Embracing a Growth Mindset

# COMMERCE BANCSHARES, INC.

## INVESTOR UPDATE

## 4th Quarter 2020

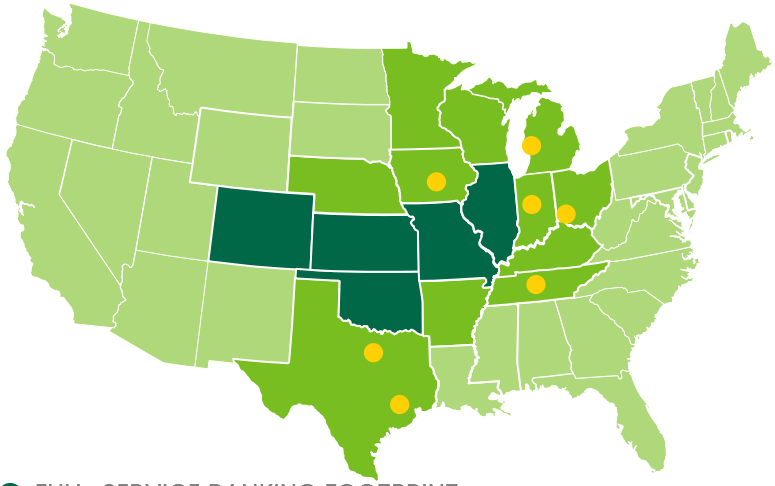
Commerce Bancshares, Inc.

# 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 2019 Annual Report on Form 10-K, 3RD Quarter 2020 Report on Form 10-Q and the Corporation's Current Reports on Form 8-K.

# COMMERCE BANCSHARES

## 155 YEARS IN BUSINESS



**FULL-SERVICE BANKING FOOTPRINT**

157 full-service branches and 354 ATMs
St. Louis • Kansas City • Springfield • Central Missouri
Central Illinois • Wichita • Tulsa • Oklahoma City • Denver

**COMMERCIAL OFFICES**

Cincinnati • Nashville • Dallas • Des Moines • Indianapolis
Grand Rapids • Houston

**U.S. PRESENCE**

Extended Commercial Market Area
Commercial Payments Services
Offered in 48 states across the U.S.

**$32.9**
BILLION IN TOTAL ASSETS

**42ND**
LARGEST U.S. BANK BASED ON ASSET SIZE[1]

**$7.7**
BILLION IN MARKET CAPITALIZATION

**16TH**
LARGEST U.S. BANK BASED ON MARKET CAPITALIZATION[1]

**$61.2**
BILLION IN TRUST ASSETS

**17TH**
LARGEST AMONG U.S. BANK-MANAGED TRUST COMPANIES BASED ON AUM[1]

**a1**
BASELINE CREDIT ASSESSMENT[3]

**$26.9**
BILLION IN TOTAL DEPOSITS

**$16.4**
BILLION IN TOTAL LOANS[2]

**$8.5**
BILLION IN COMMERCIAL CARD VOLUME as of 12/31/20

**10.6%**
RETURN ON AVERAGE COMMON EQUITY
as of YTD 12/31/2020

**12TH**
YTD ROACE FOR THE TOP 50 U.S. BANKS BASED ON ASSET SIZE[1]

MOODY'S RANKS COMMERCE AMONG THE TOP 6 BANKS IN THE COUNTRY

Source: [1]S&P Global Market Intelligence as of 09/30/2020, Regulated U.S. depositories, which includes commercial banks, bank holding companies, and credit unions; [2]Includes loans held for sale; [3]Moody's Credit Opinion – Commerce Bancshares, Inc., November 19, 2020; Moody's rating affirmed - December 22, 2020 (Baseline Credit Assessment (BCA) reflects a bank's standalone credit strength); company reports and filings information as of 12/31/2020 unless otherwise noted.

# SUPER-COMMUNITY BANK PLATFORM

*A consistent strategy with a long-term view*

## Community Bank

- Award-winning customer service
- Focus on the full client relationship
- Core values embraced by team members
- Quickly adapt to customer needs and changing preferences

Customer relationship-based:
**Challenge Accepted.®**

High-performing teams and engaged workforce

Long history of top quartile credit quality metrics

Investment in distinctive, high-return businesses

Focus on operational efficiencies

Disciplined approach to acquisitions

## Super-Regional Bank

- Sophisticated payment system capabilities
- Broad consumer product offerings
- Private Banking; Trust; Capital Markets
- Shareholder driven and strong financial performance
- Competitive on unit costs

Commerce Bancshares, Inc.

# OUR STRONG CULTURE IS THE KEY DRIVER TO OUR LONG-TERM SUCCESS

*At Commerce, our core values shape the way we live and work.*

| | |
|---|---|
| **V** | We have a long term **V**iew |
| **O** | We collaborate as **O**ne team |
| **I** | We act with **I**ntegrity |
| **C** | We are **C**ustomer focused |
| **E** | We strive for **E**xcellence |

- We make decisions today that will sustain us well into the future.
- We see diversity and inclusion as an imperative and seize opportunities to build teams that reflect all sides of an issue.
- We value integrity, we recognize our first duty is to conduct business in ways that merit trust and confidence, and that adhere to the highest standards of governance and ethics.
- We value relationships, our customers are our primary focus.

*A culture formed 155 years ago to be a force for good in our region and our industry*




Commerce Bancshares, Inc.

# BEYOND FINANCIALS

*Supporting each other, our customers and our communities*

> "As a socially responsible corporate citizen, we continuously seek opportunities to make a difference."

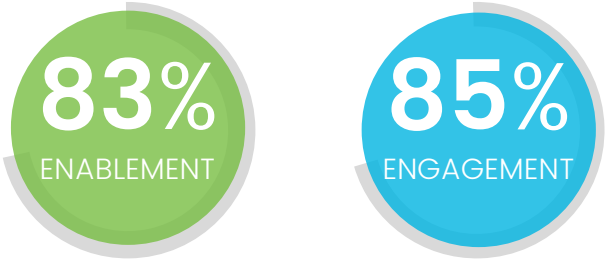
**More than 500 nonprofit organizations supported** by Commerce team members through leadership roles by serving on boards

**OUTSTANDING**

**Community Reinvestment Act rating** from the Federal Reserve for more than **20 years**

## 2020 Engagement & Enablement[1]

Consistently scoring above the U.S. High Performance and U.S. Financial Services norms for engagement, enablement and effectiveness




[1] The Korn Ferry Hay Group – 2020 survey results

Commerce Bancshares, Inc.

# OUR COMMITMENT TO DIVERSITY, EQUITY AND INCLUSION

Our longstanding approach of "doing what's right" continues to guide our focus on our team members, customers and communities

Our new **Diversity, Equity and Inclusion** CBI Blue Chip includes four pillars that focus both internally and externally. We will build on the years of progress we have already made regarding diversity.

### Customers
Deeper focus on growing a diverse customer base

### Community
Investing, both financially and with our time in our communities

### Internal
Examine our systems and data to ensure equity for all team members

### Vendors
Improve the diversity of our suppliers and spend to meet external benchmarks

**A culture that celebrates inclusion and diversity**
Commerce offers a variety of internal resource groups, mentoring programs and networking opportunities

**EMERGE**
Connecting young professionals
550+ members

**RISE**
Empowering women
1,281+ members

**PRIDE**
Engaging LGBTQIA+ community
357+ members

**VIBE**
Valuing multi-cultural perspectives
341+ members

# RECENT RECOGNITION

Commerce was named to *Newsweek's* **America's Best Banks** list for **Best Customer Service**. The award recognizes banks with the **fewest problems** reported to the Consumer Financial Protection Bureau, a **timely response rate** to complaints, a **helpful mobile app** and a **variety of dedicated customer service** lines.

Commerce Bank was named among **America's Best Banks 2020** by *Forbes*. Ranked in the **top quartile nationally** and **2nd Missouri-based bank**. Since the first list debuted, **Commerce has consistently ranked near the top** among the highest-performing institutions.

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Commerce Bank was selected as **one of 20 best-in-class banks in Bank Director's** 2019 RankingBanking study. We **placed third overall in the Midwest** and **ranked first in the Midwest** for Best Branch Network Strategy, Best Core Deposit Growth Strategy and Best Retail Strategy.

**Global Finance**

**2021 Best U.S. Regional Private Bank - Midwest**

Commerce Trust Company was recognized by *Global Finance* as the **2021 Best U.S. Regional Private Bank in the Midwest**. The recognition comes as the bank stretched its capabilities during the pandemic to work with clients experiencing cash flow difficulties. Some factors considered for this recognition include creativity, uniqueness of offering and dedication to private banking.

Commerce was named **Outstanding Employer 2019** by Korn Ferry[1]. The award publicly recognizes employers that have achieved **best-in-class levels of engagement and enablement**. **Commerce is one of only four companies** in the U.S. to receive this global award.

[1]The Korn Ferry Hay Group – based on 2018 survey results

# FINANCIAL RESULTS
# 4Q & YTD



Commerce Bancshares, Inc.

# FINANCIAL PERFORMANCE IN 2020

| | | | |
|---|---|---|---|
| Dividend growth ↑9% | ROA 1.20% | ROE 10.6% | Growth in deposits period end ↑31% |
| Net interest margin 2.99% | Growth in loans period end ↑11% | Net loan charge-offs to loans .22% | |

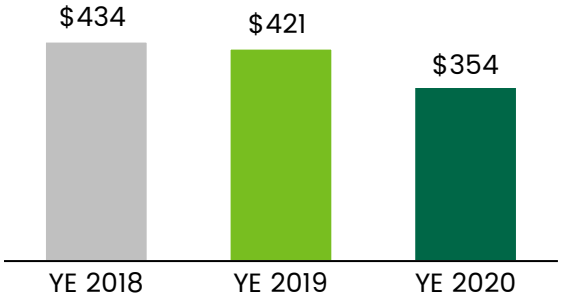
*Long-term performance remains strong*

**20-year TOTAL ANNUALIZED SHAREHOLDER RETURN @ 9.6%**

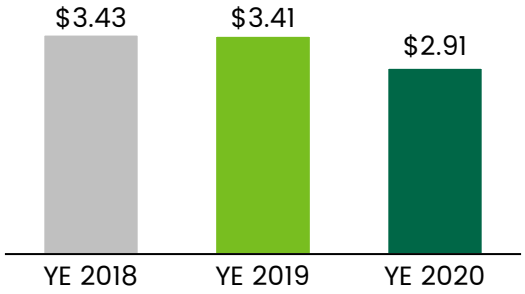
Vs KBW Bank Index of 3.1%

# FINANCIAL PERFORMANCE VS. PRIOR YEAR

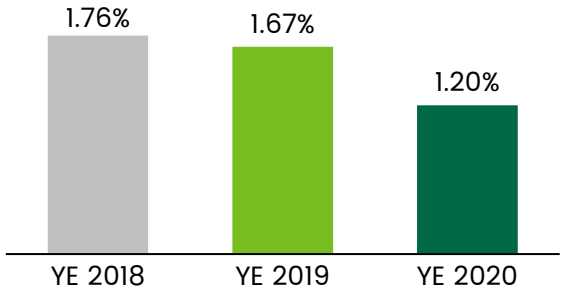
## Net Income Attributable to CBI ($ in Millions)



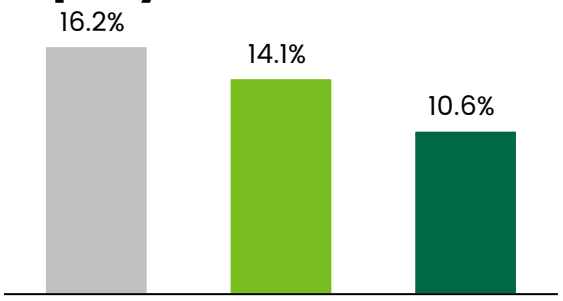

## Earnings per Common Share



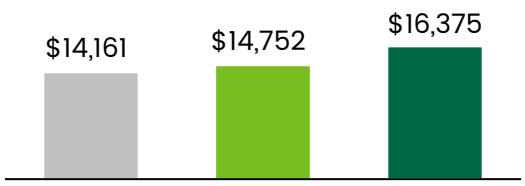

## Return on Total Average Assets



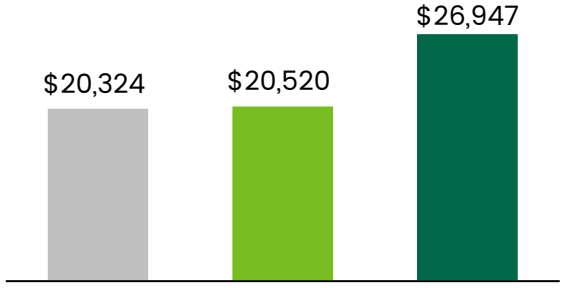

## Return on Average Common Equity




## Period End Loans ($ in Billions)




## Period End Deposits ($ in Billions)




As of December 31

# 4Q2020 EARNINGS HIGHLIGHTS

## Highlights

PPNR[1]
$148.6 million

Allowance for Credit Losses on Loans[2]
$15.5 million decrease

Income Available to Common
$129.9 million

EPS
$1.11

ROAA
1.63%

ROACE
15.49%

Deposit Growth[3]
$1.2 billion

## Well-positioned in a challenging environment

- Allowance for credit losses on loans to total loans decreased to 1.35%
  - Decreased to 1.48% excluding Paycheck Protection Program ("PPP") loans.
- Net charge-offs to total loans of .19% and Non-performing assets to total loans of .16%.
- Loans on deferral of .6% of total loans.
- Non-interest income to total revenue of 39.2%.
- Non-interest income up 4.3% over Q3.
- QTD average loans flat to Q3 at $16.4B.
- QTD average deposits increased $843MM in Q4 compared to Q3.
- Tangible common equity to tangible assets of 9.92%.
- Net interest margin decreased 17 bps from Q3 to 2.80% (8 bps excluding adjustments[4]).
- Wealth management client assets increased in Q4 by 11.9% to $61.2B.

