

COMMERCE BANCSHARES, INC.

EARNINGS HIGHLIGHTS 4th Quarter 2021



Commerce Bancshares, Inc.

CAUTIONARY STATEMENT

A number of statements we will be making in our presentation and in the accompanying slides are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements of the Corporation’s plans, goals, objectives, expectations, projections, estimates and intentions. These forward-looking statements involve significant risks and uncertainties and are subject to change based on various factors (some of which are beyond the Corporation’s control). Factors that could cause the Corporation’s actual results to differ materially from such forward-looking statements made herein or by management of the Corporation are set forth in the Corporation’s 2020 Annual Report on Form 10-K, 3RD Quarter 2021 Report on Form 10-Q and the Corporation’s Current Reports on Form 8-K.

4Q2021 EARNINGS HIGHLIGHTS

Highlights

PPNR¹
\$151.8 million

Net Income
\$114.9 million

EPS
\$0.94

ROAA
1.28%

ROACE
13.11%

Efficiency Ratio
57.29%

Well-positioned in a challenging environment

- Net interest income decreased 3.0% from Q3.
- Net interest margin decreased 15 bps from Q3 to 2.43%.
- Non-interest income increased 7.4% over Q3.
 - Non-interest income to total revenue of 41.6%.
- Wealth management client assets increased 3.8% over Q3 to \$69.3 billion at December 31, 2021.
- Non-interest expense decreased \$8.0 million from Q3.
- QTD average loans (excl. PPP) up 1.3% over Q3. Period ending loans (excl. PPP) up 1.4% over Q3.
- QTD average deposits increased \$790.6 million over Q3.
- Net charge-offs to total average loans of .11% and non-accrual loans to total loans of .06%.
- Tangible common equity to tangible assets of 9.01%.

¹ See the non-GAAP reconciliation on page 19

BALANCE SHEET HIGHLIGHTS

Quarterly Average Balances \$ in millions	Change vs.			Highlights
	4Q21	3Q21	4Q20	
Commercial ¹	\$9,423.5	↓ \$ (165.4)	↓ \$ (1,219.5)	<ul style="list-style-type: none"> • Linked quarter (LQ) reflects lower PPP loans (-356MM) offset by higher core business, construction and business real estate
Consumer	5,669.6	↓ (0.5)	↓ (48.7)	<ul style="list-style-type: none"> • LQ reflects slightly higher personal real estate and consumer loans, offset by lower consumer credit card and revolving home equity loans
Total Loans	\$15,093.1	↓ \$ (165.9)	↓ \$ (1,268.2)	
Investment Securities	\$14,686.8	↑ \$892.0	↑ \$2,713.7	<ul style="list-style-type: none"> • LQ increase due to growth in asset-backed securities and U.S. government securities
Interest Earning Deposits with Banks	\$2,857.0	↑ \$254.1	↑ \$1,774.3	<ul style="list-style-type: none"> • Prudently deploying excess deposits into higher-yielding assets
Deposits	\$28,847.9	↑ \$790.6	↑ \$3,257.2	<ul style="list-style-type: none"> • 2.8% quarterly growth, 12.7% annual growth
Book Value per Common Share ²	\$28.40	↓ \$ (.18)	↑ \$.76	<ul style="list-style-type: none"> • 2.7% annual growth

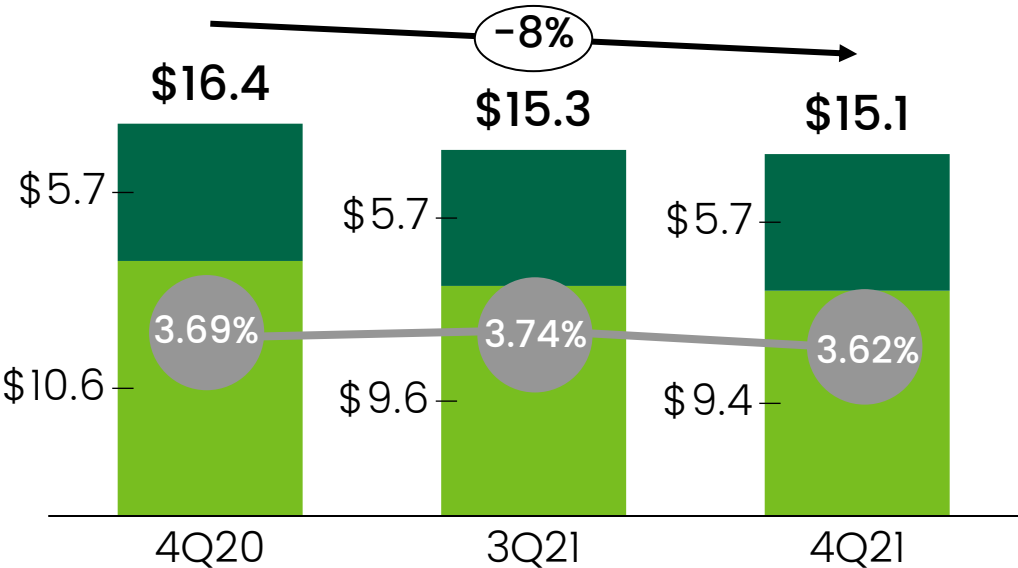
¹ PPP QTD average balances were \$218.9 million and \$575.0 million as of December 31, 2021 and September 30, 2021, respectively

² For the quarters ended December 31, 2021, September 30, 2021, and December 31, 2020

