

COMMERCE BANCSHARES, INC.

EARNINGS HIGHLIGHTS 3rd 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, 2ND Quarter 2021 Report on Form 10-Q and the Corporation’s Current Reports on Form 8-K.

3Q2021 EARNINGS HIGHLIGHTS

Highlights

PPNR¹
\$139.9 million

Net Income
\$122.6 million

EPS
\$1.05

ROAA
1.40%

ROACE
13.74%

Efficiency Ratio
59.95%

Well-positioned in a challenging environment

- Net interest income increased 2.9% over Q2.
- Net interest margin decreased 2 bps from Q2 to 2.58%.
- Non-interest income totaled \$137.5 million in Q3.
 - Non-interest income to total revenue of 39.1%.
- Wealth management client assets increased 2.9% in Q3 to \$66.8 billion.
- Non-interest expense increased \$13.5 million over Q2, driven by \$8.2 million of non-recurring items.
- QTD average loans (excl. PPP) down .3% from Q2.
- QTD average deposits increased \$344.0 million over Q2.
- Net charge-offs to total average loans of .10% and non-performing assets to total loans of .07%.
- Tangible common equity to tangible assets of 9.71%.

¹ See the non-GAAP reconciliation on page 19

BALANCE SHEET HIGHLIGHTS

Quarterly Average Balances \$ in millions	3Q21	Change vs.		Highlights
		2Q21	3Q20	
Commercial ¹	\$9,588.9	↓ \$ (726.1)	↓ \$ (1,084.3)	<ul style="list-style-type: none"> Linked quarter (LQ) reflects lower business loans, mostly driven by PPP forgiveness (-\$689.2 million) and lower business R/E LQ reflects decrease in personal real estate, which was offset by growth in consumer loans
Consumer	5,670.1	↓ (5.4)	↓ (22.7)	
Total Loans	\$15,259.0	↓ \$ (731.5)	↓ \$ (1,107.0)	
Investment Securities	\$13,794.8	↑ \$ 915.5	↑ \$ 2,707.4	<ul style="list-style-type: none"> LQ increase due to growth in mortgage-backed and asset-backed securities
Interest Earning Deposits with Banks	\$2,602.9	↓ \$ (121.9)	↑ \$ 1,578.5	<ul style="list-style-type: none"> Prudently deploying excess deposits into higher-yielding assets
Deposits	\$28,057.2	↑ \$ 344.0	↑ \$ 3,309.9	<ul style="list-style-type: none"> 1.2% quarterly growth, 13.4% annual growth
Book Value per Common Share ²	\$30.01	↑ \$.12	↑ \$ 1.78	<ul style="list-style-type: none"> 6.3% annual growth

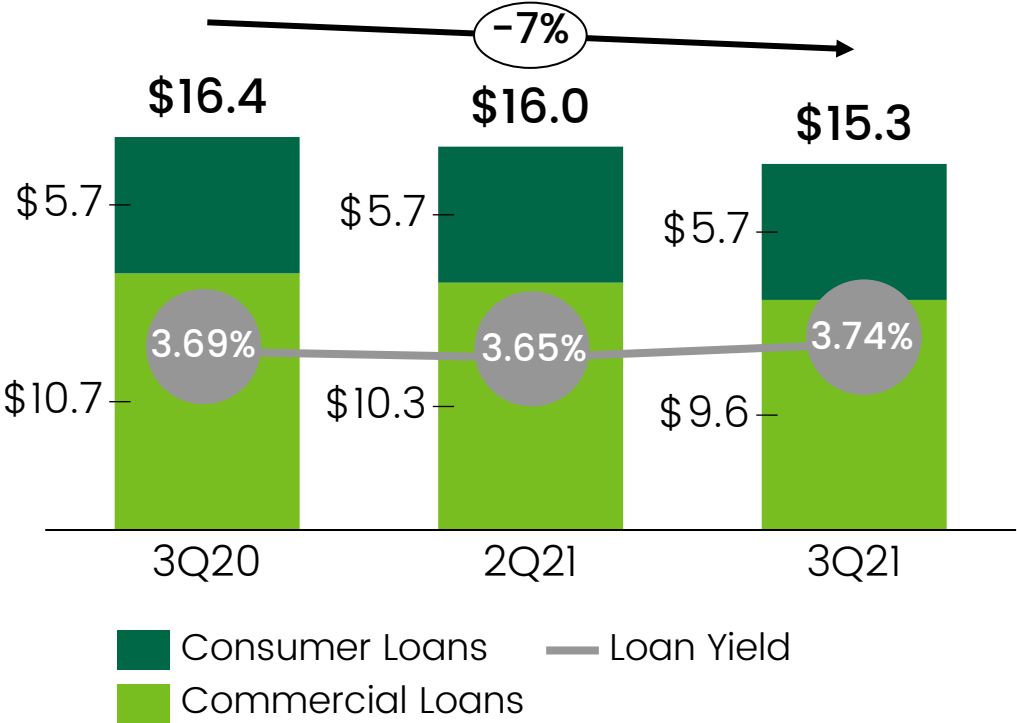
¹ PPP QTD average balances were \$575.0 million and \$1,264.1 million as of September 30, 2021 and June 30, 2021, respectively