[1] See the non-GAAP reconciliation on page 47; [2] Compared to 3Q2020; [3] Compared to 3Q2020, based on period-end balances; [4] Adjustments include a -$3.5 million adjustment to premium amortization on mortgage-backed securities for prepayment speed changes and a -$2.1 million decrease in inflation income on our Treasury inflation-protected securities.

# BALANCE SHEET HIGHLIGHTS

| Average Balances $ in millions | 4Q20 | Change vs. 3Q20 | Change vs. 4Q19 | Highlights |
|---|---|---|---|---|
| Commercial[1] | $10,643.0 | $(30.2) | $1,559.4 | • Linked quarter (LQ) reflects lower business loans offset by higher construction and business real estate loans<br>• YoY reflects PPP |
| Consumer | 5,718.3 | 25.5 | 358.2 | • LQ reflects higher personal real estate partially offset by lower auto, credit card and home equity loans |
| Total Loans | $16,361.3 | $(4.7) | $1,917.6 | |
| Investment Securities | $12,302.5 | $846.9 | $3,480.2 | • Reflects net purchase activity |
| Interest Earning Deposits with Banks | $1,082.6 | $58.2 | $692.5 | • Reflects liquidity from deposit growth |
| Deposits | $25,590.7 | $843.3 | $5,433.9 | • 3.4% quarterly growth, 27% annual growth |
| Equity | $3,336.1 | $(30.0) | $204.6 | • LQ reflects Q3 redemption of preferred stock |
| Book Value per Common Share[2] | $29.03 | $0.80 | $3.60 | • 2.8% quarterly growth, 14.2% annual growth |

[1] PPP average balances were $1,476.2 million and $1,505.8 million as of December 31, 2020 and September 30, 2020, respectively
[2] For the quarter ended December 31, 2020

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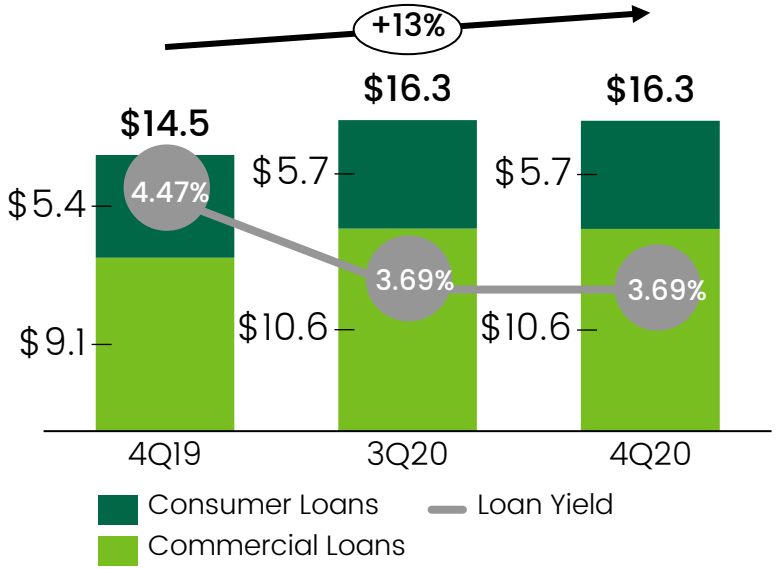
# BALANCE SHEET

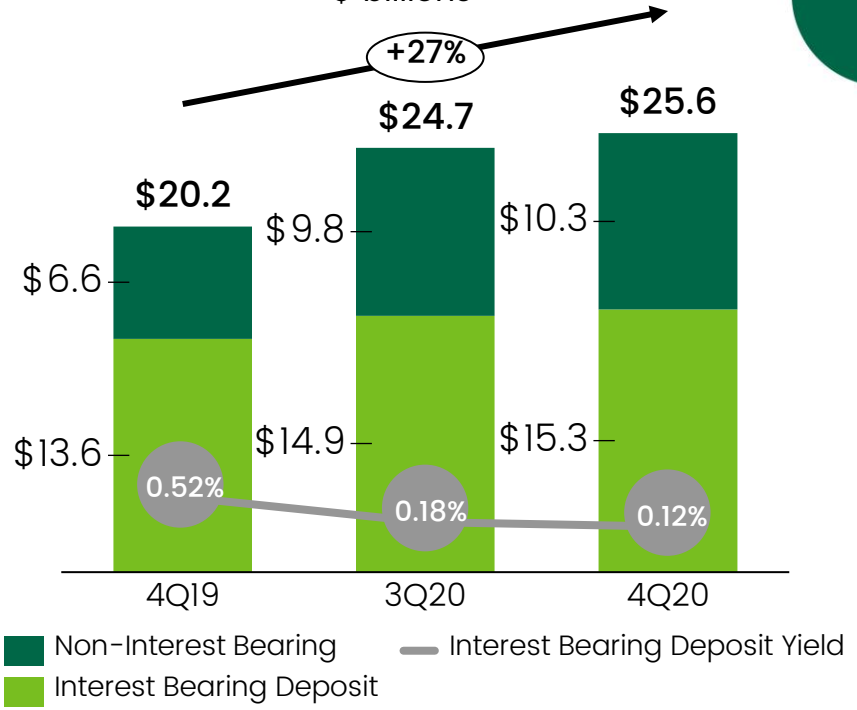
## Loans

QTD Average Balances
$ billions




## Deposits

QTD Average Balances
$ billions

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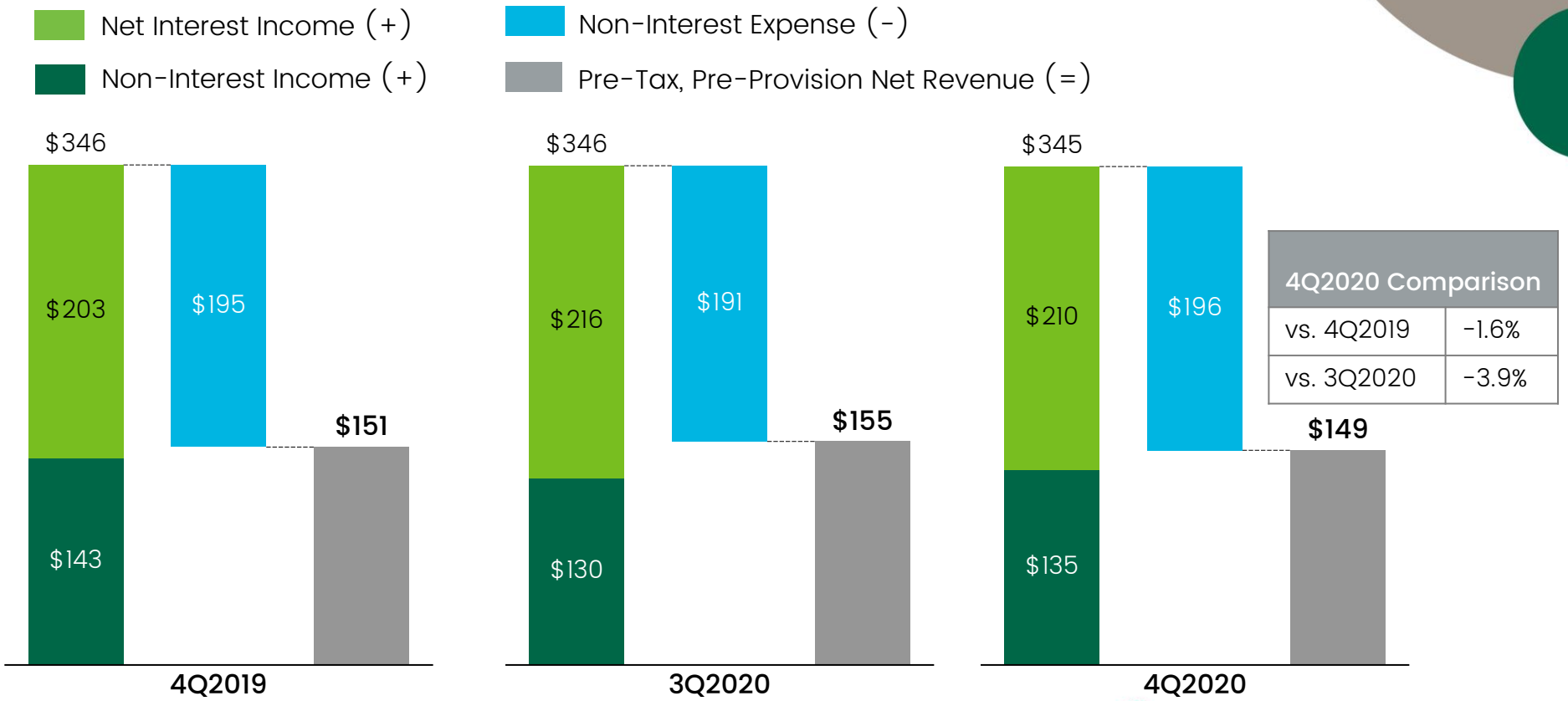
# INCOME STATEMENT HIGHLIGHTS

| $ in millions | 4Q20 | Change vs. 3Q20 | Change vs. 4Q19 | Highlights |
|---|---|---|---|---|
| Net Interest Income | $209.8 | $(6.2) | $7.1 | • LQ decline due to lower earning asset yields, partially offset by lower deposit costs and larger balance sheet. |
| Non-Interest Income | $135.1 | $5.5 | $(8.3) | • LQ increase in bank card fees, trust fees and mortgage loan sales.<br>• Excluding the one-time gain of the corporate trust business sale in Q419, non-interest income grew $3.1MM, or 2.4%. |
| Non-Interest Expense | $196.3 | $5.5 | $1.1 | • Increase of 2.9% over LQ, .6% over prior year.<br>• LQ increase due to higher incentive compensation. |
| Pre-Tax, Pre-Provision Net Revenue[1] | $148.6 | $(6.1) | $(2.4) | |
| Investment Securities Gains, Net | $12.3 | $(3.8) | $12.6 | • Q4 includes fair value gains on private equity portfolio and MBS sale gains. |
| Provision for Credit Losses | $(4.4) | $(7.5) | $(19.6) | • Decline primarily driven by improvement in economic forecast. |
| Net Income Available to Common Shareholders | $129.9 | $4.9 | $25.3 | |

| | 4Q20 | 3Q20 | 4Q19 | |
|---|---|---|---|---|
| Net Income per Common Share – Diluted | $1.11 | $1.06 | $.88 | |
| Efficiency Ratio | 56.68% | 55.00% | 56.29% | • Continued expense discipline. |
| Net Yield on Interest Earning Assets | 2.80% | 2.97% | 3.36% | • Lower earning asset yields, partially offset by lower deposit costs. |

