – to refocus our culture. In 2013, we launched a program that puts our culture into words, so that everyone from new employees to those who have been with Commerce for 20 years or more can understand our core values and guiding principles. We call it the Commerce EDGE, and it provides actionable concepts and a shared language for living our values on a daily basis. EDGE concepts like "Be Here Now" and "Assume Positive Intention" help team members work through conflict, appreciate diverse perspectives and collaborate effectively. Each quarter, teams are tasked with focusing on a different EDGE concept and discussing ways to apply it to their work.



## LET'S TALK

Open communication takes place across several channels throughout the bank. Team members can give shout outs to each other or check the latest updates on our internal mobile app Bonfyre. The Exchange, our internal newsletter, provides employees with the latest company news, and our Employee Annual Report summarizes our teams' accomplishments for the year and celebrates our people and culture.



## Celebrating our Successes

A key part of our culture is appreciating the contributions of team members and celebrating their achievements. Recognition is given in a number of ways, including VOICE Blue Chips and EDGE in Action awards. Individuals and teams are recognized throughout the year as successes are achieved, as well as quarterly and on an annual basis, for bringing our values to life.



Kim Fitzmaurice, Thomas Merrill, Gayle Oeffner, Chris Bohon and the rest of their team received an EDGE in Action award for their agile approach to resolving a significant issue under pressure.



**Left:** Chairman & CEO David Kemper presents the Collaboration Cup to Whitney Vanderstel and Paul Carter for working with teams throughout the bank to establish an Agile framework. **Right:** Beth Joelnier and Tara Young are recognized for their focus on the customer experience.



Members of the Commercial Payments Campaign team received the Chairman's EDGE in Action Award for going above and beyond to support sales teams.

## Employee to Employee

When the city of Joplin was struck by an EF-5 tornado in 2011, the community affected included several of our team members. Their colleagues quickly organized to raise more than \$50,000 to help support them.

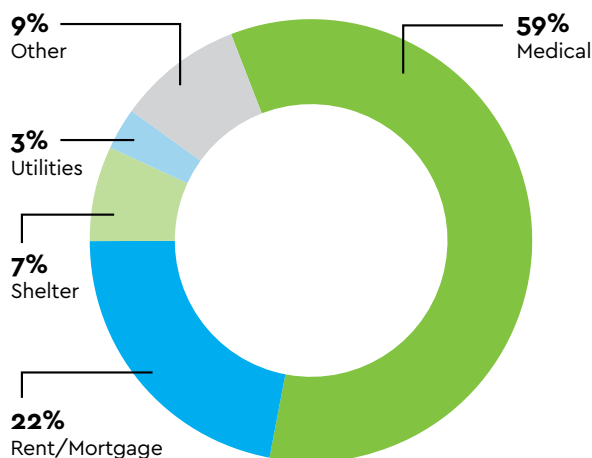
A group of employees, inspired by the response to Joplin, wanted to find a way to make it easy for employees to help each other should another crisis occur. They created the Employee to Employee (E2E) Foundation, which provides financial assistance to employees and their families when faced with catastrophic events or situations out of their control. In an emergency, employees can apply for assistance for food, shelter and essential utilities. A sudden illness or injury can also be a significant burden on someone's life and finances, and team members in this situation are encouraged to apply for assistance as well.

While Commerce supports the Foundation through a corporate match program, the majority of E2E's work is driven by employee contributions. The non-profit is a separate, independent entity led by a board of directors with members from a variety of departments across the bank. These employees meet regularly and review all applications. In its first year, the E2E Foundation generated approximately \$91,000 in donations with 18% employee participation. The board received nine applications, of which eight were approved, and distributed \$22,000 to employees in need.



The vault was all that remained standing of the Joplin Commerce Bank branch after the city was struck by a devastating tornado. Commerce's outpouring of support to the victims of that tornado inspired the creation of the Employee to Employee Foundation.