² For the quarters ended September 30, 2021, June 30, 2021, and September 30, 2020

BALANCE SHEET

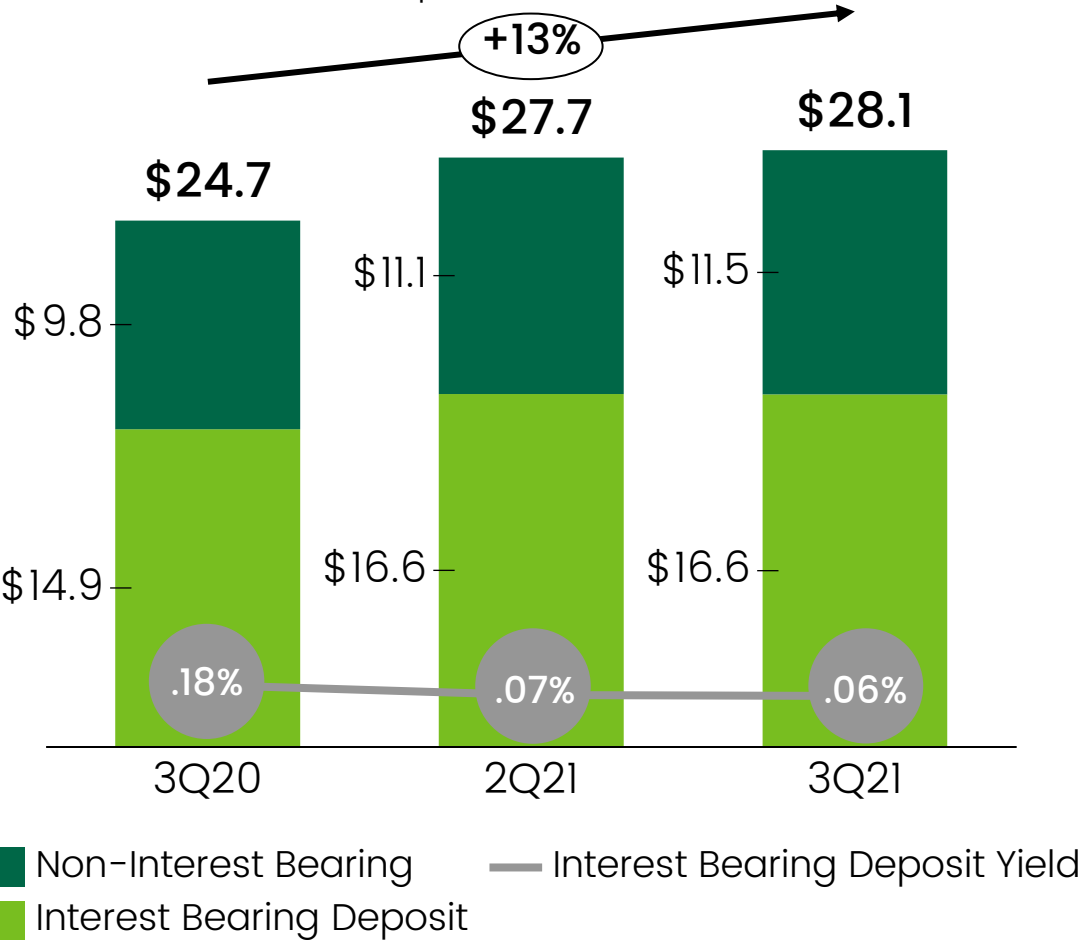
Loans

QTD Average Balances
\$ billions



Deposits

QTD Average Balances
\$ billions



LOAN PORTFOLIO

Period-End Balances

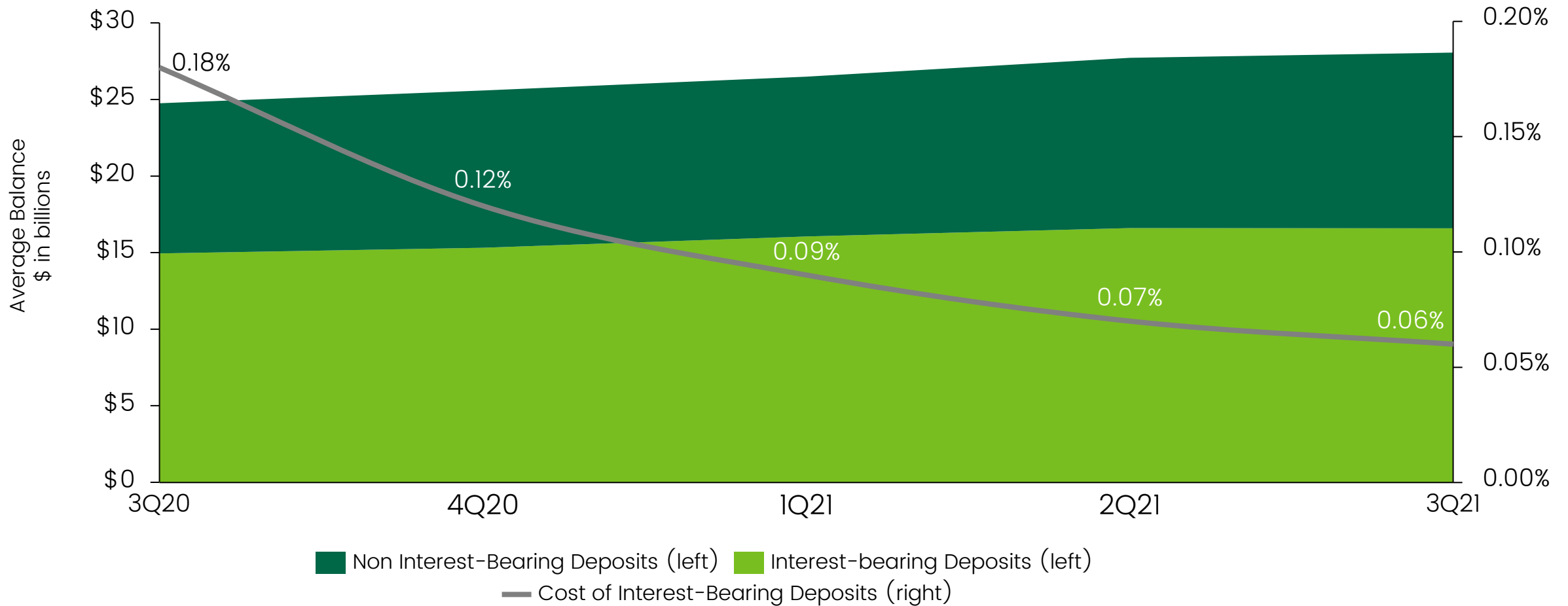
QTD Average Balances

\$ in 000s	9/30/2021	6/30/2021	9/30/2020	QoQ	YoY	\$ in 000s	9/30/2021	6/30/2021	9/30/2020	QoQ	YoY
Business	\$5,277,850	\$5,803,760	\$6,683,413	-9.1%	-21.0%	Business	\$5,437,498	\$6,211,610	\$6,709,200	-12.5%	-19.0%
<i>Business excl. PPP</i>	<i>4,969,914</i>	<i>4,949,459</i>	<i>5,175,827</i>	<i>.4%</i>	<i>-4.0%</i>	<i>Business excl. PPP</i>	<i>4,862,523</i>	<i>4,947,477</i>	<i>5,203,444</i>	<i>-1.7%</i>	<i>-6.6%</i>