[1] See the non-GAAP reconciliation on page 47

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




See the non-GAAP reconciliation on page 47

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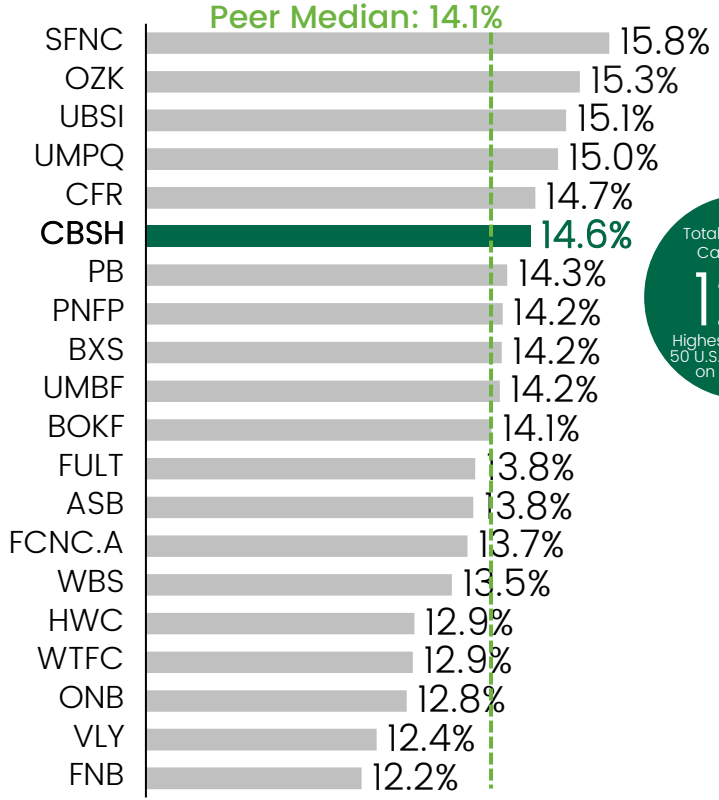
# SOUND CAPITAL AND LIQUIDITY POSITION

## Total Risk-Based Capital Ratio[1]




Total Risk-Based Capital Ratio
12th
Highest among top 50 U.S. Banks based on Asset Size[1]

## Loan to Deposit Ratio

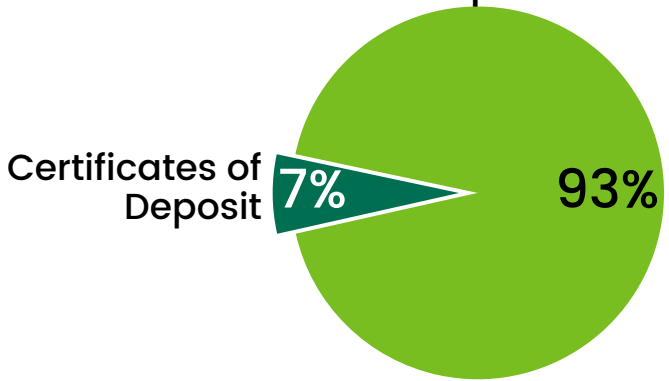
Large, stable deposit base and low loan to deposit ratio

**Core Deposits**
**$25.1 Billion[2]**

**64%** Commerce — Average Loan to Deposit Ratio[3]

**90%** Peer Average — Average Loan to Deposit Ratio[1]

## Total Deposits




**Core Deposits**
- Non-Interest Bearing
- Interest Checking
- Savings and Money Market

[1]S&P Global Market Intelligence, Information as of September 30, 2020
[2]Period-end balances, as of December 31, 2020
[3]Includes loans held for sale, for the quarter ended December 31, 2020

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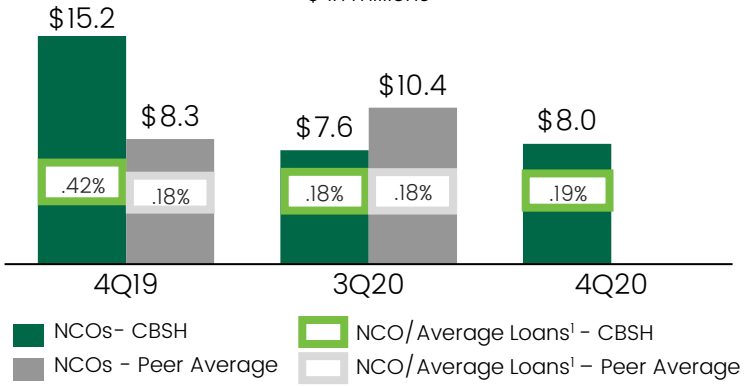
# MAINTAINING STRONG CREDIT QUALITY

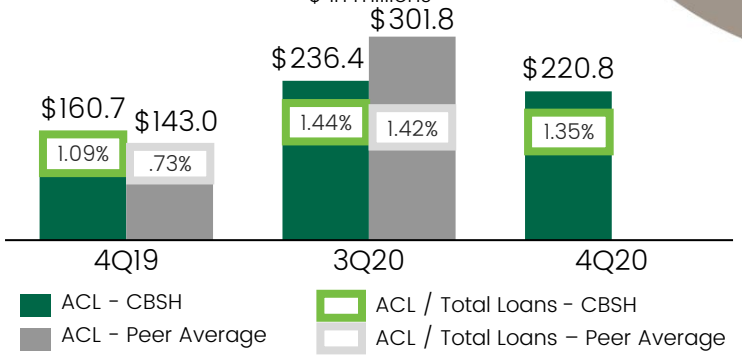
## Net Loan Charge-Offs (NCOs)

$ in millions



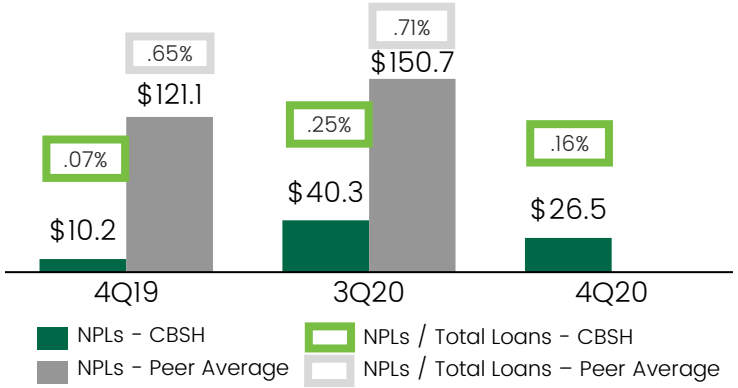

## Allowance for Credit Losses on Loans (ACL)

$ in millions

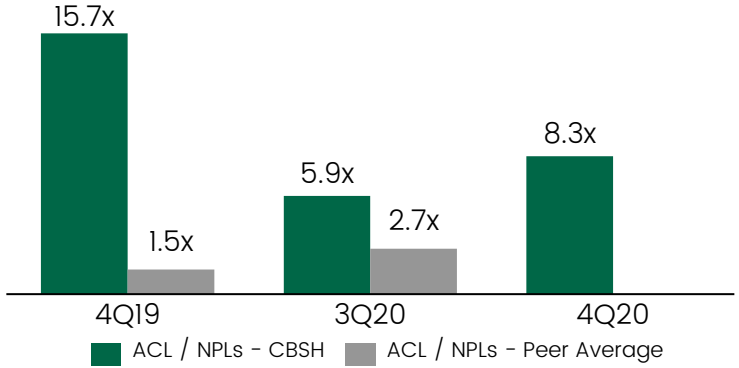



## Non-Performing Loans (NPLs)

$ in millions



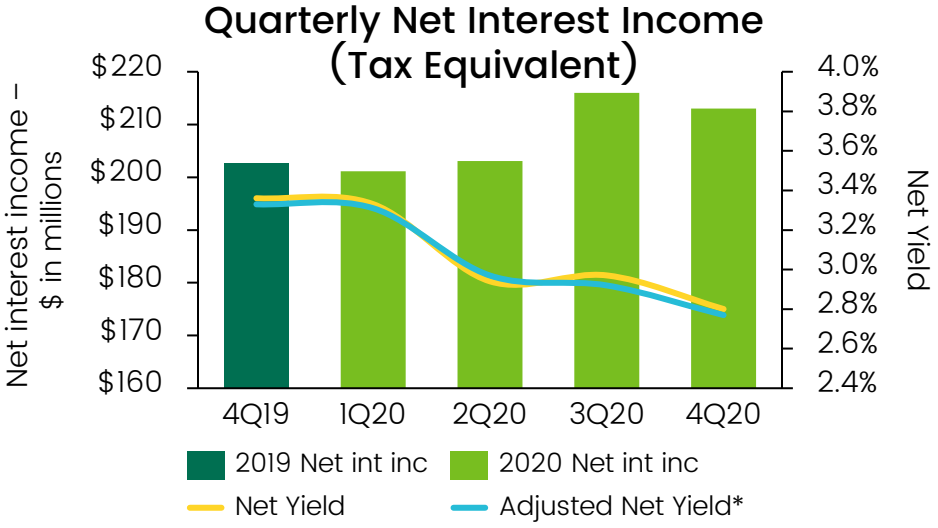

## Allowance for Credit Losses on Loans (ACL) to NPLs




Percentages are illustrative and not to scale; Peer Banks include: ASB, BOKF, BXS CFR, FCNC.A, FNB, FULT, HWC, ONB, OZK, PB, PNFP, SFNC, UBSI, UMBF, UMPQ, VLY, WBS, WTFC

[1]As a percentage of average loans (excluding loans held for sale)

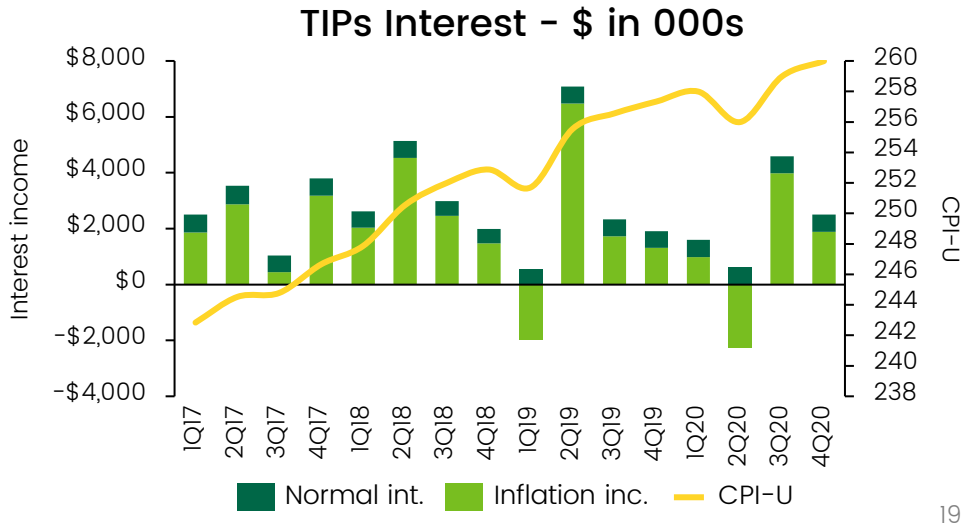
# NET INTEREST INCOME: YTD – December 31, 2020




*Adjusted to exclude TIPs inflation income

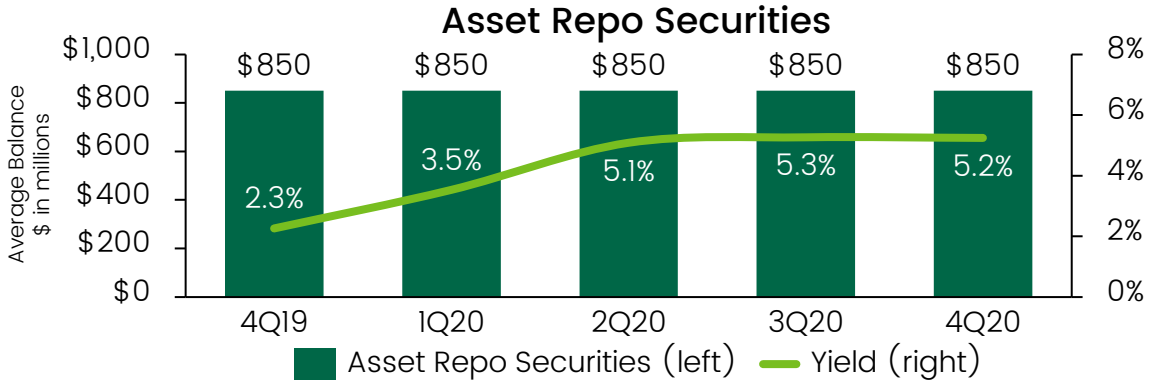
| Tax equivalent - YTD | 2019 | 2020 | Change |
|---|---|---|---|
| Rates earned - assets | 3.91 % | 3.15 % | (0.76)% |
| Rates paid - liabilities | 0.67 % | 0.26 % | (0.41)% |
| **Net yield - earning assets** | **3.48 %** | **2.99 %** | **(0.49)%** |