### E2E FOUNDATION GRANTS:



**\$91,000**

in donations

**\$22,000**

distributed

**8 of 9**

applications  
approved

**18%**

employee  
participation

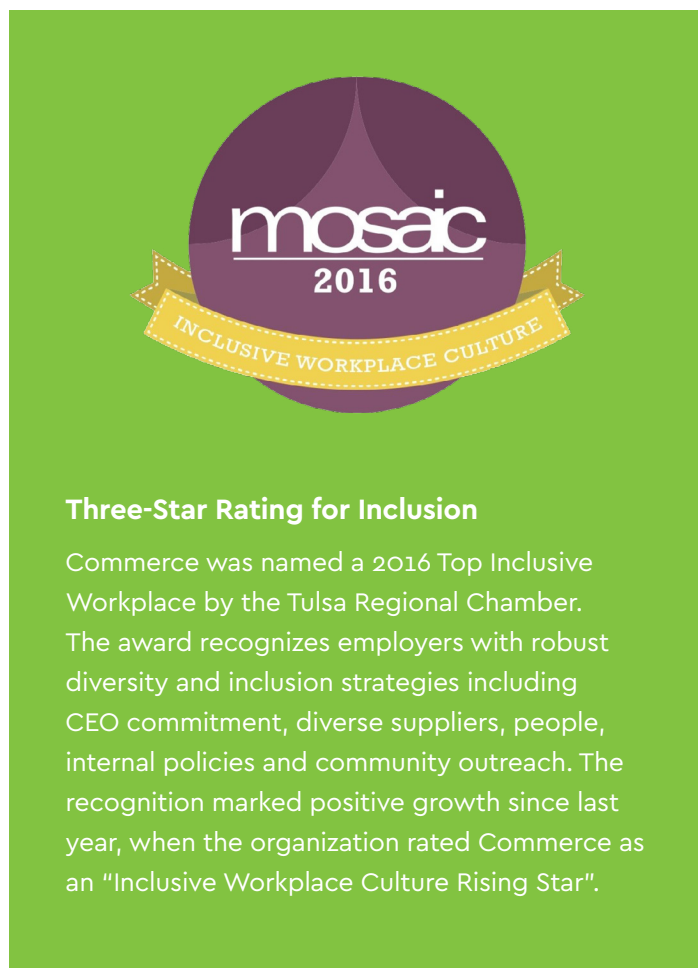


## Developing our skills.

At Commerce, team members are encouraged to develop professional skills, explore their interests and grow into new career opportunities.

### Encouraging Emerging Leaders

Employees can develop leadership skills through three programs: the Leadership Development Program, the Advanced Leadership Development Program and the Executive Development Program. Participants are given the opportunity to network with colleagues in different markets and areas of the bank, which also helps promote internal collaboration. On average, 70 leaders each year are accepted into the leadership development series, which can last up to eight months, depending on the program. Since its inception in 2004, **487 graduates** have completed a Commerce leadership program.