Construction	1,257,836	1,103,661	1,009,729	14.0%	24.6%	Construction	1,168,566	1,088,433	974,346	7.4%	19.9%
Business Real Estate	2,937,852	3,017,560	2,993,192	-2.6%	-1.8%	Business Real Estate	2,982,847	3,014,955	2,989,652	-1.1%	-.2%
Personal Real Estate	2,769,292	2,793,213	2,753,867	-.9%	.6%	Personal Real Estate	2,775,638	2,804,388	2,722,300	-1.0%	2.0%
Consumer	2,049,559	2,049,166	2,006,360	—	2.2%	Consumer	2,041,263	2,004,625	1,992,314	1.8%	2.5%
Revolving Home Equity	281,442	283,568	324,203	-.7%	-13.2%	Revolving Home Equity	281,689	287,031	329,361	-1.9%	-14.5%
Consumer Credit Card	569,976	586,358	647,893	-2.8%	-12.0%	Consumer Credit Card	566,406	575,725	646,185	-1.6%	-12.3%
Overdrafts	4,583	2,978	2,270	53.9%	101.9%	Overdrafts	5,110	3,735	2,689	36.8%	90.0%
Total Loans	\$15,148,390	\$15,640,264	\$16,420,927	-3.1%	-7.7%	Total Loans	\$15,259,017	\$15,990,502	\$16,366,047	-4.6%	-6.8%
PPP ¹	307,936	854,301	1,507,586	-64.0%	-79.6%	PPP ¹	574,975	1,264,133	1,505,756	-54.5%	-61.8%
Total Loans excl. PPP	\$14,840,454	\$14,785,963	\$14,913,341	.4%	-.5%	Total Loans excl. PPP	\$14,684,042	\$14,726,369	\$14,860,291	-.3%	-1.2%

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

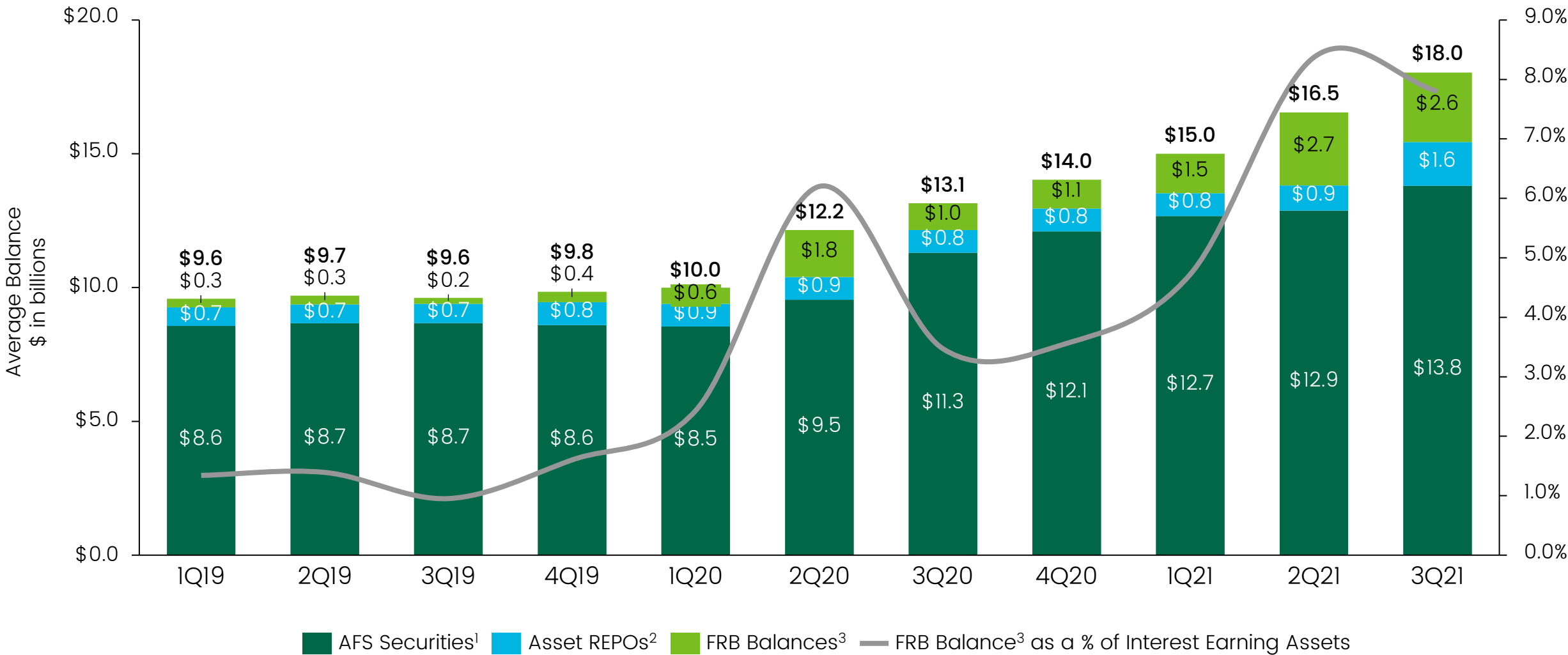
BALANCE SHEET: LOW-COST DEPOSITS

- 41% of Q3 average deposits were non-interest bearing.
- Cost of interest-bearing deposits declined slightly.