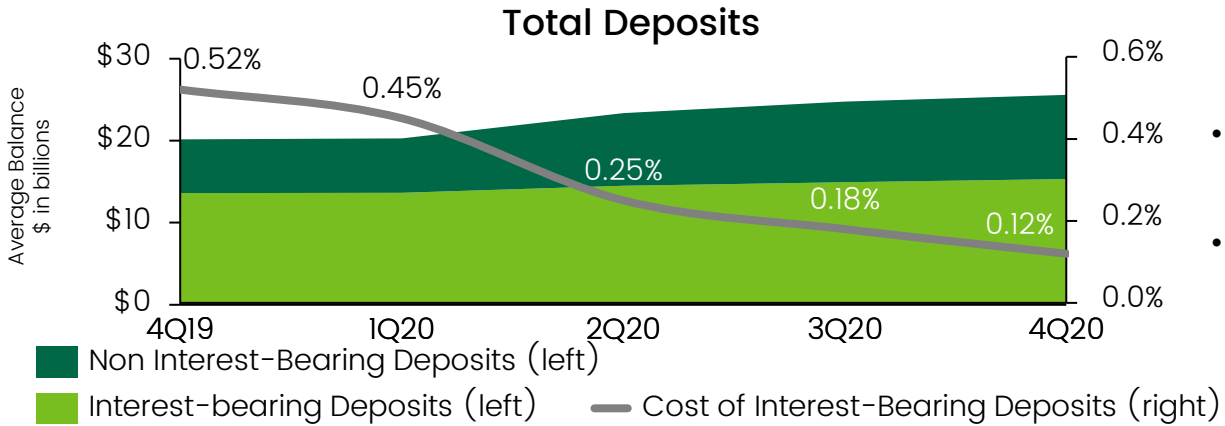
- Net interest income (tax equivalent) decreased $6.1 million from the prior quarter, which included a decline of $2.1 million in TIPs inflation income and $3.5 million negative adjustment to premium amortization for prepay speed changes on MBS.
- Excluding the adjustments above, the net yield on interest earning assets decreased 8 basis points compared to the previous quarter.



# NIM PROTECTION

## Hedging structures and low deposit costs provide support to net interest margin in low-rate environment




- Interest rate floors with a combined notional value of $1.5B to hedge the against declining interest rates were monetized in 2020 with $128MM in gains to be recognized through 2026.
- Asset repo securities were structured with floor spreads to protect against falling rates. Asset repo securities start maturing in 2021.
- 40% of Q4 average deposits were non-interest bearing.
- Cost of interest-bearing deposits continued to decline.

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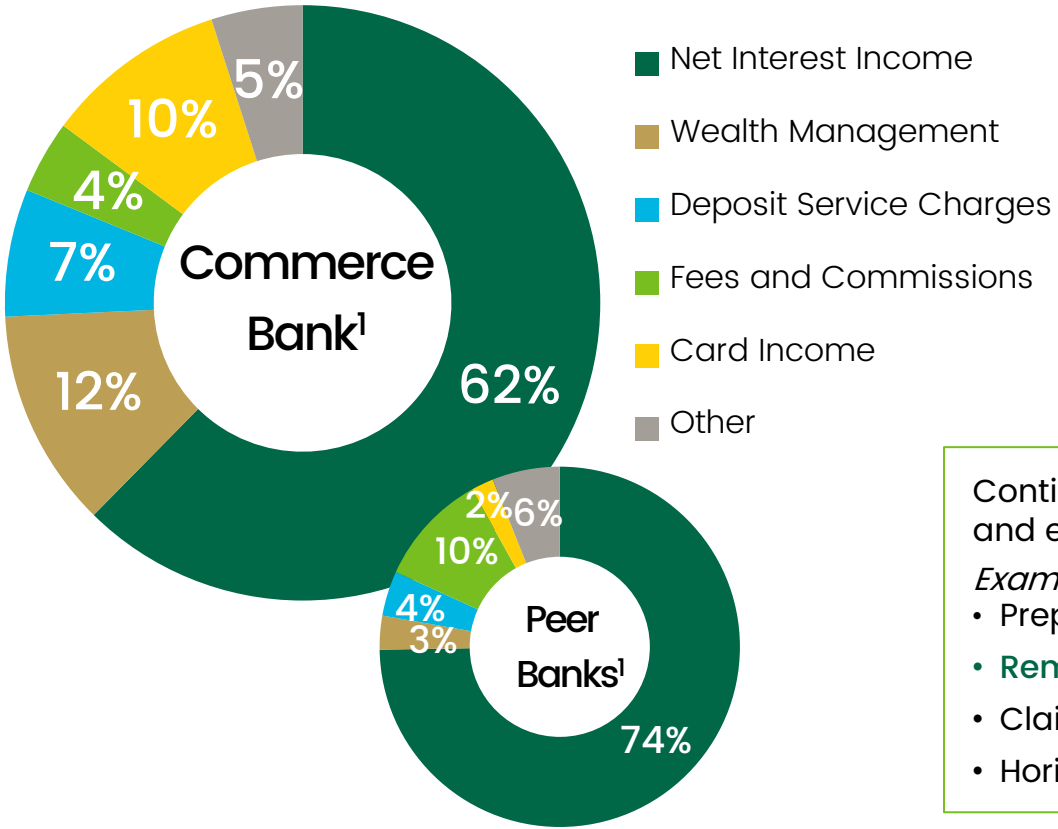
# A FULL-SERVICE, DIVERSIFIED OPERATING MODEL

*Card, Wealth & Deposit fees provide stable, growing revenue source*




## Non-Interest Income

$ in millions




Continued focus on growing fee income through new and existing product and service offerings

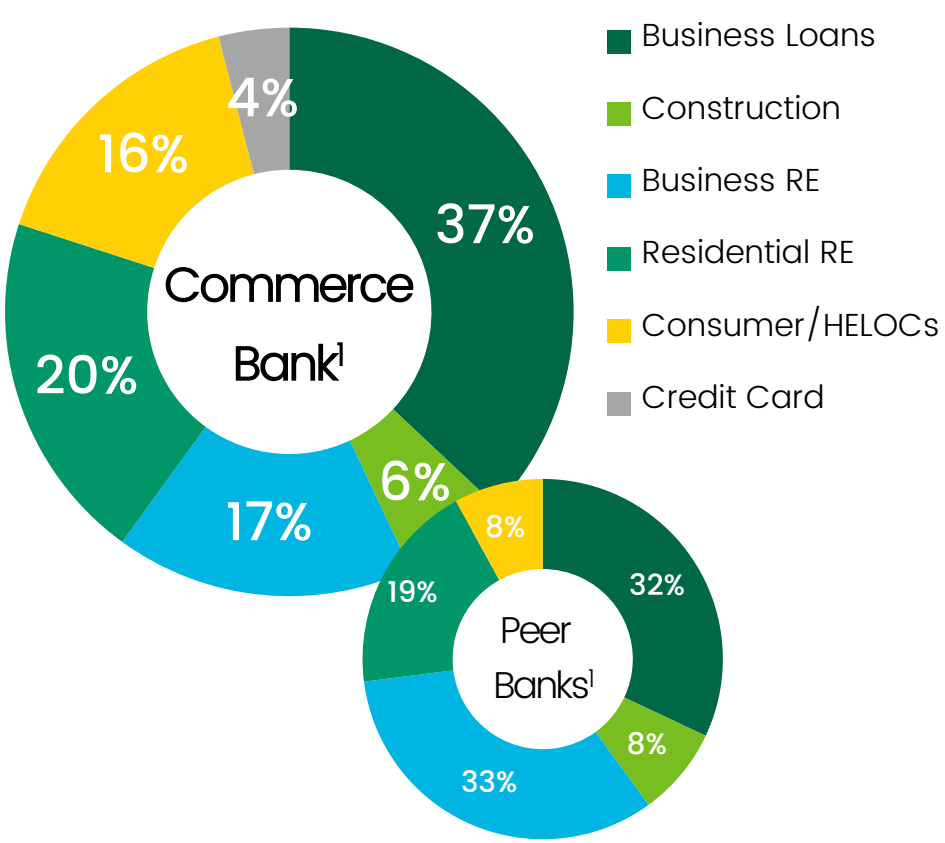
*Examples:*

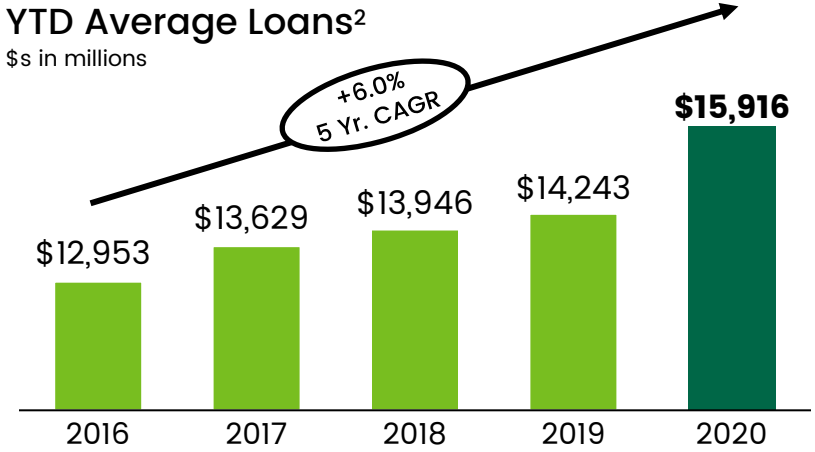
- Prepaid Expense
- Remitconnect™
- Claims Payments
- Horizons
- Accounts Payable Automation
- Interest Rate Swaps
- **CommerceHealthcare™**
- Asset Management

Peer Banks include: ASB, BOKF, BXS CFR, FCNC.A, FNB, FULT, HWC, ONB, OZK, PB, PNFP, SFNC, UBSI, UMBF, UMPQ, VLY, WBS, WTFC

[1]Sources: S&P Global Market Intelligence as of September 30, 2020

# WELL-DIVERSIFIED LOAN PORTFOLIO




## 2020 Loan Growth by Category

*(Average loans Dec. 2020 vs. Sept. 2020)*

| | |
|---|---|
| Business RE & construction | ↑ $99 million |
| Personal RE | ↑ $63 million |
| Consumer credit card | ↓ $8 million |
| Auto/ motorcycle/ other | ↓ $11 million |
| Business/ lease/ tax-free | ↓ $129 million |

Peer Banks include: ASB, BOKF, BXS CFR, FCNC.A, FNB, FULT, HWC, ONB, OZK, PB, PNFP, SFNC, UBSI, UMBF, UMPQ, VLY, WBS, WTFC