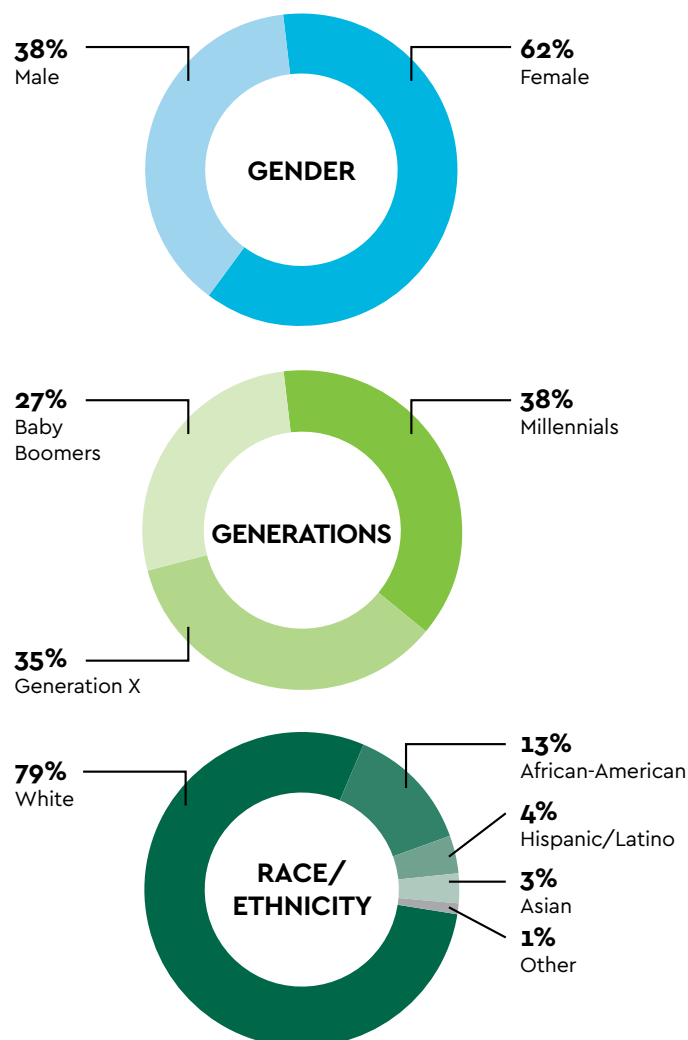


## Inviting diverse perspectives.

At Commerce, we recognize that diversity makes for a stronger company, and we ensure that our workplace supports all team members, helping them bring their full selves to work and seizing opportunities to succeed equally. We value, embrace and leverage the variety of perspectives that come as a result of our individual differences. These ideas help us be more innovative and make work more interesting, which, in turn, increases productivity. In addition, by building teams that are representative of our communities, we are better able to understand our customers' needs and engage them now and into the future.

In 2016, we renewed our commitment to inclusion and diversity through several ongoing initiatives.

### COMMERCE EMPLOYEE DEMOGRAPHICS:





### Inclusion & Diversity Councils

We have a goal of better understanding the needs of the communities we serve – through a lens of inclusion and diversity. Our growing list of Inclusion & Diversity Councils brings together employees involved in the area to discuss opportunities to improve our efforts.

In 2016, we formed a new council to represent several communities we serve in Southern Missouri. Councils also serve the Central Missouri, St. Louis and Kansas City markets, and a total of 65 team members serve on Inclusion & Diversity Councils.

### Empowering Women

RISE is the first employee resource group at Commerce. It was launched in 2016 to engage and support female employees at Commerce. RISE – which stands for Respect, Inspire, Succeed, Empower – helps promote the advancement, retention and recruitment of women at Commerce. Any employee can join and attend events, participate in virtual workshops and network with fellow members. Since its founding, RISE has seen a 66% growth in membership with **450 total members**.



### Increasing Access for All Team Members

Across the bank, we strive to be inclusive to people with disabilities both in our hiring practices and in the workplace. In 2016, we renewed that commitment by becoming a member of the Greater Kansas City Business Leadership Network (GKCBLN), an organization that assists businesses with recruitment, hiring management and marketing practices inclusive to individuals with disabilities. With this relationship, we are committed to increasing access to help ensure all team members can equally participate and succeed.

### Mission: Hire

We believe veterans bring a valuable set of skills with them to the workplace, and we make concerted efforts to recruit and support former members of the military. We also offer flexible job options for reservists. To strengthen our efforts in providing veterans meaningful opportunities, we joined the Kansas City Veterans Coalition, a group of large employers working together to support veterans through job opportunities, mentoring and networking.

### Supplier Diversity

Our commitment to inclusion and diversity extends to the companies we do business with. Our Supplier Diversity Program, launched in 2016, expands opportunities for vendors to bid on contracts. We actively seek suppliers who are certified Minority and Woman-Owned Business Enterprises (MWOBE), veteran-owned and Lesbian Gay Bi-Sexual Transgender (LGBT) businesses.





# We value responsibility.

## We act with integrity.

As a financial institution, we take our role as stewards of sensitive information very seriously. We believe that sound corporate governance, risk mitigation and security practices are vital to operating as an ethical and socially responsible business. Our corporate governance standards help ensure compliance with laws and regulations, and

we proactively address potential sources of risk to help prevent issues. We work diligently to mitigate risk in order to continually earn the trust and confidence of our customers, vendors and shareholders. Ultimately, our sense of responsibility helps ensure a better experience for our customers. You can review our Corporate Governance Guidelines, Code of Ethics and compliance committees' charters on [our website](#).