BALANCE SHEET

Loans

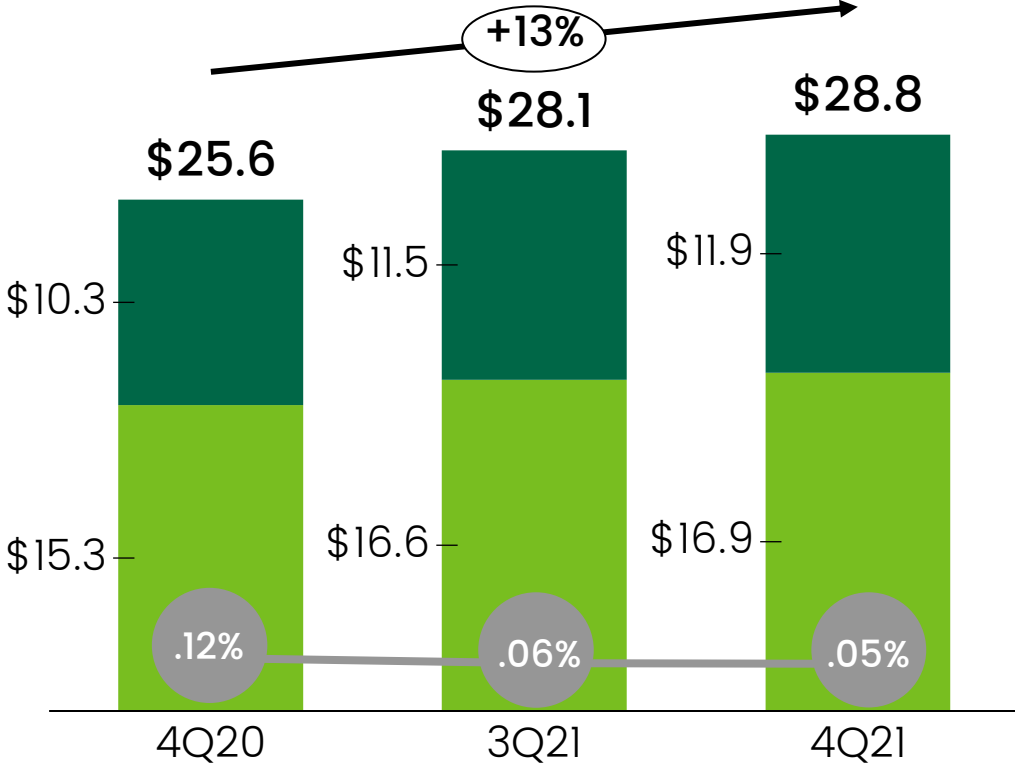
QTD Average Balances
\$ billions



■ Consumer Loans — Loan Yield
■ Commercial Loans

Deposits

QTD Average Balances
\$ billions



■ Non-Interest Bearing — Interest Bearing Deposit Yield
■ Interest Bearing Deposit

LOAN PORTFOLIO

Period-End Balances

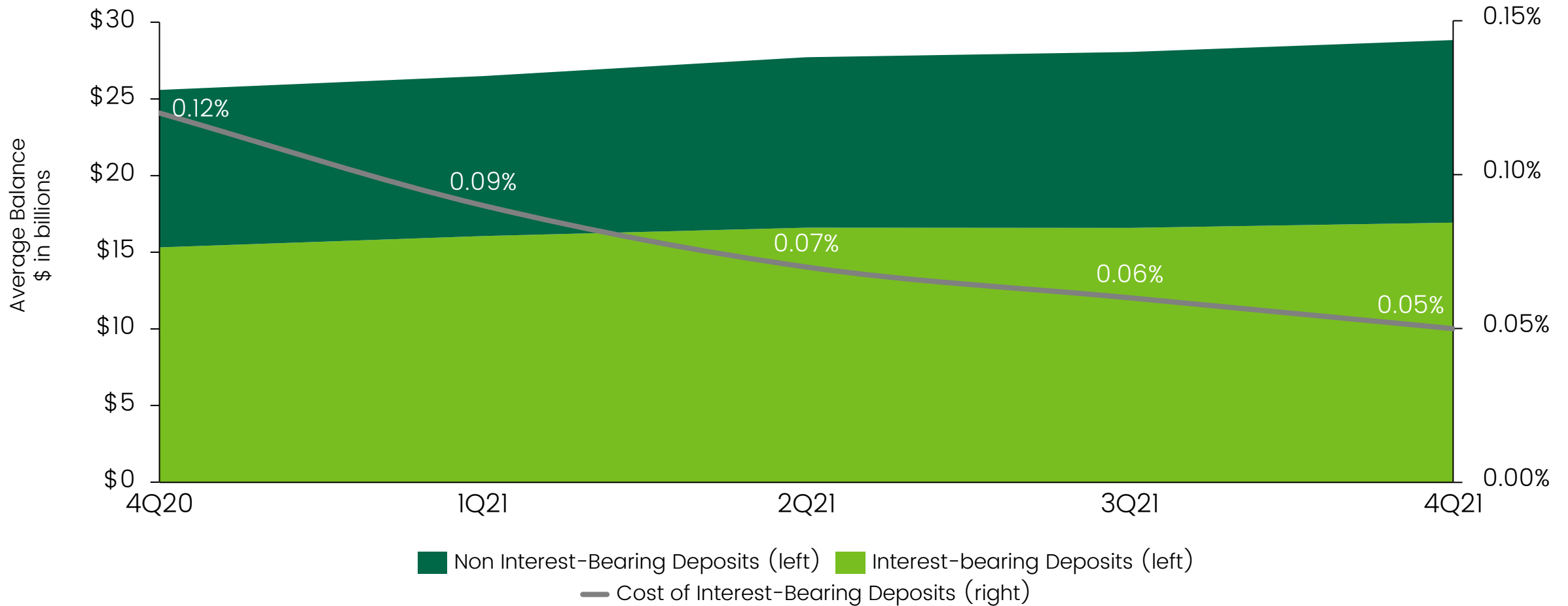
QTD Average Balances

\$ in 000s	12/31/2021	9/30/2021	12/31/2020	QoQ	YoY	\$ in 000s	12/31/2021	9/30/2021	12/31/2020	QoQ	YoY
Business	\$5,303,535	\$5,277,850	\$6,546,087	.5%	-19.0%	Business	\$5,191,844	\$5,437,498	\$6,580,300	-4.5%	-21.1%
<i>Business excl. PPP</i>	<i>5,174,372</i>	<i>4,969,914</i>	<i>5,185,913</i>	<i>4.1%</i>	<i>-.2%</i>	<i>Business excl. PPP</i>	<i>4,972,934</i>	<i>4,862,523</i>	<i>5,104,058</i>	<i>2.3%</i>	<i>-2.6%</i>
Construction	1,118,266	1,257,836	1,021,595	-11.1%	9.5%	Construction	1,228,237	1,168,566	1,032,891	5.1%	18.9%
Business Real Estate	3,058,837	2,937,852	3,026,117	4.1%	1.1%	Business Real Estate	3,003,459	2,982,847	3,029,799	.7%	-.9%
Personal Real Estate	2,805,401	2,769,292	2,820,030	1.3%	-.5%	Personal Real Estate	2,785,095	2,775,638	2,778,462	.3%	.2%
Consumer	2,032,225	2,049,559	1,950,502	-.8%	4.2%	Consumer	2,043,690	2,041,263	1,981,033	.1%	3.2%
Revolving Home Equity	275,945	281,442	307,083	-2.0%	-10.1%	Revolving Home Equity	276,464	281,689	316,895	-1.9%	-12.8%
Consumer Credit Card	575,410	569,976	655,078	1.0%	-12.2%	Consumer Credit Card	559,429	566,406	638,161	-1.2%	-12.3%
Overdrafts	6,740	4,583	3,149	47.1%	114.0%	Overdrafts	4,926	5,110	3,762	-3.6%	30.9%
Total Loans	\$15,176,359	\$15,148,390	\$16,329,641	.2%	-7.1%	Total Loans	\$15,093,144	\$15,259,017	\$16,361,303	-1.1%	-7.8%
PPP ¹	129,163	307,936	1,360,174	-58.1%	-90.5%	PPP ¹	218,910	574,975	1,476,242	-61.9%	-85.2%
Total Loans excl. PPP	\$15,047,196	\$14,840,454	\$14,969,467	1.4%	.5%	Total Loans excl. PPP	\$14,874,234	\$14,684,042	\$14,885,061	1.3%	-.1%