[1]Source: S&P Global Market Intelligence as of September 30, 2020

[2]Includes loans held for sale, as of December 31, 2020

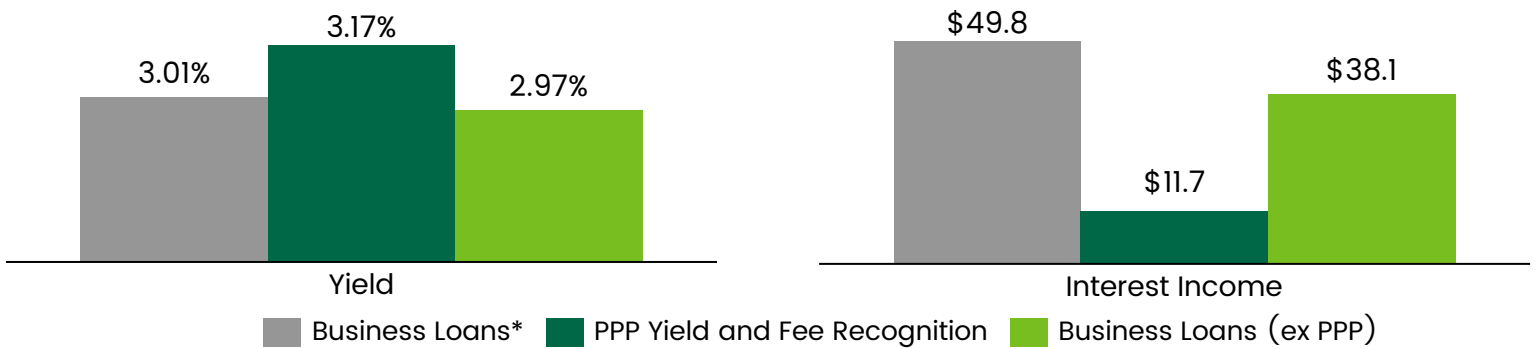
# PAYCHECK PROTECTION PROGRAM IMPACT AND UPDATE

## Round 1 – Key Metrics

| Loan Balance | Customers | Median Loan Size | Total SBA Fees | SBA Fees Recognized in 2020 |
|---|---|---|---|---|
| $1.5B | over 7,500 | $33M | $41.0MM (2.7%) | $21.4MM |

## Yield and Interest Income

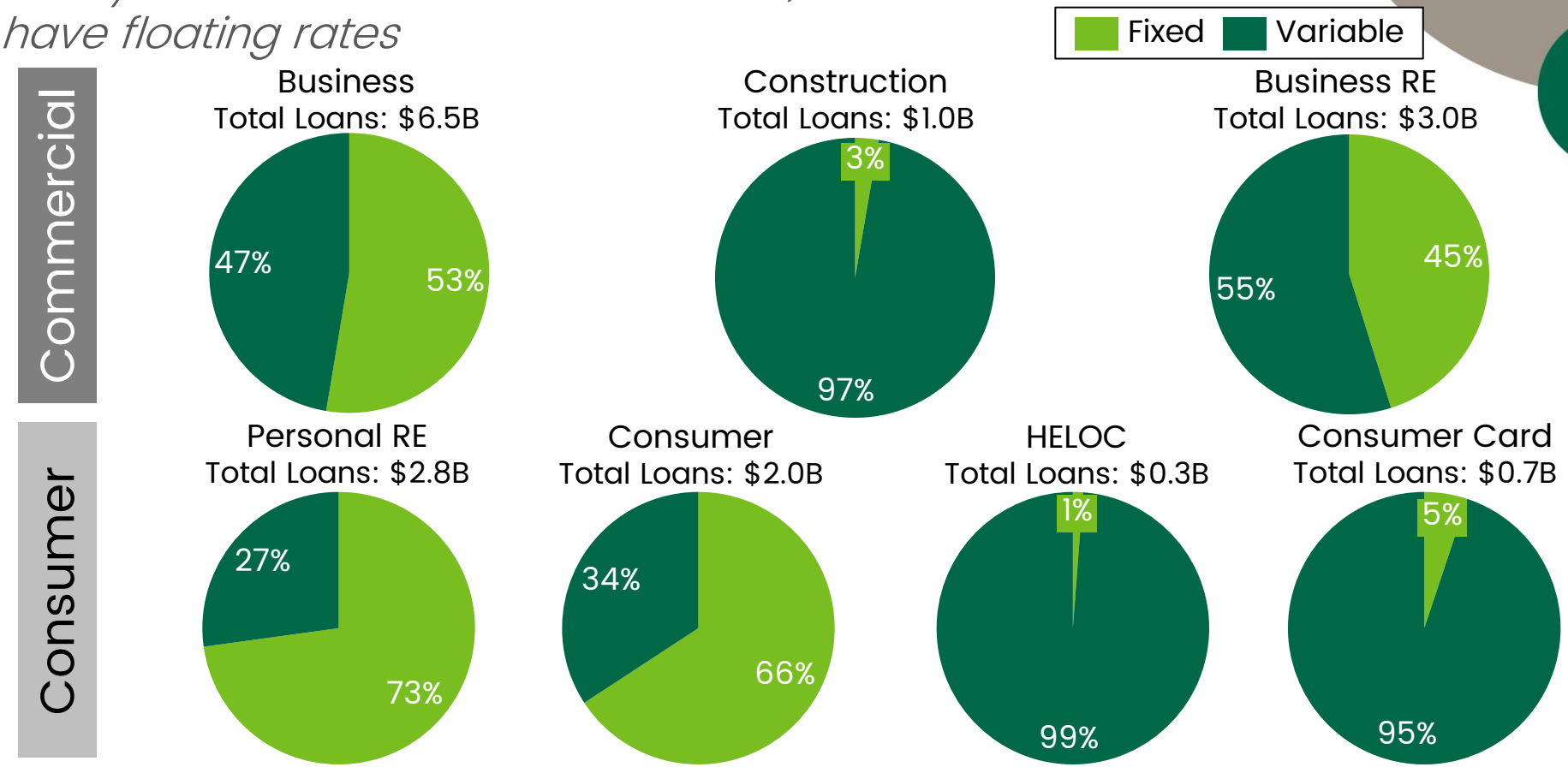
Q4 2020, $ in millions




* Tax equivalent basis

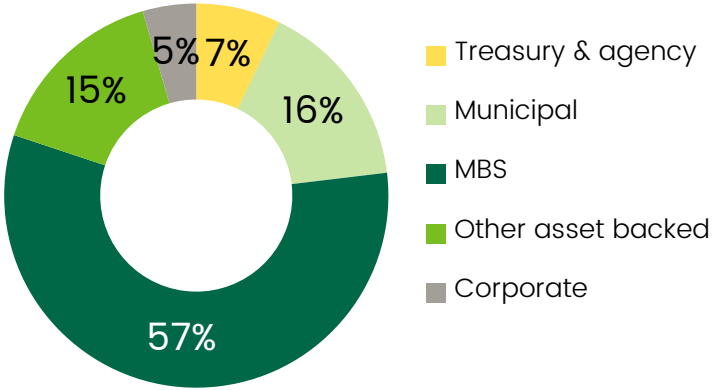
# SUMMARY OF FIXED & FLOATING LOANS

*Nearly 50% of total loans are variable; 49% of commercial loans have floating rates*



# HIGH QUALITY, HIGHLY LIQUID AND DIVERSE INVESTMENT PORTFOLIO

## Composition of AFS Portfolio




| QTD - December 31, 2020 | Avg Rate | Duration (yrs) |
|---|---|---|
| Treasury & agency[1] | 1.7% | 3.0 |
| Municipal | 2.4%[2] | 5.3 |
| MBS | 1.4% | 3.0 |
| Other asset-backed | 1.6% | 1.7 |
| Corporate | 2.2% | 5.1 |

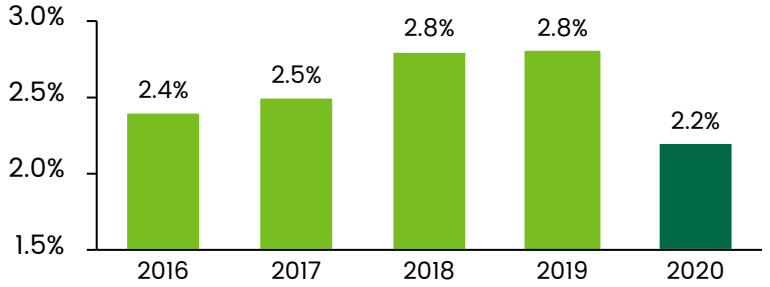
**AFS Portfolio as of December 31, 2020**

| | |
|---|---|
| Total average investments[3] | $12.3 billion |
| Unrealized gain[3] | $329.5 million |
| 12 month maturities / pay-downs | $2.0 billion |

**Duration**

| | |
|---|---|
| December 2017 | 3.0 years |
| December 2018 | 3.2 years |
| December 2019 | 3.0 years |
| December 2020 | 3.3 years |

**YTD Tax Equivalent Rate – Investments[4]**




[1]Excludes inflation effect on TIPs; [2]Tax equivalent yield; [3]QTD averages; [4]Information as of YTD December 31

# IMPACT OF CECL: ALLOCATION OF ALLOWANCE

## CECL allowances reflect the economic and market outlook due to COVID-19 pandemic

| | December 31, 2019 Incurred Model | | September 30, 2020 CECL Model | | December 31, 2020 CECL Model | |
|---|---|---|---|---|---|---|
| $ in millions | Allowance for Loan Losses | % of Outstanding Loans | Allowance for Credit Losses (ACL) | % of Outstanding Loans | Allowance for Credit Losses (ACL) | % of Outstanding Loans |
| Business | $ 44.3 | .80% | $ 78.7 | 1.18% | $ 63.7 | .97% |
| Bus R/E | 25.9 | .91% | 31.3 | 1.05% | 30.1 | .99% |
| Construction | 21.6 | 2.40% | 18.4 | 1.83% | 27.7 | 2.72% |
| **Commercial total** | **$ 91.8** | **.99%** | **$ 128.4** | **1.20%** | **$ 121.5** | **1.15%** |
| Consumer | 15.9 | .81% | 18.2 | .90% | 15.2 | .78% |
| Consumer CC | 48.0 | 6.27% | 79.2 | 12.23% | 74.0 | 11.30% |
| Personal R/E | 3.1 | .13% | 8.7 | .32% | 8.3 | .29% |
| Revolving H/E | .6 | .18% | 1.8 | .55% | 1.5 | .48% |
| Overdrafts | 1.2 | 19.51% | .1 | 2.56% | .3 | 8.29% |
| **Consumer total** | **$ 68.9** | **1.27%** | **$ 108.0** | **1.88%** | **$ 99.3** | **1.73%** |
| **Allowance for credit losses on loans** | **$ 160.7** | **1.09%** | **$ 236.4** | **1.44%** | **$ 220.8** | **1.35%** |
| **Liability for unfunded lending commitments** | **1.1** | | **35.2** | | **38.3** | |
| **Total allowance for credit losses** | **$ 161.8** | | **$ 271.6** | | **$ 259.1** | |

### Methodology and Variables

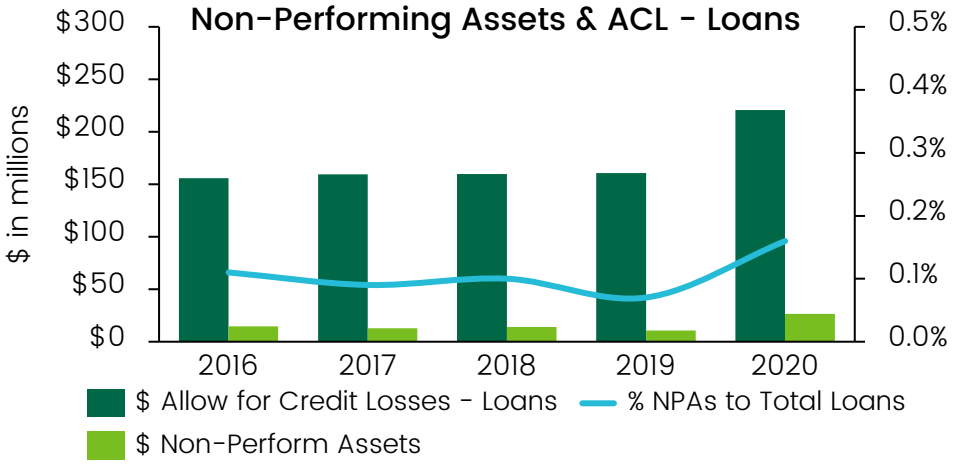
- CECL model utilizes 3rd party baseline forecast
- Key variables include: GDP, disposable income, unemployment rate, various interest rates, CPI inflation rate, HPI, CREPI and market volatility

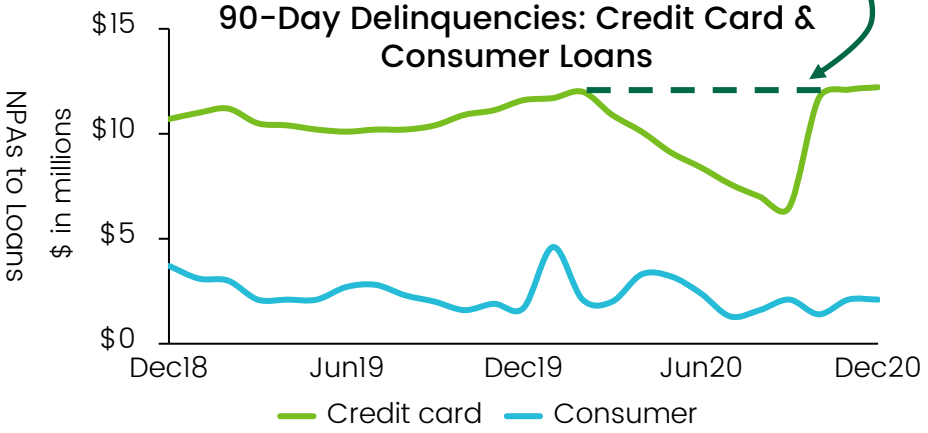
* Note: The Liability for unfunded lending commitments is included in Other liabilities on the consolidated balance sheets.