### Ethics Training

To ensure all employees are compliant with our ethics standards, we require online ethics training annually. In addition, all Commerce officers renew their commitment to our Code of Ethics each year.

### Ethics Committee

Sometimes employees are faced with challenging ethical decisions. For instance, they may be wondering if running for a political office conflicts with their role at Commerce. Employees can submit their questions for review by the Ethics Committee – without fear of penalty. By seeking counsel proactively, team members can make more informed decisions to help manage potential ethics issues.

### Customer Complaint Oversight Committee

Customer complaints are a valuable source of feedback for our business practices. Complaints from across the bank are collected and reviewed by a cross-functional team. The information helps us identify areas we can improve to prevent similar issues from negatively affecting the customer experience.

### Anonymous Reporting

If a Commerce employee observes unethical, illegal or unsafe behavior, they can report it through a secure, anonymous 24-hour phone line maintained by a third party vendor. It is important to us that employees feel safe should they need to report behavior that does not comply with our ethics standards.

### Enterprise Risk Management

Our Risk Management policy helps guide our business decisions while maintaining appropriate risk appetite and tolerance. Strategic objectives across the bank must reflect and align with our established risk management framework.



## Commitment to security.

### Customer Education

We believe customers are a first line of defense against security risks. Customers are educated on security concerns so that they are better able to identify and avoid fraud and identity theft. They are encouraged to report phishing or other fraud concerns to the bank.

### Protecting Customers' Privacy

The security of our customers' information is a top priority. We continually improve our security policies, standards, reviews and testing to ensure customers' personal information and accounts are protected.

### Defense Against Fraud

Today, security threats are ever-increasing in number and sophistication. Getting ahead of emerging fraud schemes is a priority for us. We regularly evaluate, adjust and implement our technologies and programs to ensure the highest level of security possible. As a result, we continue to receive satisfactory reviews and compliance assessments by bank regulators.



# We value relationships.

## It's all about our customers.

When life gets messy, our customers don't need a bank, they need an ally. They need someone who can empathize with what they're going through and help them figure out what to do next. Our super-community model, which combines personal attention and high-quality products and services, empowers us to be that ally. Whether they're logging in to online banking or visiting a branch,

they are treated like an individual and connected to the right resources for their situation. Behind the scenes, we're continually refining our delivery model to create a consistent, positive experience across all of the ways people bank with us. In 2016, we made enhancements to several branches, our mobile app and digital banking platform for one reason: connecting with and supporting our customers.

94%

customer  
satisfaction rating

75%

of customers view  
Commerce as their  
primary bank

600,000

customers served  
through almost  
105 million interactions  
per year

13<sup>TH</sup><sup>1</sup>

ranking for consumer  
credit card issuer

19<sup>TH</sup><sup>2</sup>

ranking for debit  
card issuer

91.9%<sup>3</sup>

best in class customer  
retention rate



## WHAT PEOPLE SAY ABOUT US

From anonymous customer surveys  
completed April, 2016-March, 2017



"The mySpending Card® is really a life saver! Knowing we can get cash to our young men in a matter of minutes relieves us parents and grandparents of a lot of stress."

"I can say that I have been a customer for probably 40 years. Commerce is the bank where I have all of my accounts. I LOVE Commerce."

"My Personal Banker was friendly and made me feel comfortable. Finances stress me out, but he was patient and didn't make me feel stupid for asking questions. I felt like he genuinely had my best interest at heart."

"I LOVE online banking, however, I also LOVE-LOVE WORKING one on one with my Personal Banker. I thank her for her assistance & for sharing wise financial advice! Plus, showing sincere concern about me as a customer, and more importantly, as a PERSON (not a number)."

"The Personal Banker recognized me and asked if I was enjoying my new home. I had purchased a home in March and this is October. It was so nice to feel like I knew someone in the city."

"The Branch Manager went out of her way and beyond my expectations to help me adjust to my new situation in the St. Louis area."