¹Paycheck protection program (PPP) loans are included in the business loan category

BALANCE SHEET: LOW-COST DEPOSITS

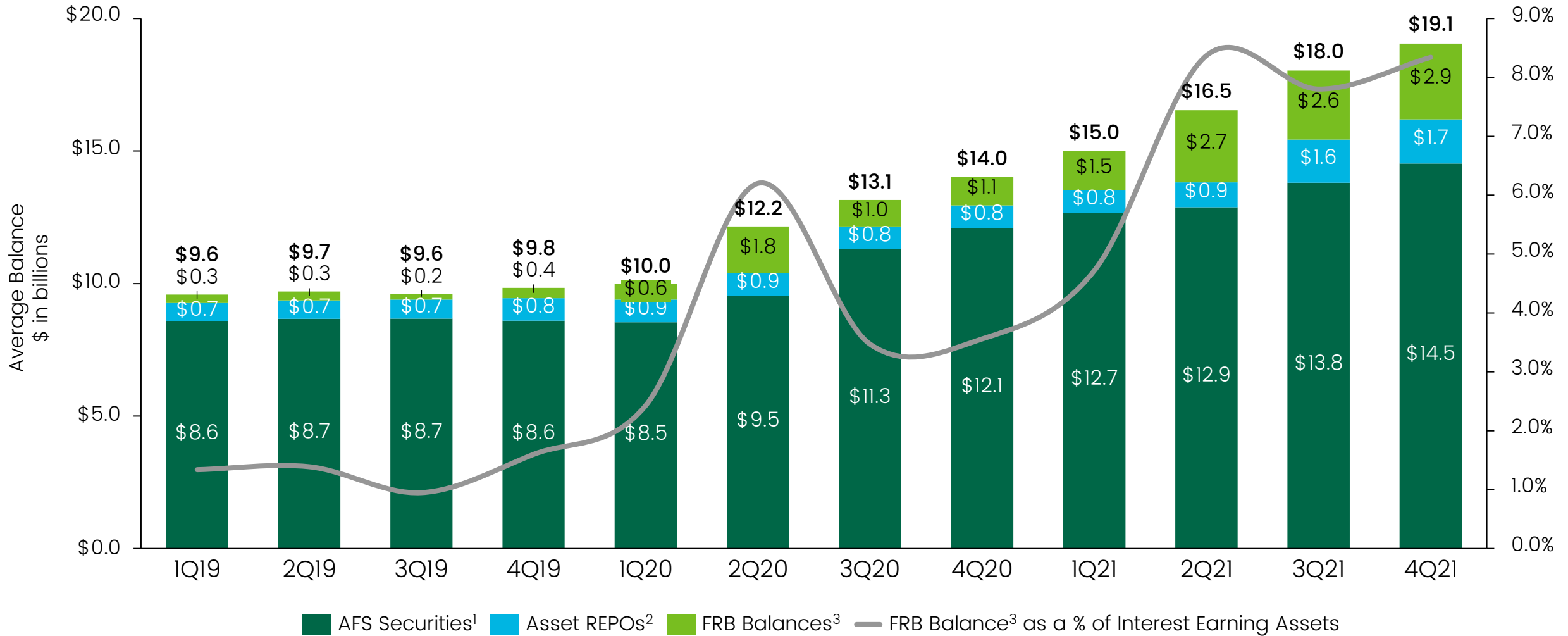
- 41% of Q4 average deposits were non-interest bearing.
- Cost of interest-bearing deposits declined slightly.



EARNING ASSET OPTIMIZATION

EXCLUDING LOANS

Prudently deploying excess deposits into higher-yielding assets



¹Available for Sale (AFS) securities are reported at fair value

²Asset REPOs defined as Securities purchased under agreements to resell

³Interest earning deposits at Federal Reserve Bank

INCOME STATEMENT HIGHLIGHTS

\$ in millions	4Q21	Change vs.		4Q20	Highlights	
		3Q21				
Net Interest Income	\$207.7	↓	\$(6.4)	↓	\$(2.1)	<ul style="list-style-type: none"> • Linked quarter (LQ) decrease due to lower interest earned on loans and securities purchased under agreements to resell, partially offset by higher income earned on investment securities
Non-Interest Income	\$147.7	↑	\$10.2	↑	\$12.6	<ul style="list-style-type: none"> • See page 10
Non-Interest Expense	\$203.6	↓	\$(8.0)	↑	\$7.3	<ul style="list-style-type: none"> • See page 11
Pre-Tax, Pre-Provision Net Revenue ¹	\$151.8	↑	\$11.9	↑	\$3.2	
Investment Securities Gains, Net	\$(9.7)	↓	\$(22.8)	↓	\$(22.0)	<ul style="list-style-type: none"> • Q4 included net fair value losses of \$6.5 million on private equity investment portfolio, in part due to \$5.5 million in dividends paid by companies in the portfolio
Provision for Credit Losses	\$(7.1)	↑	\$0.3	↓	\$(2.7)	<ul style="list-style-type: none"> • Decrease compared to the prior year (PY) reflects \$3.8 million less net charge-offs
Net-Income Available to Common Shareholders	\$114.9	↓	\$(7.7)	↓	\$(15.0)	
For the three months ended	4Q21		3Q21		4Q20	
Net Income per Common Share – Diluted	\$0.94	↓	\$0.99	↓	\$1.05	
Net Yield on Interest Earning Assets	2.43%	↓	2.58%	↓	2.80%	<ul style="list-style-type: none"> • Compared to 4Q20, lower earning asset yields were slightly offset by lower deposit costs