# NET LOAN CHARGE-OFFS: YTD – December 31, 2020

| $ in 000s | YTD 2019 | YTD 2020 | Actual $ Chge | 2020 Loss Rate |
|---|---|---|---|---|
| Business | $ 4,102 | $ 3,665 | $ (437) | 0.06% |
| Overdraft | 1,523 | 1,277 | (246) | 38.11% |
| Construction | (117) | (3) | 114 | 0.00% |
| Business R/E | (60) | (47) | 13 | 0.00% |
| Personal R/E | 56 | (291) | (347) | (0.01)% |
| Consumer | 8,554 | 4,444 | (4,110) | 0.23% |
| HELOC | 209 | (166) | (375) | (0.05)% |
| Credit card | 35,421 | 25,979 | (9,442) | 3.88% |
| **Total** | **$ 49,688** | **$ 34,858** | **$ (14,830)** | **0.22%** |

- Rise in 90+ delinquent loans exiting Skip Pay program
- Skip Pay was enacted for May and June 2020 payments to 100% of the portfolio
- **Effectively "Paused" delinquency and charge-offs**



# COMMERCE AND COVID-19

# PROVIDING RELIEF TO OUR CUSTOMERS

*Active deferral exposure reduced as pandemic continues*

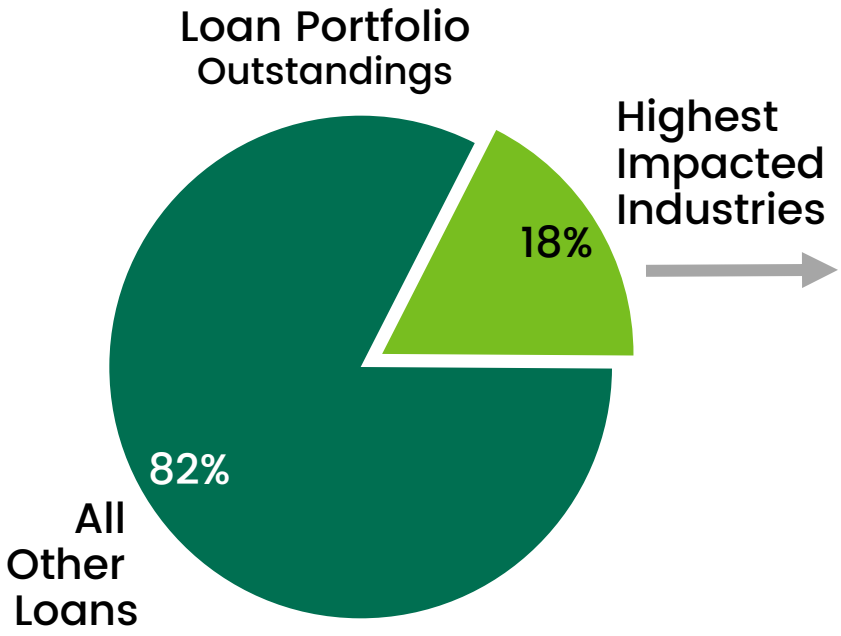
## Payment Relief Requests

| | Active deferrals[1] as of September 30, 2020 | | | Active deferrals[1] as of December 31, 2020 | | |
|---|---|---|---|---|---|---|
| **Loan Type** | **Number of Requests** | **% of Portfolio (by $ amount)** | **Total Amount of Requests** | **Number of Requests** | **% of Portfolio (by $ amount)** | **Total Amount of Requests** |
| Commercial | 11 | .5% | $48MM | 8 | .6% | $57MM |
| Mortgage | 111 | 1.0% | $25MM | 86 | .7% | $18MM |
| Consumer Card | 73 | .1% | $0.5MM | 93 | .1% | $0.6MM |
| Installment | 553 | .8% | $11MM | 500 | .6% | $8MM |
| Med/HSF[2] | 76 | .1% | $0.2MM | 109 | .1% | $0.3MM |
| **TOTAL** | **824** | **.6%** | **$85MM** | **796** | **.6%** | **$84MM** |

[1]Deferrals are defined as modifications, payment deferrals, forbearance agreements, or change in terms, % of Portfolio calculated on Total Loans (excluding PPP loans); [2] No direct consumer credit exposure

# LOAN PORTFOLIO: LIMITED EXPOSURE TO PANDEMIC-SENSITIVE INDUSTRIES

While we expect nearly every industry to be impacted to some degree by Coronavirus-related disruptions, we have identified eight industries that will be most impacted.



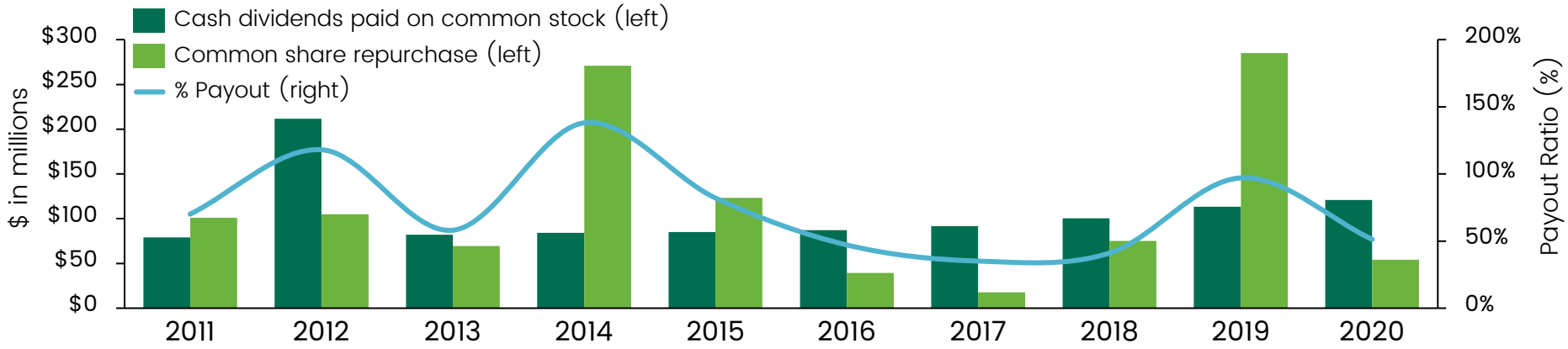

| Highest Impacted Industries | $ in millions 9/30 | $ in millions 12/31 | % of Loan Portfolio 12/31 |
|---|---|---|---|
| Hospitals | $758 | $729 | 4.9% |
| Multifamily / Student Housing | 608 | 550 | 3.7% |
| CRE Retail | 389 | 387 | 2.6% |
| Senior Living | 310 | 311 | 2.1% |
| Hotels | 291 | 303 | 2.0% |
| Energy | 150 | 173 | 1.1% |
| Retail Stores | 141 | 111 | .7% |
| Restaurants | 67 | 67 | .4% |
| **Total** | **$2,714** | **$2,631** | **17.5%** |

Industry breakdowns represent outstanding balances, excluding PPP loans, as of December 31, 2020, segmented by NAICS codes

# STRONG CAPITAL POSITION – FLEXIBILITY IN CAPITAL PLANNING

*53 consecutive years of regular common cash dividend increases[1]*

## Capital Returned to Common Shareholders as a percentage of Net Income[2]




| Capital Ratios – 12/31/2020 | |
|---|---|
| Tier 1 common risk-based capital | 13.7% |
| Tier 1 risk-based capital | 13.7% |
| Total risk-based capital | 14.8% |

- Special cash dividend paid in 2012 totaled $131 million.
- 2014 included $200 million accelerated share repurchase in conjunction with preferred stock issuance.
- 2015 included a $100 million accelerated share repurchase.
- 2019 included a $150 million accelerated share repurchase.
- In 2020, all $150 million of preferred equity was redeemed.
- Common cash dividends increased 10% in 2018, 16% in 2019, 9% in 2020 and 2% in 2021 (based on 1Q2021 declared dividend).

[1]Based on 1st quarter 2021 declared dividend; [2]Net Income is defined as Net Income Available to Common Shareholders

# STRATEGIC POSITION

# STRATEGIC POSTURE: MAINTAINING THE BALANCE

**STRONG PERFORMANCE** with ongoing refinement of the "Core Bank"

- Super-Community Bank platform
- Relationship-based banking
- High-touch customer service
- Full suite of product and service offerings
- Disciplined attention to risk return
- Divest in businesses & activities that no longer provide acceptable returns
- A highly engaged team
- Focus on profitability and shareholder return




**Challenge Accepted.®**

Disciplined focus on **PRIORITY BLUE CHIP** investments

- Diversity, Equity and Inclusion
- Enterprise Digital Strategy
- Maximize Value of Key Retail Clients
- Grow the Private Bank Through a New Transformative Model
- Develop Claims Payment
- Accelerate Growth in Healthcare
- Accelerate Expansion Market Growth
- Implement Transform 360
- Enhance the People Experience

Commerce EDGE

**...emphasis on culture, collaboration and core values**

# CBI BLUE CHIP: ENTERPRISE DIGITAL STRATEGY

The Enterprise Digital Strategy leverages the success of the consumer digital strategy, expands it across the bank, and has been elevated to an executive role.

## VISION

**Transform the digital experience** by staying current on digital trends & creating seamless digital ecosystems that **place Commerce Bank at the nexus of meeting customers' financial needs.**

## WHY

- Our current and potential customers' behaviors have changed, and **they expect more digital interactions**
- **Improved ability to leverage digital product development expertise** across the enterprise
- **Better positions us to remain competitive** with traditional and non-traditional competitors

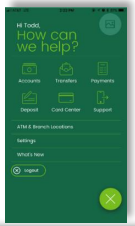
**Enterprise Digital Strategy Center of Excellence:** Spans Consumer, Wealth, and Commercial. Grounded in customer research and competitive intelligence. Will facilitate the delivery of more frequent and substantive industry leading digital capabilities to attract, retain, and grow market share.

# GROWTH MINDSET: CONSUMER BANKING

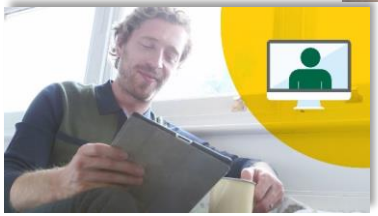
## Enhancing the Customer Experience

Engaging with customers through the channels they prefer.

- Technology investments
- New engagement programs
- Enhanced product offerings
- Improved operating model





CommercePremier

CARA



## Commerce Bank Mortgage

An end-to-end, fully coordinated solution that allows the consumer to transact via web, phone, face-to-face (now virtually) or any combination – throughout the loan lifecycle, including servicing.

- Continue to enhance the digital mortgage platform; e-Closing implementation
- Continue to evolve and transform the sales process to align with changing customer behavior

Mortgage made simple.
Stress less.
We've got this.

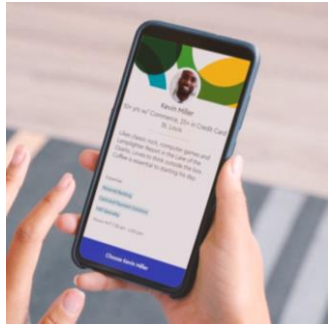
Commerce Bancshares, Inc.