1. The Nilson Report, February 2016

2. The Nilson Report, April 2016

3. According to BAI Benchmarking Report, November 2016



## Branch Transformation

Even with the rise of technology, the local bank branch still proves to be a key part of our relationship with customers. We have a number of ways that customers can handle simple transactions, like check balances, making deposits or transferring money on their computer or smart device, but when they need advice, have a question or want some help, they tend to prefer to visit a branch. With this in mind, we've been redesigning branches throughout our footprint to create more opportunities to connect with visitors.

In 2016, we remodeled or rebuilt eight locations across the network. In each of these projects, we rethought all aspects of the branch to ensure they contribute to and enhance the customer experience – from the lobby visuals to the private meeting rooms. These physical transformations leverage technology and design to enhance the high-touch service we provide. Customers are greeted and engaged by a Personal Banker from the moment they enter a branch, and bankers work with them to ensure their needs are met.

If a customer has a specific challenge they're working through, the Personal Banker will talk through the situation with them to understand the customer's goals and obstacles. Then, the banker is able to connect



The Commerce Bank Vandeventer branch in St. Louis, Missouri.

the customer with the right solution for them on the spot using technology. From managing their money to remodeling a home, the Personal Banker helps provide clarity and establish next steps. If a customer has a question that requires help from a product specialist, who may be located in another branch, the Personal Banker can connect with them via video conference to facilitate an immediate conversation. The banker reviews mobile and digital banking with the customer and helps them get enrolled – ensuring they understand and feel comfortable with how it works before they leave the branch.

**"This was my first time using the drive thru window, and when I sent the transport container with my deposit, the [Personal Banker] appeared on the screen next to the transport slot. It was really neat that I got to make eye contact with the person that was going to take care of my transaction. I don't think any other bank has this feature so it was really nice to be able to see who was taking care of me, great job Commerce."**

Comment from anonymous customer survey,  
November 14, 2016

### TRANSFORMATION

1. Met Square, St. Louis, MO
2. Pekin, IL
3. K-State Student Union, Manhattan, KS
4. Garden City, KS
5. Lebanon Headquarters, Lebanon, MO
6. Natural Bridge, St. Louis, MO

### REMODEL

1. Hannibal, MO
2. Lenexa, KS



## MEETING FACE TO FACE, MILES APART

When a customer came into the Commerce Bank Vandeventer branch in need of a mortgage pre-approval, the Branch Manager knew they'd need help from a Mortgage Specialist in another branch. She also knew setting up an appointment for a later date would delay the customer's home purchase. Rather than wait, the Branch Manager instead tried to reach the Mortgage Specialist through video chat. The specialist was available and able to walk the customer through the pre-approval process and answer all of her questions. Before leaving, she said the "face-to-face" conversation helped her feel more at ease. "This is why I have been a Commerce customer for so many years," she said.

## Supporting Refugees

Since the 1970s, Commerce Bank has collaborated with the International Institute to help groups of refugees in St. Louis understand the U.S. banking system. In 2016, Commerce welcomed about 60 refugees from the Institute to the Tower Grove branch for tours of the branch. During a tour, the Branch Manager also explains the process for opening an account, including what documentation is needed, and answers any questions. With a loan from the Institute, refugees can open a Commerce Bank credit card in order to start establishing a credit history so that they can eventually make large purchases.

## Banking on Millennials

In order to best help millennials, we need to understand them and what they need. Lucky for us, we have an on-site millennial think tank. Banking on Millennials (BOM) is a group of employees, newly organized each year, that thinks through business questions and consults throughout the bank. When someone needs a millennial perspective, they go to BOM.

## NEW TECHNOLOGY IN BRANCHES AS OF 2016:



**Automatic cash recyclers:**  
57 dispensers added  
in 2016



**Exploration Centers:**  
37 PCs, 28 iPads across  
37 branches



**Video chat capability:**  
33 branches



**Digital product brochures:**  
Kindle tablets in  
26 branches

In 2016, BOM was tasked with pitching new products or services that would help Commerce solve millennials' money management challenges. They came up with three unique ideas, one of which was then developed into a prototype during the semi-annual Hackathon event. This year, BOM plotted the stages of a millennial's relationship with a bank, from manage to borrow to invest. They've also served as a sounding board for social media, digital banking and other teams.

The BOM's insights continue to inform how Commerce engages with this generation. By building solid relationships now, we hope to be a resource for them as their needs become more complex in the future.