EARNING ASSET OPTIMIZATION

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	Change vs.					Highlights
	3Q21		2Q21		3Q20	
Net Interest Income	\$214.0	↑	\$6.1	↓	\$ (1.9)	• Linked quarter (LQ) increase due to higher income on investment securities, partially offset by lower interest earned on loans and securities purchased under agreements to resell
Non-Interest Income	\$137.5	↓	\$ (1.6)	↑	\$7.9	• See page 10
Non-Interest Expense	\$211.6	↑	\$13.5	↑	\$20.8	• See page 11
Pre-Tax, Pre-Provision Net Revenue ¹	\$139.9	↓	\$ (9.1)	↓	\$ (14.8)	
Investment Securities Gains, Net	\$13.1	↓	\$ (3.7)	↓	\$ (3.0)	• Q3 unrealized fair value gains of \$13.0 million on private equity investment portfolio
Provision for Credit Losses	\$ (7.4)	↑	\$38.3	↓	\$ (10.5)	• LQ increase due to a smaller decrease in the estimate of the allowance for credit losses on loans and unfunded lending commitments and higher net loan charge-offs
Net-Income Available to Common Shareholders	\$122.6	↓	\$ (39.8)	↓	\$ (2.4)	
	3Q21		2Q21		3Q20	
Net Income per Common Share – Diluted	\$1.05	↓	\$1.38	↓	\$1.06	
Net Yield on Interest Earning Assets	2.58%	↓	2.60%	↓	2.97%	• Lower earning asset yields, slightly offset by lower deposit costs