# GROWTH MINDSET: CONSUMER BANKING

## Commerce Bank CONNECT™ Mobile App

### Personalized experience allowing customers to engage with a banker they choose, right from their smartphone

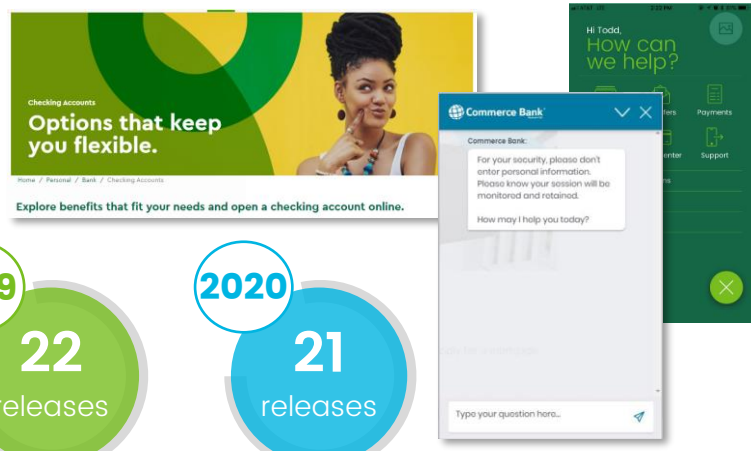
- First in the region to introducing this innovation, enabling high-touch service through a digital channel
- Secure platform for customers to message directly with their banker



## Consumer Digital Business

### Evolving our digital experiences to meet our customers' expectations.

- Offered digital account opening post-login
- Intelligent Marketing Pilot launched for loan products
- Implemented online banking chat for Mortgage customers
- Enhanced the password reset self-service functionality
- Improved the account transaction history search and calendar usability



# GROWTH MINDSET: INTERNAL INNOVATION AT COMMERCE

## TOOLS

### <HACKATHON/>

Internal software development events to rapidly build, test, and promote new products or services for both internal and external customers.

### innovation

Commerce's commitment to promoting an innovative mindset, from everyday incremental improvement to transformative changes in the way we do business.

### AGILE

As innovation and technology rapidly drive change, our customers' needs and expectations continue to evolve. AGILE enables our organization to meet this disruption head on.

## KEY PROJECTS

### Customer Relationship Management

Insight 360 Commercial

salesforce

Quest powered by Salesforce Wealth

Project completed in Q4 2020 to align all Commercial business lines on Insight360.

Ongoing enhancements being made on both platforms to improve sales, service and marketing interactions with customers and prospects.

nCino Platform & Insight360 leveraged for CARES Act Programs.

### CARA

Customer Advising & Referral Assistant (CARA) is a guided conversation tool that helps us better understand our customers' needs, make consistent recommendations, and free up time to concentrate on building relationships with our clients.

### Transform 360

A bank-wide project to replace the existing mainframe core system with a new and modern solution.

Commerce Bancshares, Inc.

# CONSUMER BANKING SNAPSHOT

**$12.2 BILLION** Consumer Deposits[1]

**$2.0 BILLION** Consumer Loans[2]

**1.1 MILLION** Consumer Households[1]

**157** Full-service branches | **354** ATMs



## Focus on Digital

**Commerce Bank App Rating**

4.7 ★★★★★

4.6 ★★★★★

**Digital HH Penetration**

65.9%

**Digital Loan Sales (000s)**

$47,165

**Mobile Deposit Use**

24%

Period end balances, information as of December 31, 2020; App store rating as of 12/31/2020

[1]Excludes Wealth segment [2]Excludes loans from our Wealth segment and $1.9 billion of personal real estate loans

Commerce Bancshares, Inc.

# Commerce Trust Company

Wealth | Investments | Planning

For high net worth individuals who are looking to simplify their complex financial life, Commerce Trust Company provides a full-service approach to wealth management.

**17TH** Largest Among Bank-Managed Trust Companies[1]

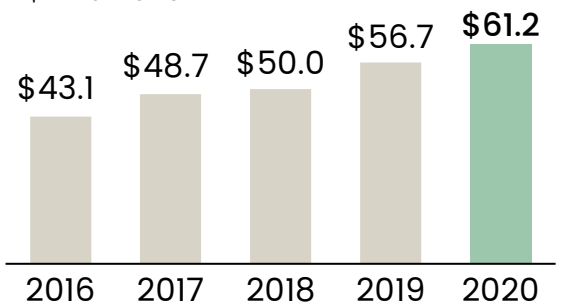
**$61 BILLION** Total Client Assets[2]

**$38 BILLION** Assets Under Management

**$611 MILLION** Managed Brokerage Assets

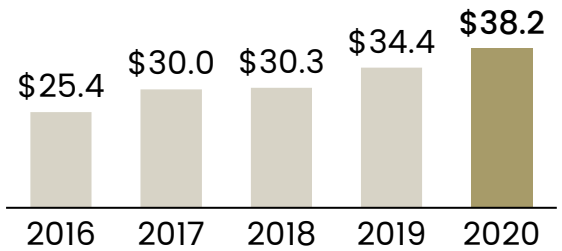
## Total Client Assets[2]

$ in billions




## Assets Under Management

$ in billions




## Key Growth Initiatives

- Implement new Private Banking Lending Program
- Accelerate growth of Mass Affluent households
- Implement enhanced sales process with new Client Relationship Management system
- Expand the CTC brand
- Enhance the digital client experience
- Invest in team training and onboarding resources

Period end balances, information as of December 31, 2020

[1]S&P Global Market Intelligence ranking as of 09/30/2020, based on assets under management [2]Assets under administration

# COMMERCIAL BANKING

*Revenue growth opportunities*

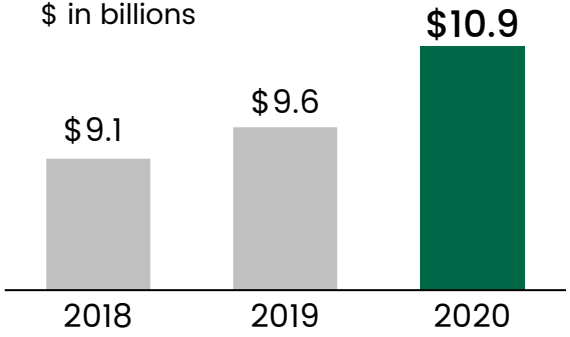
**Financing solutions** – options for all sizes and types of businesses

- Working Capital Lines of Credit
- Term Financing
- Construction & Real Estate Loans
- Equipment Financing
- International Financing
- Employee Stock & Ownership Financing
- Tax-exempt Financing
- Government Lending Programs
- Interest Rate Swaps
- Floor Plan Lending

$10.9 BILLION Commercial Loans

**Commercial Loans**

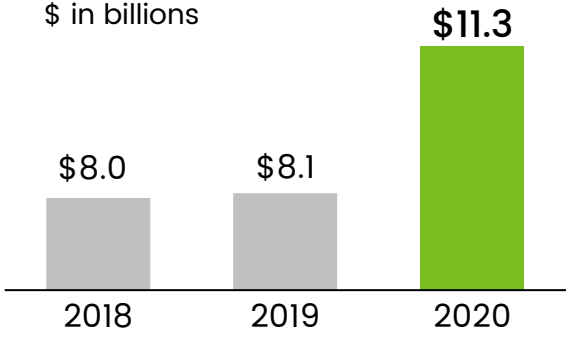
$ in billions




$11.3 BILLION Commercial Deposits

**Commercial Deposits**

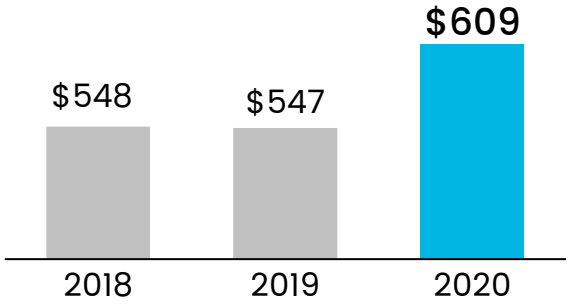
$ in billions




$609 MILLION Commercial Revenue

**Commercial Revenue**

$ in millions

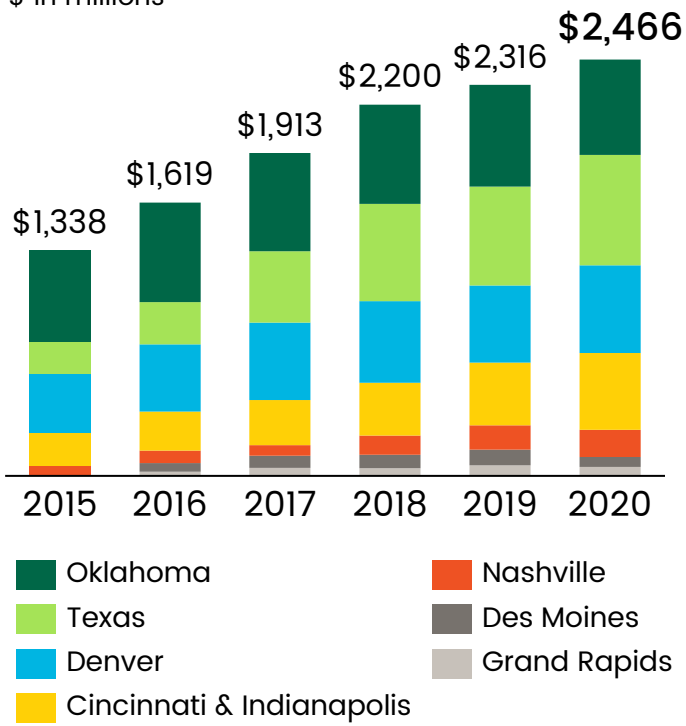


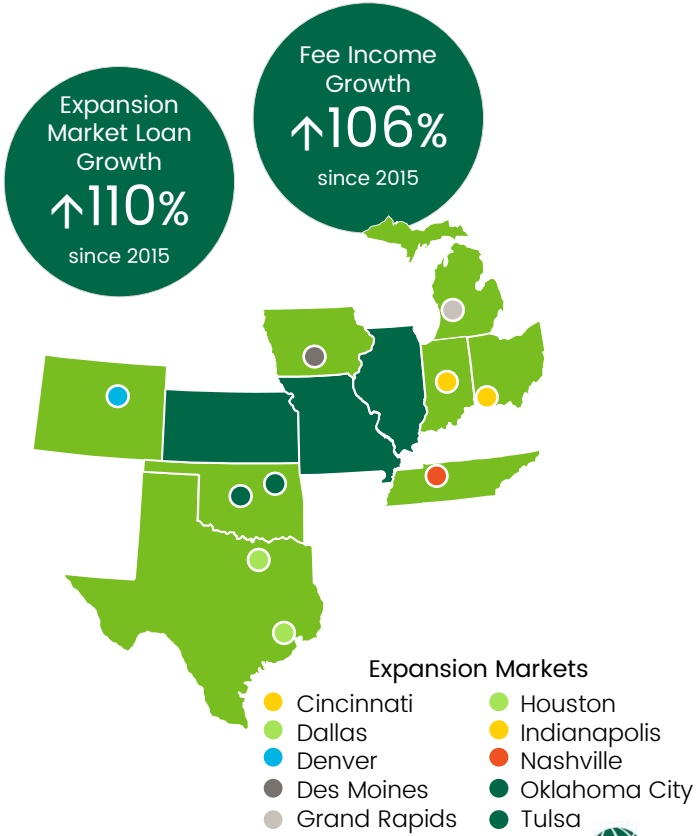

Commercial segment as of December 31, 2020

# COMMERCIAL BANKING – EXPANSION MARKETS OFFER GROWTH OPPORTUNITIES

## Expansion Market Loan Growth

$ in millions




## Team Overview for Expansion Markets

# of team members per market (includes open positions)

| | 2020 |
|---|---|
| Oklahoma | 48 |
| Texas | 19 |
| Denver | 42 |
| Cincinnati/ Indianapolis | 12 |
| Nashville | 4 |
| Des Moines | 3 |
| Grand Rapids | 2 |

Period end balances as of December 31, 2020

Commerce Bancshares, Inc.

# INDUSTRY-LEADING COMMERCIAL PAYMENTS CAPABILITIES

*Innovative payments solutions to manage payables and receivables to streamline cash flow*




| | |
|---|---|
| $174 MILLION | Payments Revenue |
| $52.3 MILLION | Treasury Management Revenue |
| $8.5 BILLION | Commercial Card Volume |
| $6.1 BILLION | Merchant Volume |

## Key Verticals

**CommerceHealthcare®**

Tailored return on investment-based solutions enables healthcare providers to enhance the patient experience, improve cash flow, and leverage new opportunities in everyday processes.

## Claims Payments

With the help of our insurance advisory council, Claims Payments was built for the industry with the input of insurance experts. We help insurance companies provide faster payments to their customers.