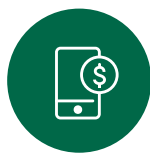
## Enhancing the Digital Experience

Whether online or on a smart device, banking on the go is a convenient time-saving option. In 2009, the branch was the most popular way for people to bank, but today 90% of transactions at Commerce are handled digitally. Our customers login 27 times a month, on average, which tells us they're making daily transactions through our digital platforms – online and through the mobile app. We're honored to be part of their routine, and so we try to be as consistently helpful as possible. Our goal is to be clear and easy to understand; help customers understand their options and feel confident in their decisions; and help them feel their privacy is protected. And, we keep a close eye on customer reviews to understand their issues so we can make necessary improvements as quickly as possible.

### 2016 DIGITAL ENHANCEMENTS:



Added Touch ID to mobile app for Apple users



Made Instant Balance feature available for Android users



Started offering Popmoney and External Transfers for customers to transfer money



Added Spanish-language capability to all ATMs

## 24/7 Protection

Our customers can rest easy knowing we're always monitoring for fraud attempts. And, if an unauthorized transaction does occur, our Zero Liability Protection

1. Customer must notify Commerce Bank within 60 days of receiving the first statement with unauthorized activity. For specific restrictions, limitations and other details, please consult Commerce Bank.

## WHAT CUSTOMERS SAY ABOUT DIGITAL BANKING

Comments from anonymous customer survey, 2016

"Online banking is very easy to use and if I were to have a problem, there's always customer service that's friendly and ready to help. Using online banking keeps my account information easily accessible in case I need it, too."

"Very happy and find online banking easy to use, and I am 87. When I run into trouble I just contact your online helpers."

"My account information is clear and available immediately. Very easy to use. I like the bill reminder too, keeps me on top of my finances. Very satisfied – keep up the good work."

"I am still learning all that I can do on Online Banking. I learned yesterday how to do external funds transfer so I can transfer funds to my son who lives out of state. That is great! Thank you."

"I love the Popmoney transfer option. I was writing multiple checks a week and now I am down to 1/week."

"Very easy to use. Several locations & perfect for college kids at different schools."

guarantees customers won't be responsible for fraudulent charges<sup>1</sup>. We work 24/7 to detect, prevent and resolve fraud, and in 2016 we added features to further secure customers' privacy:

- Sign up for suspicious activity text alerts for credit and debit cards
- ATM deposit receipt images





# We value **accountability.**

## Striving for excellence.

We want to be at our best, so we can be of the most service to our customers, shareholders and team members. In order to achieve results, we hold ourselves accountable and continuously measure our performance to make improvements as necessary. We show up, do the best job we can and try to be present in our work – whether that's with customers or colleagues. The recognition that we've received as a result is a nod to the hard work of our teams, and our commitment to holding ourselves accountable to our work.



## Industry Rankings & Recognition

Our super-community banking model gives us a competitive edge in the industry. We are able to provide high-touch service through long-standing relationships in the communities we serve, all while ranking among the top largest banks. There are several rankings we keep a close eye on to monitor our industry performance.

- Among all U.S. banks, Commerce ranked as the **39th largest bank** based on asset size, with a market capitalization of \$5.7 billion.<sup>1</sup>
- Commerce Trust Company ranked as the **21st largest bank-owned trust company** in the U.S.<sup>1</sup>
- Commerce consistently ranks among the top issuers of credit, debit and commercial cards, according to The Nilson Report. We are currently ranked as the **7th largest purchasing card issuer** and the **16th largest commercial card provider** in the U.S.<sup>2</sup>
- Moody's ranks Commerce among the **top 7 banks in the country** with a baseline credit assessment of A1, reflecting our standalone credit strength.<sup>3</sup>
- Forbes ranked Commerce as the **#62 Best Midsize Employer** for 2017.
- Commerce was 1 of 3 U.S. companies named an **Outstanding Employer** for 2017 by Korn Ferry for best-in-class employee engagement.