¹ See the non-GAAP reconciliation on page 19

NON-INTEREST INCOME HIGHLIGHTS

\$ in millions	Change vs.			Highlights
	4Q21	3Q21	4Q20	
Bank Card Transaction Fees	\$44.8	↑ \$2.0	↑ \$4.8	<ul style="list-style-type: none"> Increase of 12.0% over prior year (PY) driven by growth in net corporate card and net debit card fees
Trust Fees	\$48.9	–	↑ \$6.9	<ul style="list-style-type: none"> Increase of 16.5% over PY resulting mostly from higher private client fee income
Deposit Account Charges and Other Fees	\$25.5	↑ \$0.3	↑ \$1.3	<ul style="list-style-type: none"> Increase of 5.5% over PY as fees continue to rebound
Capital Market Fees	\$3.8	–	–	
Consumer Brokerage Services	\$4.9	–	↑ \$0.9	<ul style="list-style-type: none"> Consumer brokerage fees up 22.1%, compared to PY, mainly due to growth in advisory and life insurance fees
Loan Fees and Sales	\$5.2	↓ \$(1.6)	↓ \$(3.8)	<ul style="list-style-type: none"> Decline mostly in mortgage banking revenue, down 53.6% from PY
Other	\$14.6	↑ \$9.5	↑ \$2.4	<ul style="list-style-type: none"> Increase over PY mainly due to a gain on the sale of land, higher tax credit sales fees and higher swap fees, partially offset by lower cash sweep commissions
Total Non-Interest Income	\$147.7	↑ \$10.2	↑ \$12.6	

NON-INTEREST EXPENSE HIGHLIGHTS

\$ in millions	4Q21	Change vs.		4Q20	Highlights	
		3Q21				
Salaries and Employee Benefits	\$132.6	↓	\$ (.2)	↑	\$2.7	• Increase of 2.0% over prior year (PY) mostly due to higher full-time salaries and incentive compensation
Net Occupancy	\$12.3		—	↑	\$.7	
Equipment	\$4.7	↑	\$.3	↑	\$.1	
Supplies	\$4.4	↓	\$ (.1)	↑	\$.2	
Data Processing and Software	\$25.8	↑	\$.2	↑	\$1.5	• Increase of 6.0% over PY due to higher bank card processing fees and an increase in costs for service providers
Marketing	\$5.4	↓	\$ (.2)	↑	\$.4	
Other	\$18.3	↓	\$ (7.9)	↑	\$1.7	• Increase of 9.9% over PY mainly due to an increase in travel and entertainment expense. Linked quarter (LQ) lower due to Q3 non-recurring litigation expense
Total Non-Interest Expense	\$203.6	↓	\$ (8.0)	↑	\$7.3	

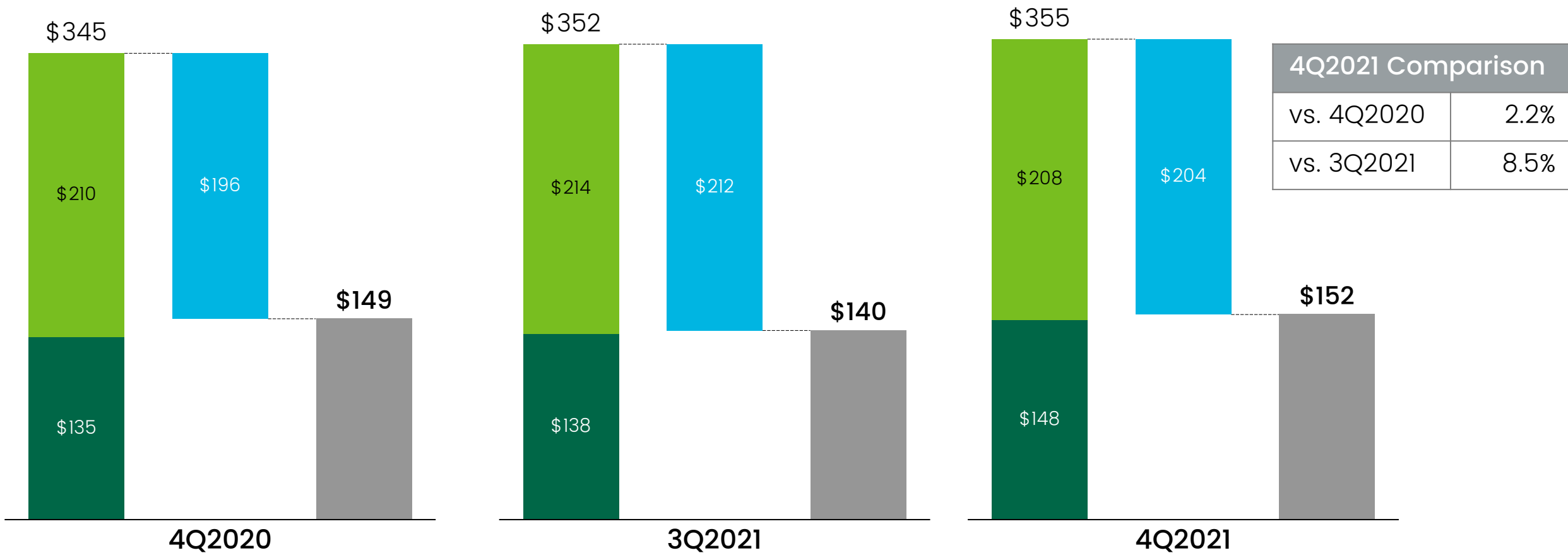
PRE-TAX, PRE-PROVISION NET REVENUE (PPNR)

Net Interest Income (+)

Non-Interest Expense (-)

Non-Interest Income (+)