Information as of December 31, 2020

# CARD PRODUCTS – A LEADER AMONG TOP 50 U.S. BANKS

*Consistently ranked among the top issuers in the Nilson Report*

| #12 | #7 | #9 | #12 | #20 | #11 |
|---|---|---|---|---|---|
| Commercial Card Issuer | Purchasing[1] Card Issuer | Bank Acquirer | Consumer Card | Debit Card | Prepaid Card |

*A full suite of innovative card and payment product offerings*

- Health Services Financing
- Claims Payments
- Multi Account Chip
- Co-Brand
- Prepaid Expense
- Credit Card Installment opportunity during purchase
- Contactless Visa® Debit Card Early adopter









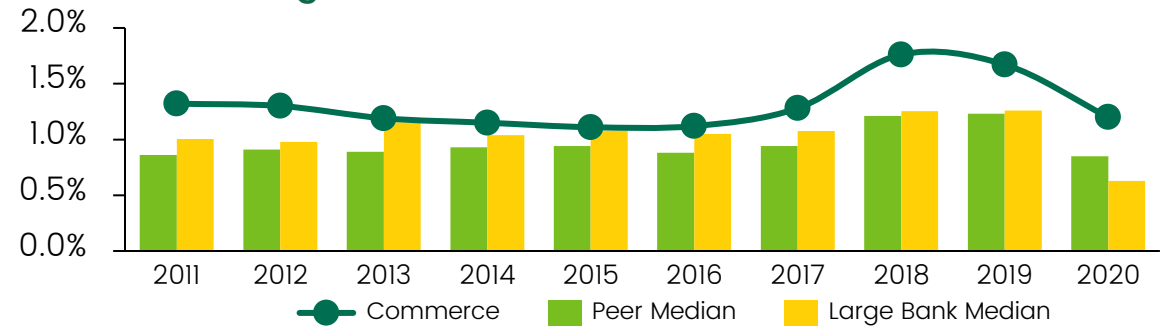




[1]Includes fleet cards
Source: Nilson Reports (Debit: April 2020; Consumer Card: February 2020; Prepaid: September 2020; Merchant: March 2020; Purchasing: May 2020; Commercial Card: May 2020), based on the top 50 U.S. banks ranked by total assets as of 12/31/2019, S&P Global Market Intelligence

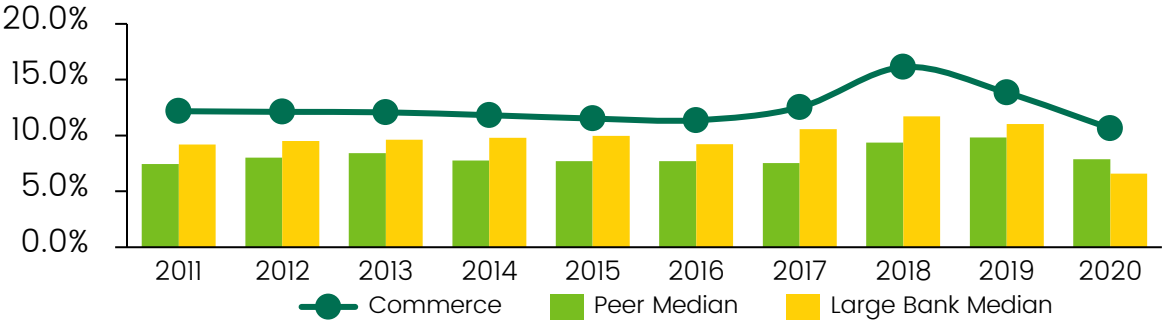
# COMMERCE BANK MAINTAINS SOLID PERFORMANCE OVER TIME

## Return on Average Assets




ROAA 10-yr average
**CBSH: 1.31%**
Peers: 0.97%

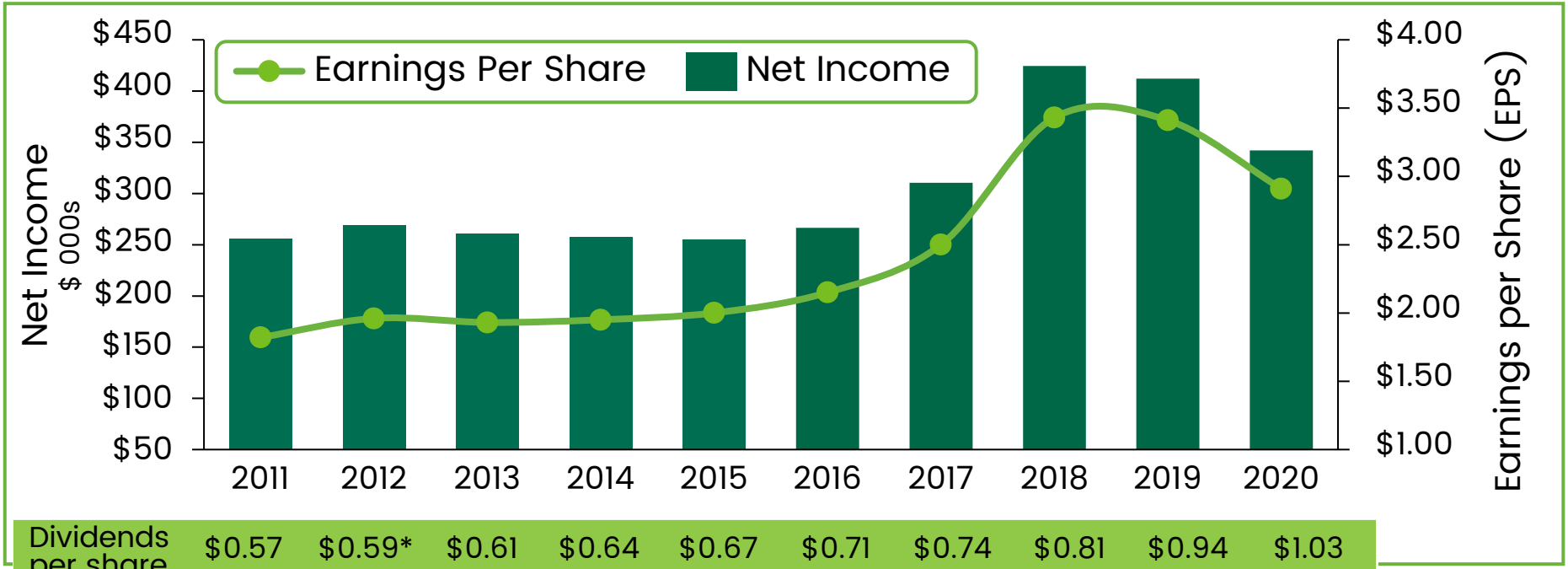
## Return on Average Common Equity




ROACE 10-yr average
**CBSH: 12.4%**
Peers: 8.2%

Peer Banks include ASB, BOKF, BXS, CFR, FCNC.A, FNB, FULT, HWC, ONB, OZK, PB, PNFP, SFNC, UBSI, UMBF, UMPQ, VLY, WBS, WTFC
Large Banks include: JPM, BAC, C, WFC, USB, PNC, FITH, RF
Sources: S&P Global Market Intelligence and company reports and filings as of 12/31/2020

# LONG-TERM VIEW: NET INCOME AND EARNINGS PER SHARE




| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Dividends per share | $0.57 | $0.59* | $0.61 | $0.64 | $0.67 | $0.71 | $0.74 | $0.81 | $0.94 | $1.03 |

***EPS REMAINS STRONG***

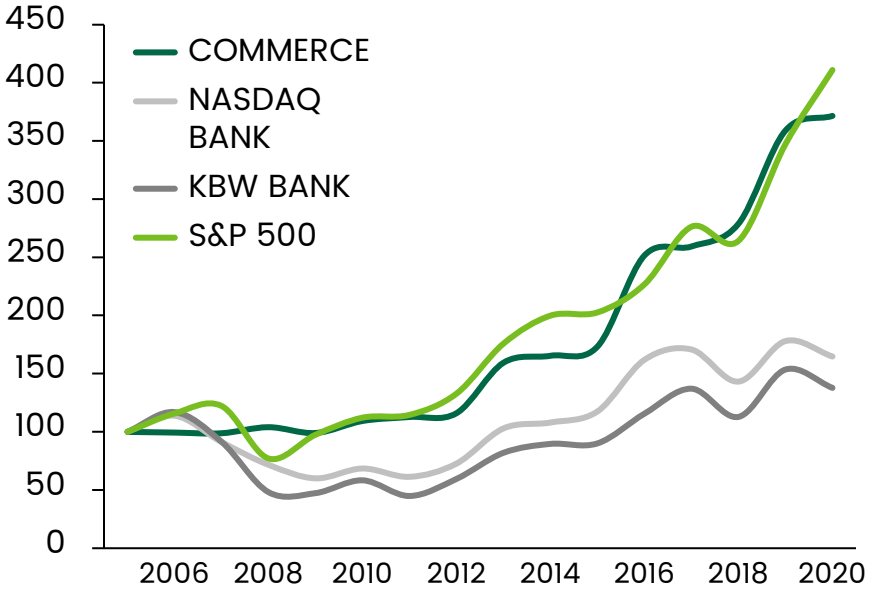
***2020 MARKED THE 52ND CONSECUTIVE YEAR OF DIVIDEND GROWTH***

*Including 2012 special dividend = $1.56
All data has been restated for 5% stock dividend distributed in December 2020
Net Income represents Net Income Available to Common Shareholders
*Source: Corporate Finance*

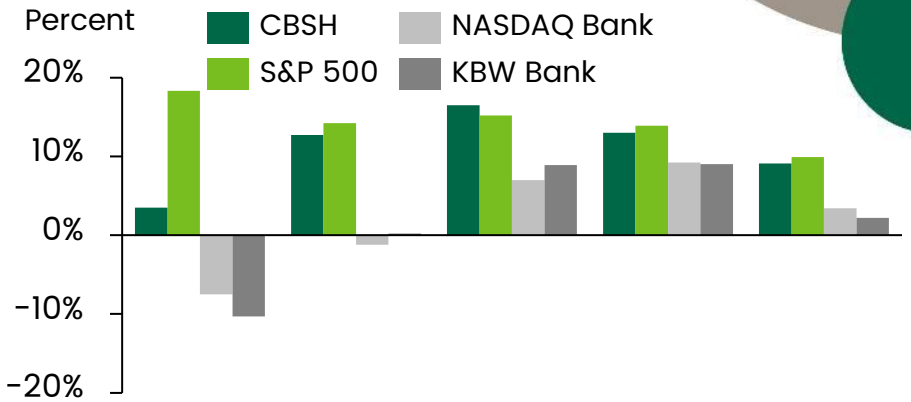
Commerce Bancshares, Inc.

# STEADY SHAREHOLDER RETURNS
as of December 31, 2020

## Total Shareholder Returns
Indexed, 12/31/2005 = $100




## Annualized Comparison Total Shareholder Returns




| | 1 Year | 3 Year | 5 Year | 10 Year | 15 Year |
|---|---|---|---|---|---|
| CBSH | 3.5% | 12.7% | 16.5% | 13.0% | 9.1% |
| S&P | 18.3% | 14.2% | 15.2% | 13.9% | 9.9% |
| NASDAQ BANK | -7.5% | -1.2% | 7.0% | 9.2% | 3.4% |
| KBW BANK | -10.3% | 0.2% | 8.9% | 9.0% | 2.2% |

***Consistent, positive returns to shareholders***
***Significant outperformance relative to banks over long period***

Source: Bloomberg; data as of 12/31/2020

# NON-GAAP RECONCILIATIONS

## Pre-tax, Pre-provision Net Revenue

| | (DOLLARS IN THOUSANDS) | For The Three Months Ended Dec. 31, 2020 | Sept. 30, 2020 | Dec. 31, 2019 |
|---|---|---|---|---|
| A | Net Interest Income | $ 209,763 | $ 215,962 | $ 202,659 |
| B | Non-Interest Income | $ 135,117 | $ 129,572 | $ 143,461 |
| C | Non-Interest Expense | $ 196,310 | $ 190,858 | $ 195,174 |
| | **Pre-Provision Net Revenue (A+B-C)** | **$ 148,570** | **$ 154,676** | **$ 150,946** |

# Investor Relations

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Commerce Bancshares, Inc.

# Embracing a Growth Mindset

Commerce Bancshares, Inc.