1. SNL Financial as of March 31, 2017

2. The Nilson Report, June 2016.

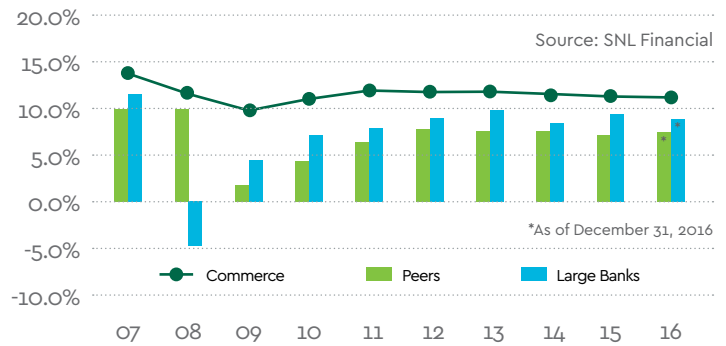
3. Moody's US Banks Ratings; February 14, 2017.

## 2016 Performance Highlights

At Commerce, we practice strong risk management, taking calculated risks and strategically investing in new products and technologies focused on improving our customers' lives. In 2016, our continued focus on priority growth opportunities resulted in strong financial results for our shareholders. Our financial performance continues to be solid, and we are especially encouraged by the extraordinary returns we saw for our shareholders – a one-year total return of 45% on our common stock.

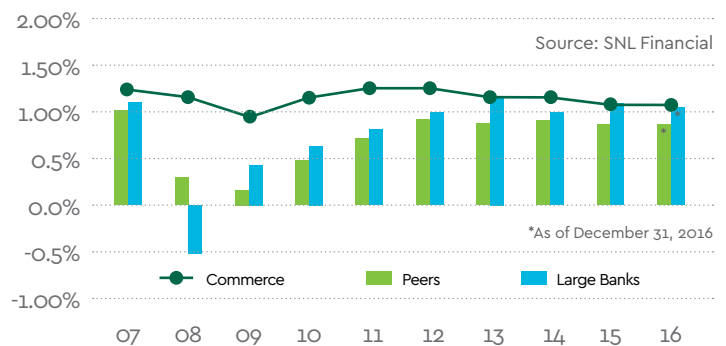
- Commerce reported **earnings per share** of \$2.61, up 7% from 2015. **Return on average assets** (ROA) was 1.12%, while **return on average equity** (ROE) was 11.3%. This compares favorably to our peer bank average ROA of .88% and average ROE of 7.8%.
- Net income** amounted to \$275 million, an increase of \$12 million from the prior year.
- Total **shareholder's equity** grew to \$2.6 billion, and we recognized a Tier 1 common risk-based **capital ratio** of 11.6%, in line with our peers and well above regulatory minimums.
- Total loans** grew \$983 million, or 8%, during 2016 with solid growth from our commercial loan portfolio. Loan growth in our **expansion markets** continues to be strong, increasing 15% to \$1.5 billion.
- Fee income from our **wealth management** businesses grew \$144 million, an increase of 6%. Trust assets are growing steadily and now total more than \$43 billion.
- In our **payments system** businesses, fees totaled \$294 million, an increase of 4% over the previous year. We expect significant growth in years to come.
- Net loan **charge-offs** continued to decline and totaled .25% of total loans – a level not seen in many years.