¹ See the non-GAAP reconciliation on page 19

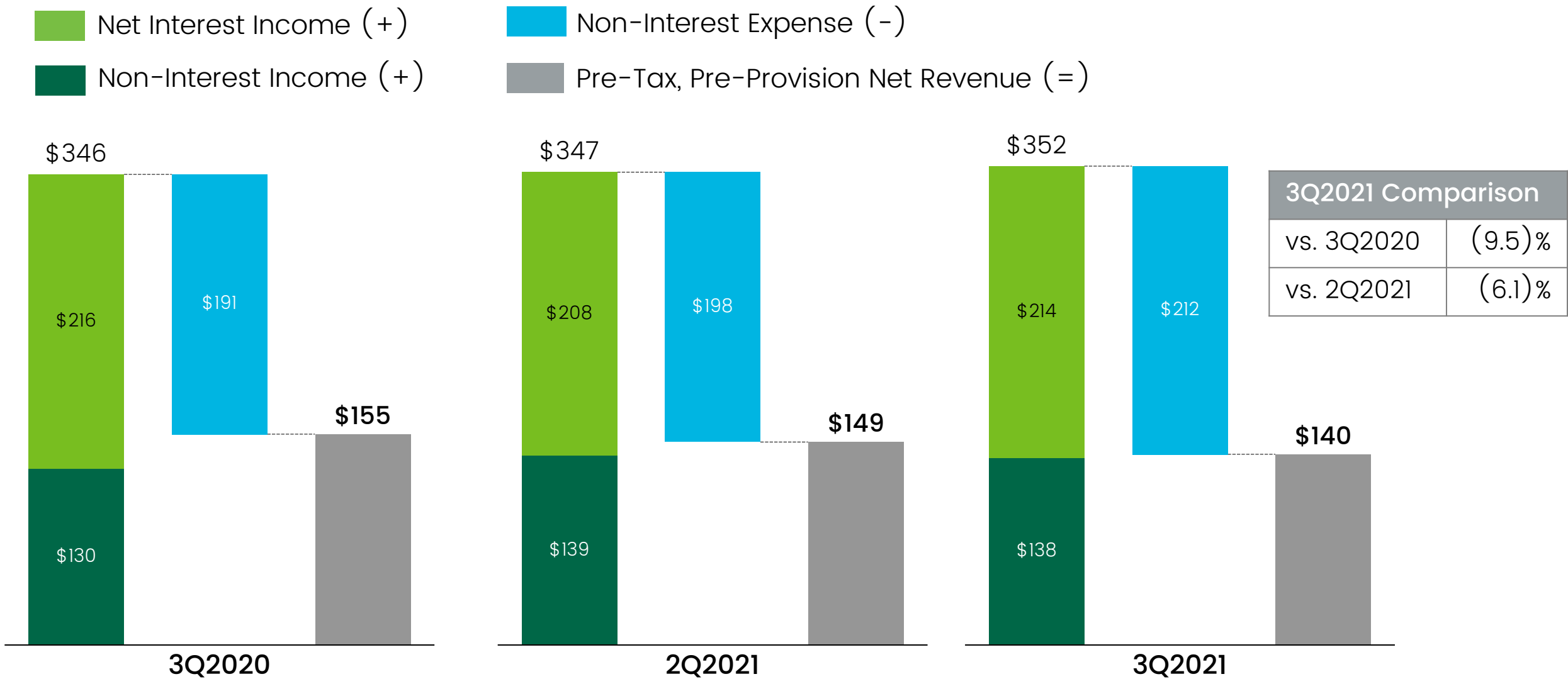
NON-INTEREST INCOME HIGHLIGHTS

\$ in millions	3Q21	Change vs.		3Q20	Highlights
		2Q21			
Bank Card Transaction Fees	\$42.8	↑ \$0.2		↑ \$4.9	• Increase of 13.0% over prior year (PY) driven by net corporate card fees
Trust Fees	\$49.0	↑ \$2.7		↑ \$8.2	• Increase of 5.8% over linked quarter (LQ), 20.1% over PY resulting mostly from higher private client fee income
Deposit Account Charges and Other Fees	\$25.2	↑ \$1.2		↑ \$2.1	• Increase of 8.9% over PY as fees continue to rebound strongly from last year's lows
Capital Market Fees	\$3.8	↑ \$0.5		↑ \$0.6	
Consumer Brokerage Services	\$4.9	↑ \$0.4		↑ \$0.9	• Consumer brokerage fees up 22.2%, compared PY, mainly due to growth in annuity and advisory fees
Loan Fees and Sales	\$6.8	↓ \$(0.6)		↓ \$(2.9)	• Decline mostly from mortgage banking revenue, down 30.0% from PY
Other	\$5.0	↓ \$(6.0)		↓ \$(5.8)	• Decrease from the PY mainly due to lower cash sweep commissions, tax credit sales fees and a \$2.0 million loss this quarter on an equity method investment
Total Non-Interest Income	\$137.5	↓ \$(1.6)		↑ \$7.9	

NON-INTEREST EXPENSE HIGHLIGHTS

\$ in millions	3Q21	Change vs.				Highlights
		2Q21		3Q20		
Salaries and Employee Benefits	\$132.8	↑	\$2.1	↑	\$5.5	• Increase of 1.6% over linked quarter (LQ), 4.3% over prior year (PY) mostly due to higher incentive compensation
Net Occupancy	\$12.3	↑	\$0.8	↑	\$0.3	
Equipment	\$4.4	↓	\$ (0.2)	↓	\$ (0.3)	
Supplies	\$4.5	↑	\$0.5	↑	\$0.4	
Data Processing and Software	\$25.6	↑	\$0.6	↑	\$2.0	• Increase of 2.6% over LQ and 8.4% over PY due to higher bank card processing fees and increase in costs for service providers
Marketing	\$5.6	↓	\$ (0.1)	↑	\$0.7	
Other	\$26.3	↑	\$9.7	↑	\$12.2	• Increase mainly due non-recurring costs
Total Non-Interest Expense	\$211.6	↑	\$13.5	↑	\$20.8	