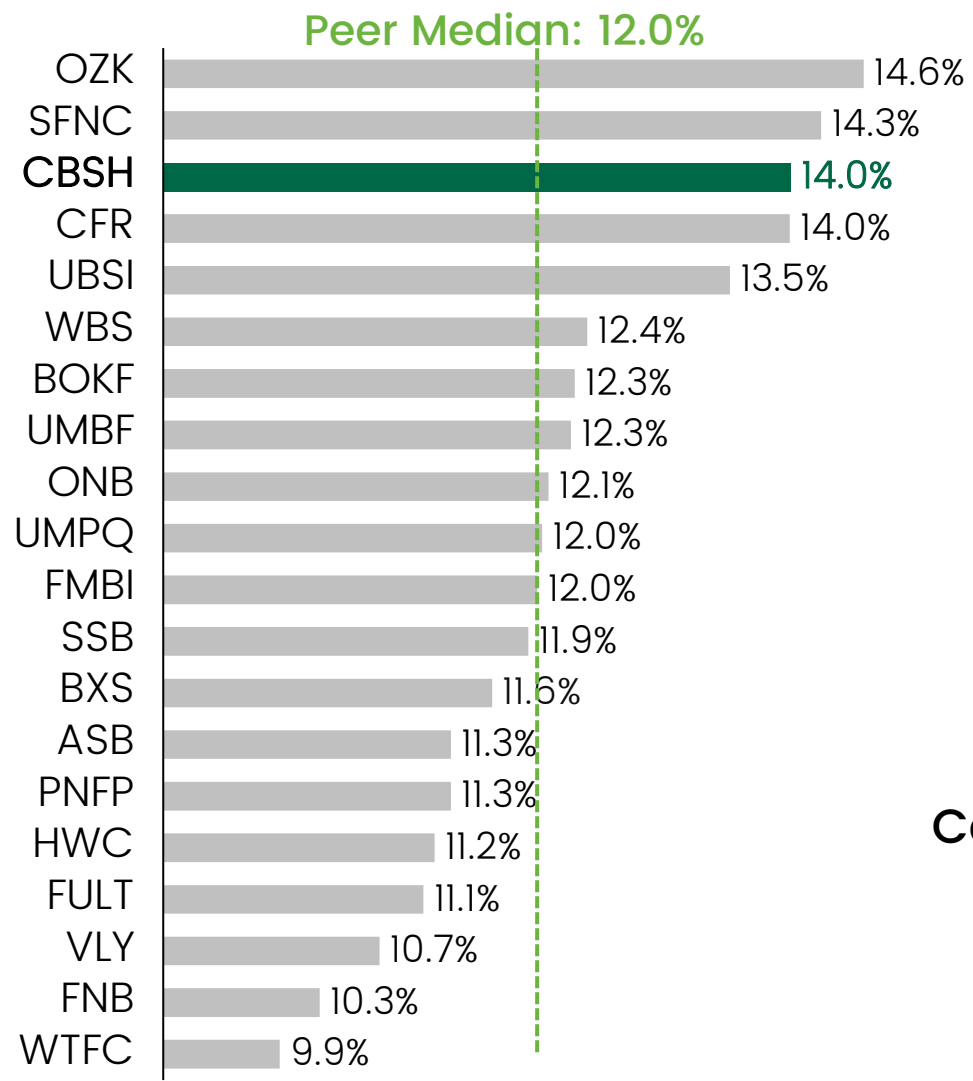
Pre-Tax, Pre-Provision Net Revenue (=)



4Q2021 Comparison	
vs. 4Q2020	2.2%
vs. 3Q2021	8.5%

SOUND CAPITAL AND LIQUIDITY POSITION

Tier 1 Risk-Based Capital Ratio¹



Loan to Deposit Ratio

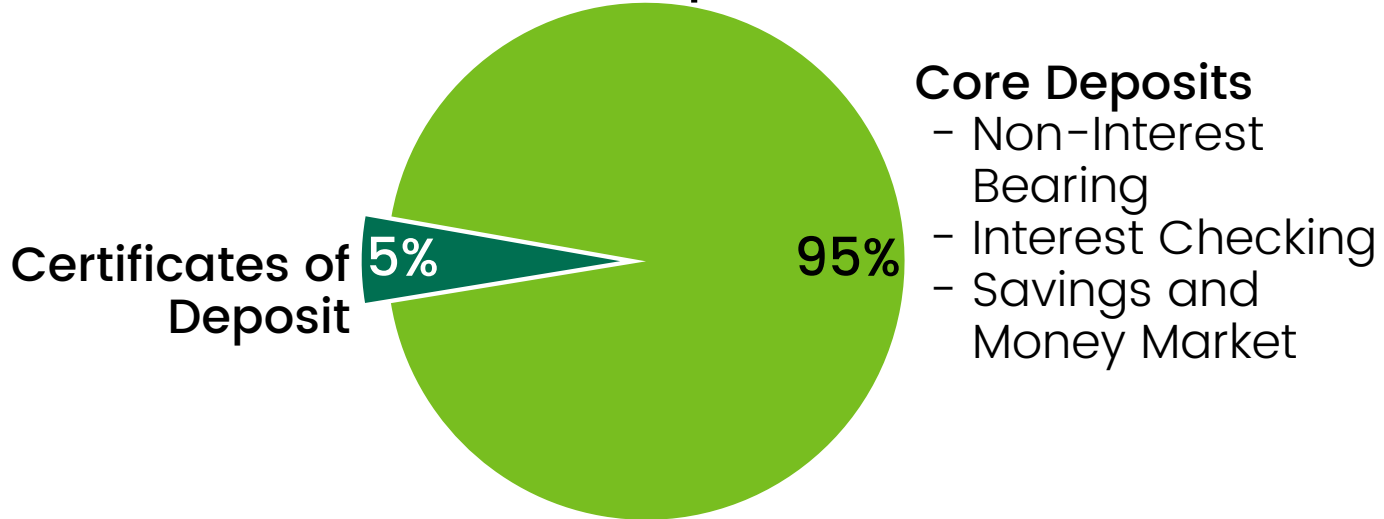
Large, stable deposit base

Core Deposits
\$28.4
Billion²

52% Average Loan to
Commerce Deposit Ratio³

78% Average Loan to
Peer Average Deposit Ratio¹

Total Deposits



¹S&P Global Market Intelligence, Information as of September 30, 2021

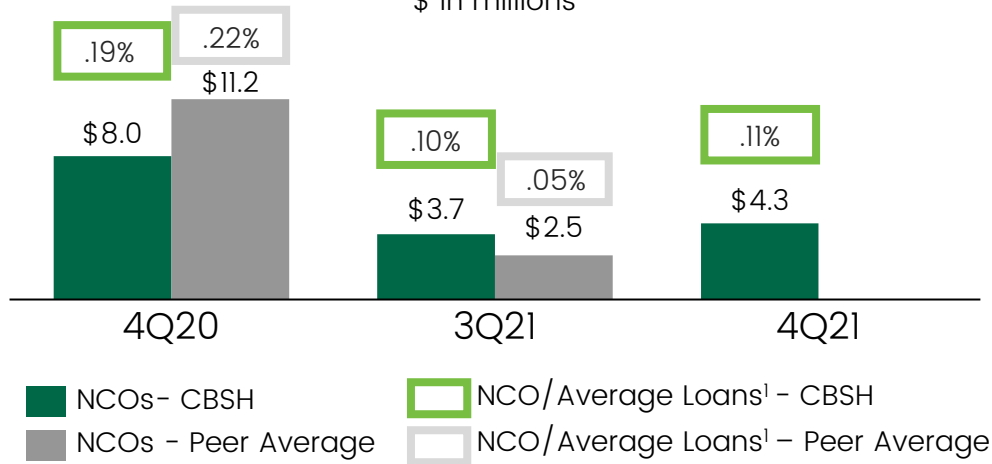
²Period-end balances, as of December 31, 2021

