

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between

COMMERCE BANCSHARES, INC.
Edina, Minnesota

and

FEDERAL RESERVE BANK OF
MINNEAPOLIS
Minneapolis, Minnesota

Docket No. 12-001-WA/RB-HC

WHEREAS, Commerce Bancshares, Inc., Edina, Minnesota (“Commerce”), a registered bank holding company, owns and controls Commerce Bank, Geneva, Minnesota (the “Bank”), a state nonmember bank, and various nonbank subsidiaries;

WHEREAS, it is the common goal of Commerce and the Federal Reserve Bank of Minneapolis (the “Reserve Bank”) to maintain the financial soundness of Commerce so that Commerce may serve as a source of strength to the Bank;

WHEREAS, Commerce and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on January 27, 2012, the board of directors of Commerce, at a duly constituted meeting, adopted a resolution authorizing and directing James E. Senske to enter into this Agreement on behalf of Commerce, and consenting to compliance with each and every provision of this Agreement by Commerce and its institution-affiliated parties, as

defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Commerce and the Reserve Bank agree as follows:

Source of Strength

1. The board of directors of Commerce shall take appropriate steps to fully utilize Commerce’s financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into with the Federal Deposit Insurance Corporation dated October 12, 2011, and any other supervisory action taken by the Bank’s federal or state regulator.

Allowance for Loan and Lease Losses

2. (a) Within 60 days of this Agreement, Commerce shall establish an allowance for loan and lease losses (“ALLL”) methodology for loans held by Commerce, consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17). Commerce shall submit a description of its methodology to the Reserve Bank upon adoption.

(b) Within 60 days of this Agreement, Commerce shall submit to the Reserve Bank an acceptable written program for maintenance of an adequate ALLL for loans held by Commerce. The program shall include policies and procedures to ensure adherence to the ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as

appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of any required regulatory reports, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by in determining the adequacy of the ALLL. During the term of this Agreement, Commerce shall submit to the Reserve Bank, within 45 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

Dividends and Distributions

3. (a) Commerce shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the "Director") of the Board of Governors.

(b) Commerce shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) Commerce and its nonbank subsidiary shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on Commerce's capital,

earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Commerce must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

4. (a) Commerce shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Commerce shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Compliance with Laws and Regulations

5. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Commerce shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831(i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Commerce shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the FDIC's regulations (12 C.F.R. Part 359).

Progress Reports

6. Within 45 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

Communications

7. All communications regarding this Agreement shall be sent to:

(a) Ms. Diann G. Townsend
Assistant Vice President
Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
Minneapolis, Minnesota 55480

(b) Mr. James Senske
President
Commerce Bancshares, Inc.
7650 Edinborough Way
Suite 150
Edina, Minnesota 55435

Miscellaneous

8. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to Commerce to comply with any provision of this Agreement.

9. The provisions of this Agreement shall be binding upon Commerce and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

10. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

11. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting Commerce, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

12. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 17th day of February, 2012.

COMMERCE BANCSHARES, INC.

FEDERAL RESERVE BANK
OF MINNEAPOLIS

By: /s/ James E. Senske
James E. Senske
President

By: /s/ James M. Barnes
James M. Barnes
Vice President