

COMMERCE BANCSHARES INC /MO/

Form 10-Q

August 05, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011
OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission File No. 0-2989

COMMERCE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Missouri
(State of Incorporation)

43-0889454
(IRS Employer Identification No.)

**1000 Walnut,
Kansas City, MO**
(Address of principal executive offices)

64106
(Zip Code)

(816) 234-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of July 21, 2011, the registrant had outstanding 86,852,616 shares of its \$5 par value common stock, registrant's only class of common stock.

Commerce Bancshares, Inc. and Subsidiaries

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	June 30 2011	December 31 2010
	<i>(Unaudited)</i>	
	<i>(In thousands)</i>	
ASSETS		
Loans	\$ 9,237,078	\$ 9,410,982
Allowance for loan losses	(191,538)	(197,538)
Net loans	9,045,540	9,213,444
Loans held for sale	42,359	63,751
Investment securities:		
Available for sale (\$425,864,000 and \$429,439,000 pledged in 2011 and 2010, respectively, to secure structured repurchase agreements)	7,717,634	7,294,303
Trading	32,074	11,710
Non-marketable	109,867	103,521
Total investment securities	7,859,575	7,409,534
Short-term federal funds sold and securities purchased under agreements to resell	10,845	10,135
Long-term securities purchased under agreements to resell	850,000	450,000
Interest earning deposits with banks	535,696	122,076
Cash and due from banks	340,594	328,464
Land, buildings and equipment, net	374,732	383,397
Goodwill	125,585	125,585
Other intangible assets, net	9,394	10,937
Other assets	376,540	385,016
Total assets	\$ 19,570,860	\$ 18,502,339

LIABILITIES AND EQUITY

Deposits:

Non-interest bearing	\$ 4,834,750	\$ 4,494,028
Savings, interest checking and money market	8,139,989	7,846,831
Time open and C.D. s of less than \$100,000	1,273,961	1,465,050
Time open and C.D. s of \$100,000 and over	1,407,866	1,279,112

Total deposits	15,656,566	15,085,021
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Federal funds purchased and securities sold under agreements to repurchase	1,282,470	982,827
Other borrowings	111,929	112,273
Other liabilities	388,328	298,754

Total liabilities	17,439,293	16,478,875
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Commerce Bancshares, Inc. stockholders' equity:

Preferred stock, \$1 par value		
Authorized and unissued 2,000,000 shares		
Common stock, \$5 par value		
Authorized 100,000,000 shares; issued 87,296,284 shares in 2011 and 86,788,322 shares in 2010	436,481	433,942
Capital surplus	979,247	971,293
Retained earnings	645,155	555,778
Treasury stock of 355,116 shares in 2011 and 61,839 shares in 2010, at cost	(14,515)	(2,371)
Accumulated other comprehensive income	83,000	63,345

Total Commerce Bancshares, Inc. stockholders' equity	2,129,368	2,021,987
Non-controlling interest	2,199	1,477

Total equity	2,131,567	2,023,464
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Total liabilities and equity	\$ 19,570,860	\$ 18,502,339
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See accompanying notes to consolidated financial statements.

Table of Contents**Commerce Bancshares, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME**

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2011	2010	2011	2010
<i>(In thousands, except per share data)</i>				
	<i>(Unaudited)</i>			
INTEREST INCOME				
Interest and fees on loans	\$ 116,769	\$ 128,781	\$ 235,146	\$ 259,703
Interest and fees on loans held for sale	309	2,261	607	4,165
Interest on investment securities	57,712	53,801	112,601	108,964
Interest on short-term federal funds sold and securities purchased under agreements to resell	22	13	32	28
Interest on long-term securities purchased under agreements to resell	3,165		5,327	
Interest on deposits with banks	110	201	200	266
Total interest income	178,087	185,057	353,913	373,126
INTEREST EXPENSE				
Interest on deposits:				
Savings, interest checking and money market	6,372	7,711	13,272	14,807
Time open and C.D. s of less than \$100,000	2,965	6,059	6,708	12,874
Time open and C.D. s of \$100,000 and over	2,434	3,562	5,107	7,485
Interest on federal funds purchased and securities sold under agreements to repurchase	687	826	1,309	1,646
Interest on other borrowings	919	3,791	1,834	10,496
Total interest expense	13,377	21,949	28,230	47,308
Net interest income	164,710	163,108	325,683	325,818
Provision for loan losses	12,188	22,187	27,977	56,509
Net interest income after provision for loan losses	152,522	140,921	297,706	269,309
NON-INTEREST INCOME				
Bank card transaction fees	41,304	37,659	78,766	70,149
Trust fees	22,544	20,358	44,116	39,676
Deposit account charges and other fees	20,789	25,472	40,089	49,453
Bond trading income	4,979	5,387	9,699	10,391

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Consumer brokerage services	2,880	2,372	5,543	4,489
Loan fees and sales	2,075	3,472	3,899	5,311
Other	6,773	6,738	15,138	15,178
Total non-interest income	101,344	101,458	197,250	194,647
INVESTMENT SECURITIES GAINS (LOSSES), NET				
Impairment (losses) reversals on debt securities	(2,119)	4,415	4,186	5,710
Noncredit-related losses (reversals) on securities not expected to be sold	1,469	(5,091)	(5,110)	(7,843)
Net impairment losses	(650)	(676)	(924)	(2,133)
Realized gains (losses) on sales and fair value adjustments	2,606	1,336	4,207	(872)
Investment securities gains (losses), net	1,956	660	3,283	(3,005)
NON-INTEREST EXPENSE				
Salaries and employee benefits	84,223	87,108	171,615	174,546
Net occupancy	11,213	11,513	23,250	23,611
Equipment	5,702	5,938	11,279	11,839
Supplies and communication	5,692	6,829	11,224	14,167
Data processing and software	17,531	17,497	33,998	34,103
Marketing	4,495	5,002	8,753	9,720
Deposit insurance	2,780	4,939	7,671	9,689
Indemnification obligation		(1,683)	(1,359)	(1,683)
Other	21,877	18,650	41,042	35,525
Total non-interest expense	153,513	155,793	307,473	311,517
Income before income taxes	102,309	87,246	190,766	149,434
Less income taxes	32,692	27,428	60,199	45,805
Net income	69,617	59,818	130,567	103,629
Less non-controlling interest expense (income)	583	84	1,080	(275)
Net income attributable to Commerce Bancshares, Inc.	\$ 69,034	\$ 59,734	\$ 129,487	\$ 103,904
Net income per common share basic	\$.80	\$.69	\$ 1.49	\$ 1.19

Net income per common share	diluted	\$.79	\$.68	\$	1.48	\$	1.18
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See accompanying notes to consolidated financial statements.