³Includes loans held for sale, for the quarter ended December 31, 2021

MAINTAINING STRONG CREDIT QUALITY

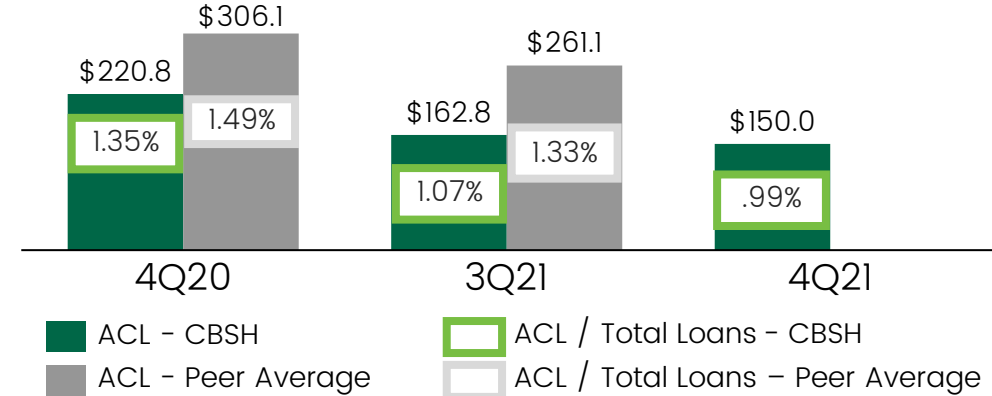
Net Loan Charge-Offs (NCOs)

\$ in millions



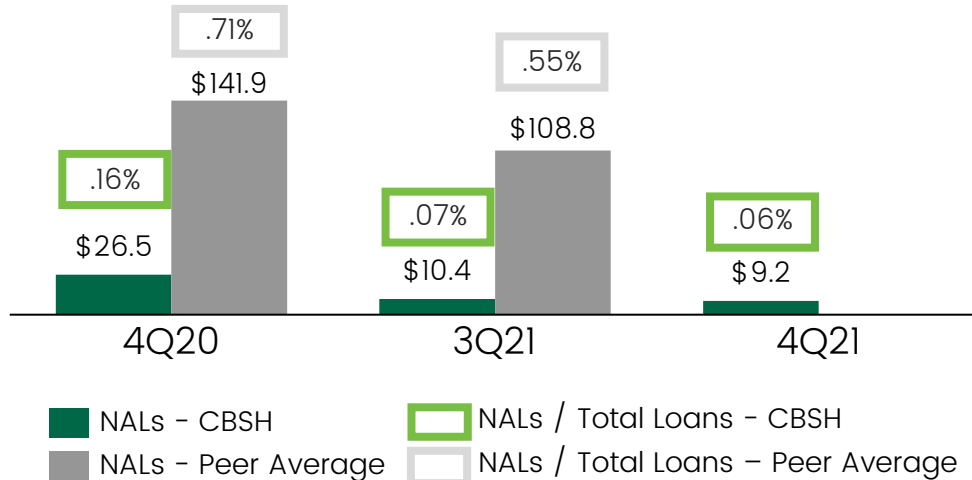
Allowance for Credit Losses on Loans (ACL)

\$ in millions

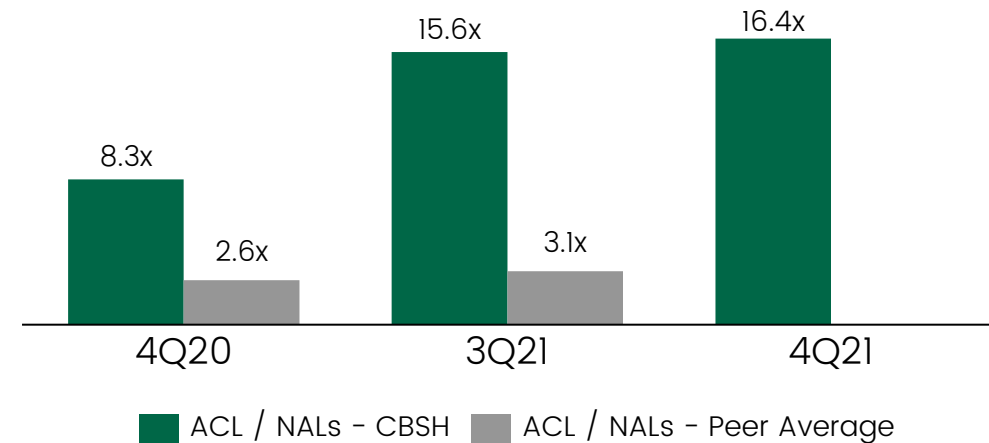


Non-Accrual Loans (NALs)

\$ in millions



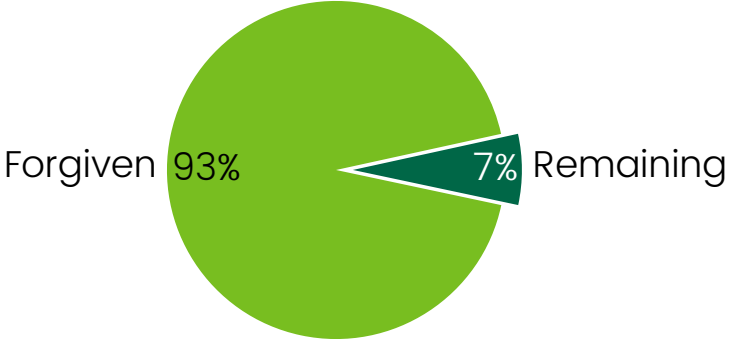
Allowance for Credit Losses on Loans (ACL) to NALs