## RETURN ON AVERAGE COMMON EQUITY:



Commerce 10-year average: **11.7%** | Peer 10-year average: **6.3%**

## RETURN ON AVERAGE ASSETS:



Commerce 10-year average **1.2%** | Peer 10-year average **0.7%**

1 YEAR TOTAL RETURN  
ON COMMON STOCK

↑ **45%**

10 YEAR TOTAL  
SHAREHOLDER RETURN

**9.66%**

GROWTH IN EARNINGS  
PER SHARE

↑ **7%**

MARKET  
CAPITALIZATION

**\$5.9B**

DEPOSIT GROWTH  
\$1.1 BILLION

↑ **6%**

REVENUE GROWTH

↑ **7%**

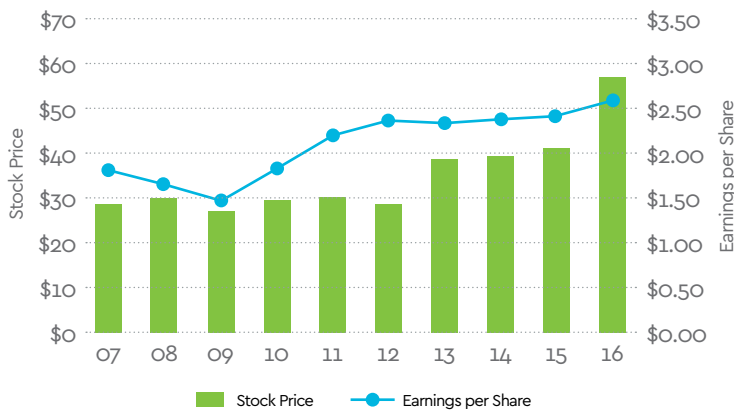
NET LOAN CHARGE-  
OFFS TO LOANS

**.25%**

GROWTH IN LOANS  
\$983 MILLION

↑ **8%**

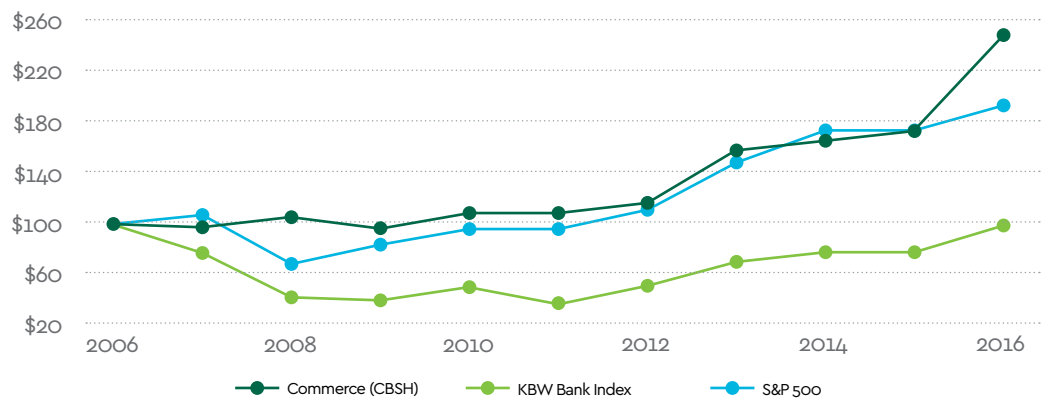
## GROWTH IN EPS AND STOCK PRICE:



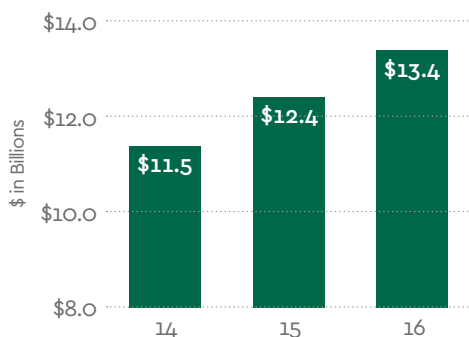
**49<sup>TH</sup>**  
**CONSECUTIVE YEAR**  
**OF DIVIDEND GROWTH**

## TEN-YEAR CUMULATIVE TOTAL RETURN:

**\$100** invested in  
 Commerce stock  
 in **2006** would be  
 worth **\$251** in **2016**  
 compared to **\$99**  
 if invested in the  
 KBW Bank Index.



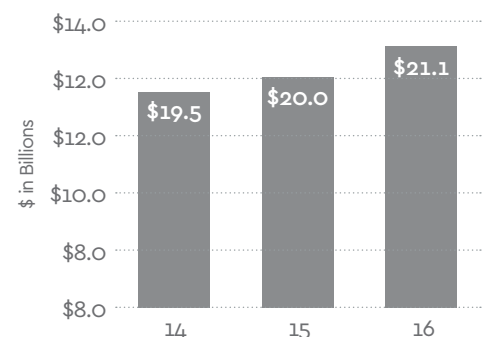
## TOTAL LOANS:



**LOANS: ↑ 8%**

**DEPOSITS: ↑ 6%**

## TOTAL DEPOSITS:







**Commerce Bank**<sup>TM</sup>  
Member FDIC