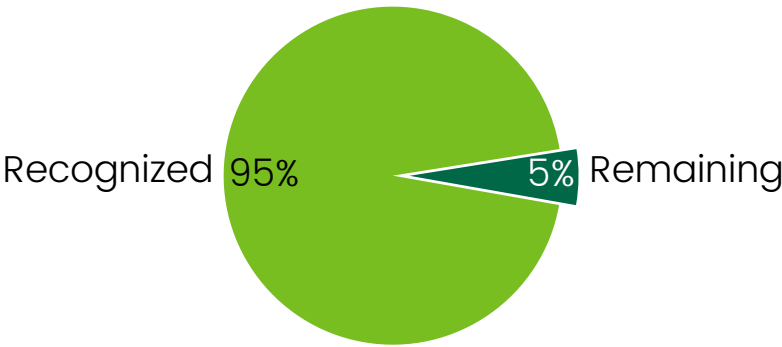
Percentages are illustrative and not to scale; Peer Banks include: ASB, BXS, OZK, BOKF, CFR, FNB, FMBI, FULT, HWC, ONB, PNFP, SFNC, SSB, UMBF, UMPQ, UBSI, VLY, WBS, WTFC
¹As a percentage of average loans (excluding loans held for sale)

PAYCHECK PROTECTION PROGRAM IMPACT AND UPDATE

**Total Loan Originations¹:
\$1.9 Billion**

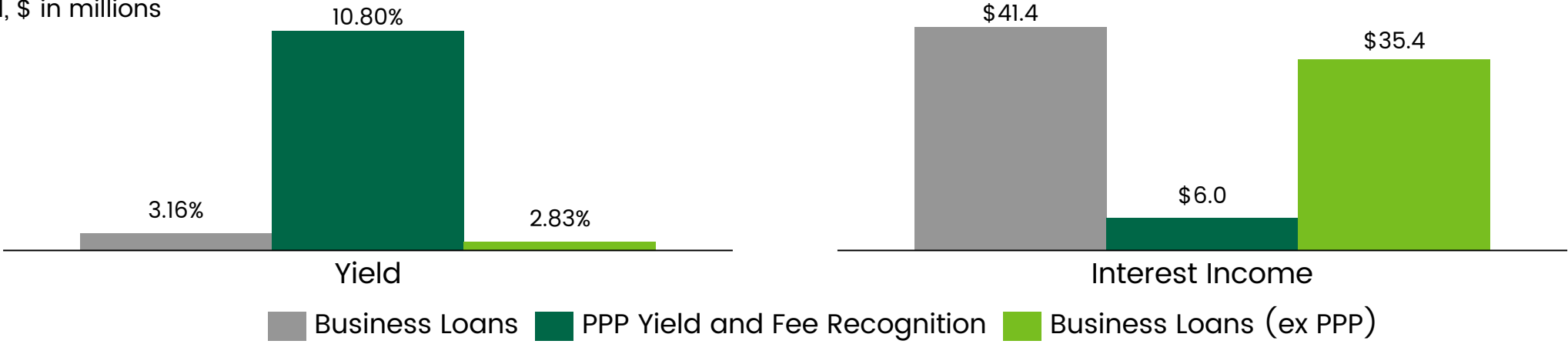


**Total SBA Fees:
\$60.4 Million**



Yield and Interest Income²

Q4 2021, \$ in millions

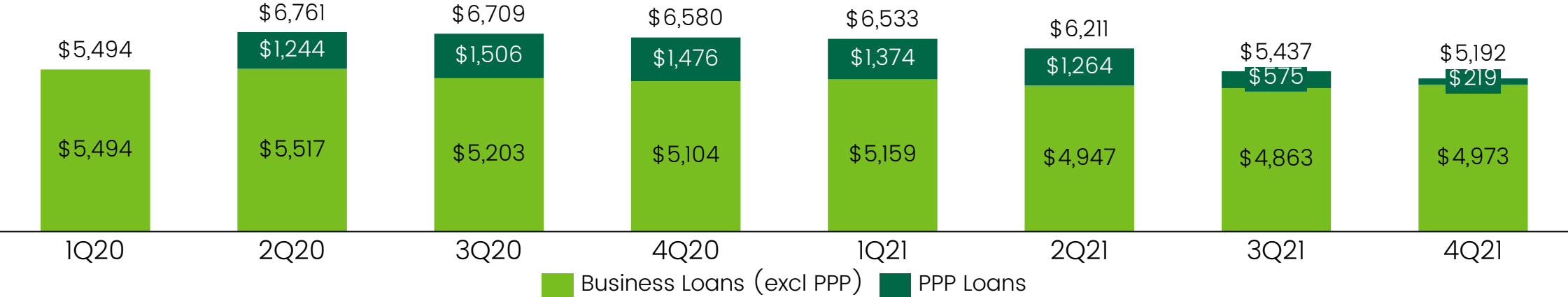


¹Includes Round 1 and Round 2 fundings. Period-end balance as of 12/31/2021 was \$129.2 million; ²Tax equivalent basis

PAYCHECK PROTECTION PROGRAM IMPACT AND UPDATE

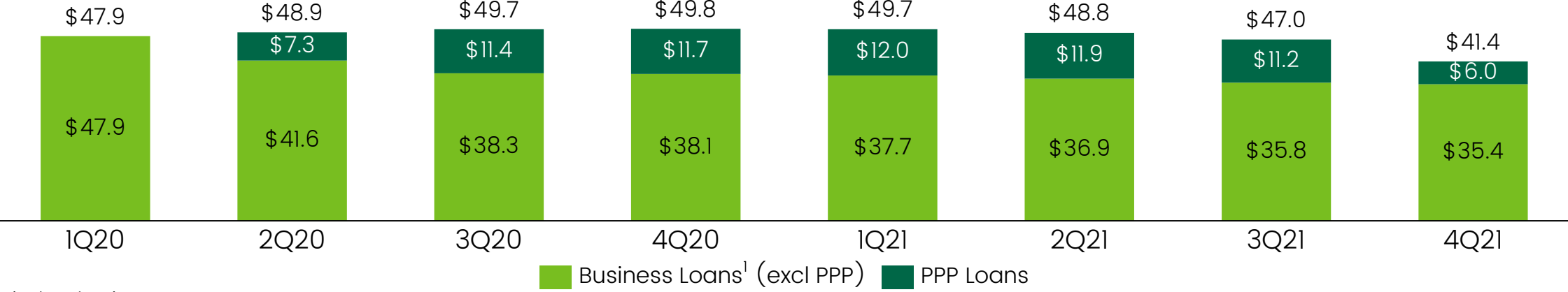
Loan Portfolio Impact

QTD Average Balances, \$ in millions



Interest Income Impact

\$ in millions



¹Tax equivalent basis

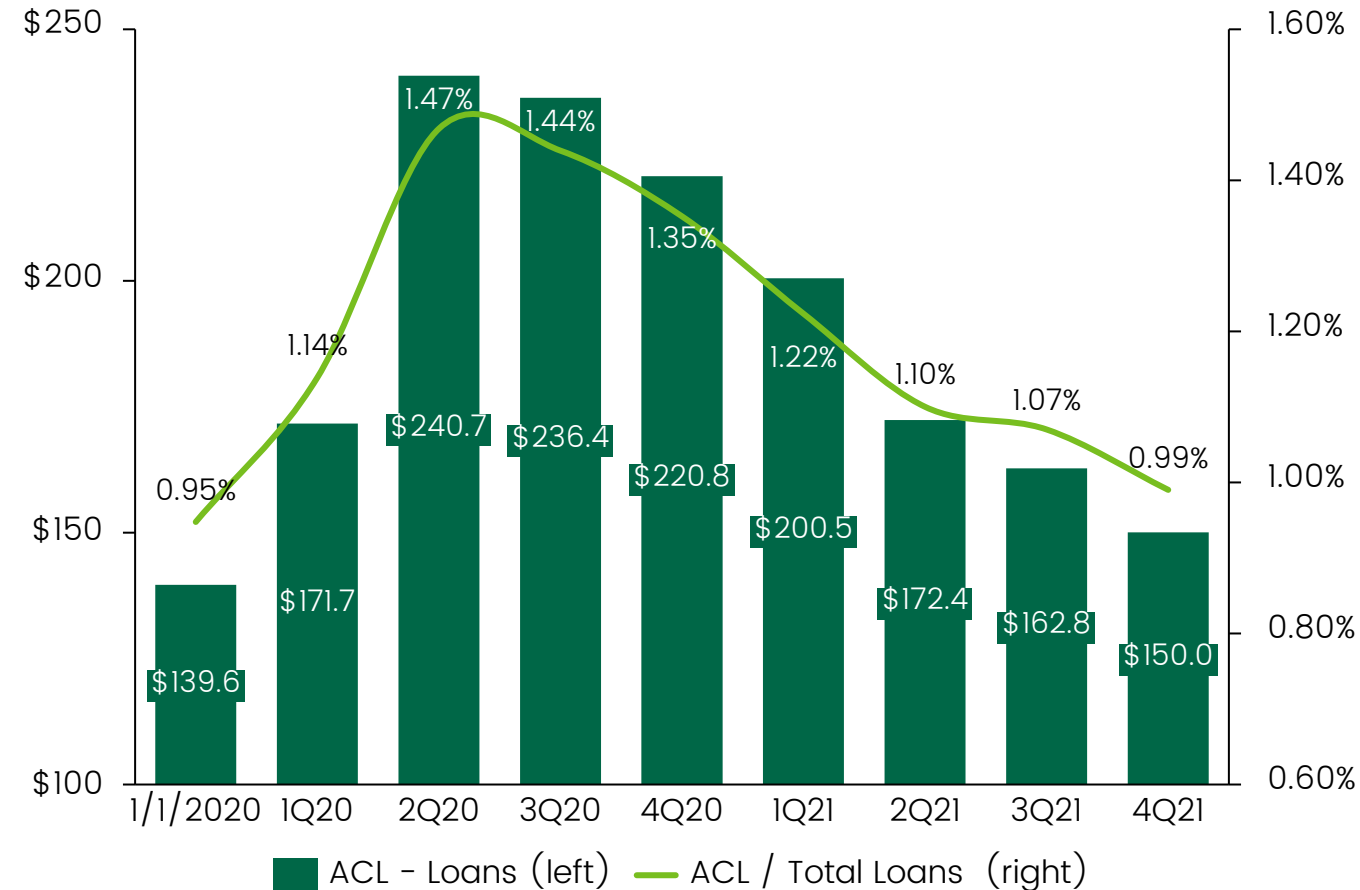
ALLOCATION OF ALLOWANCE

CECL allowances reflect the economic and market outlook

\$ in millions	September 30, 2021		December 31, 2021	
	Allowance for Credit Losses (ACL)	% of Outstanding Loans	Allowance for Credit Losses (ACL)	% of Outstanding Loans
Business	\$ 41.0	.78%	\$ 43.9	.83%
Bus R/E	32.3	1.10%	30.7	1.00%
Construction	24.8	1.97%	23.2	2.07%
Commercial total	\$ 98.2	1.04%	\$ 97.8	1.03%
Consumer	11.4	.56%	10.1	.50%
Consumer CC	46.4	8.15%	35.5	6.16%
Personal R/E	5.4	.19%	5.3	.19%
Revolving H/E	1.1	.40%	1.2	.44%
Overdrafts	.3	6.66%	.2	2.67%
Consumer total	\$ 64.6	1.14%	\$ 52.3	.92%
Allowance for credit losses on loans	\$ 162.8	1.07%	\$ 150.0	.99%

Allowance for Credit Losses (ACL) on Loans

\$ in millions



CAPITAL FOR BUSINESS[®]

A middle-market private equity firm focused on the success of industrial growth companies

Quick Facts:

Small Business Investment Company (SBIC) founded in 1959

Nationwide footprint with Greater Midwest Focus

37 Portfolio Companies Representing
\$807 million in Revenue
Over 3,300 Employees

Fair Value as of December 31, 2021:
\$147.4 million

Investment Criteria

- Manufacturing, distribution and certain service companies
- Cash flow positive
- Good management
- Consistent financial performers
- Operate in niche markets
- Significant and defensible market positions
- Differentiated products and services
- Scalable business platforms

Target Parameters

- Revenues - \$10 million to \$100 million
- EBITDA - \$2 million to \$7 million

Transaction Types

Management buyouts
Leveraged buyouts
Succession plans
Recapitalizations
Corporate divestitures

Investment Structures

Subordinated debt
Preferred stock
Common stock
Warrants

Other Information

Co-investors
Majority control
Target 5-7 year hold period
Management participation



NON-GAAP RECONCILIATIONS

Pre-tax, Pre-provision Net Revenue

		For The Three Months Ended		
(DOLLARS IN THOUSANDS)		Dec. 31, 2021	Sept. 30, 2021	Dec. 31, 2020
A	Net Interest Income	\$ 207,657	\$ 214,037	\$ 209,763
B	Non-Interest Income	\$ 147,699	\$ 137,506	\$ 135,117
C	Non-Interest Expense	\$ 203,582	\$ 211,620	\$ 196,310
	Pre-Provision Net Revenue (A+B-C)	\$ 151,774	\$ 139,923	\$ 148,570