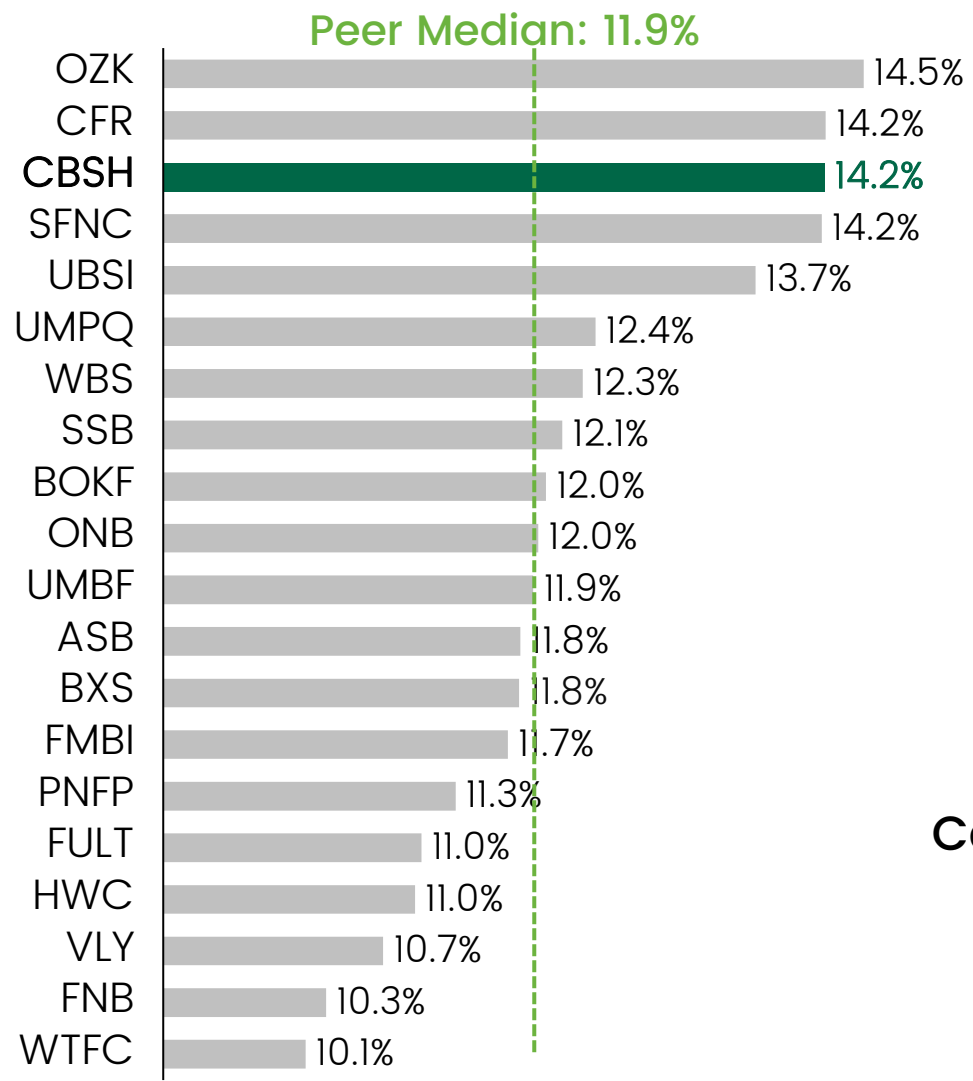
PRE-TAX, PRE-PROVISION NET REVENUE (PPNR)



See the non-GAAP reconciliation on page 19

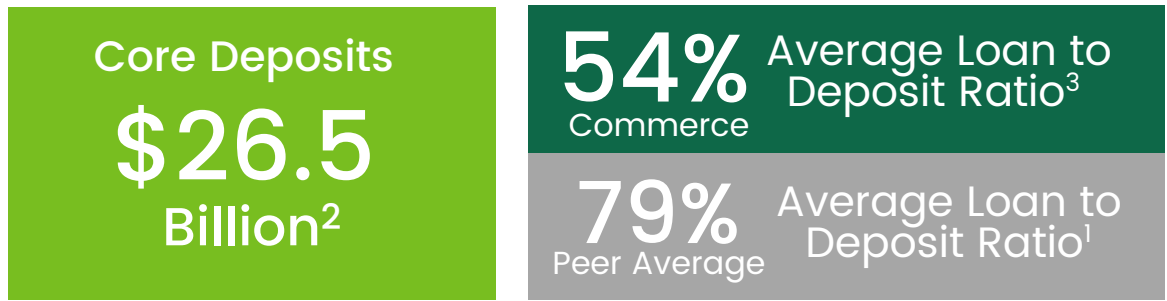
SOUND CAPITAL AND LIQUIDITY POSITION

Tier 1 Risk-Based Capital Ratio¹

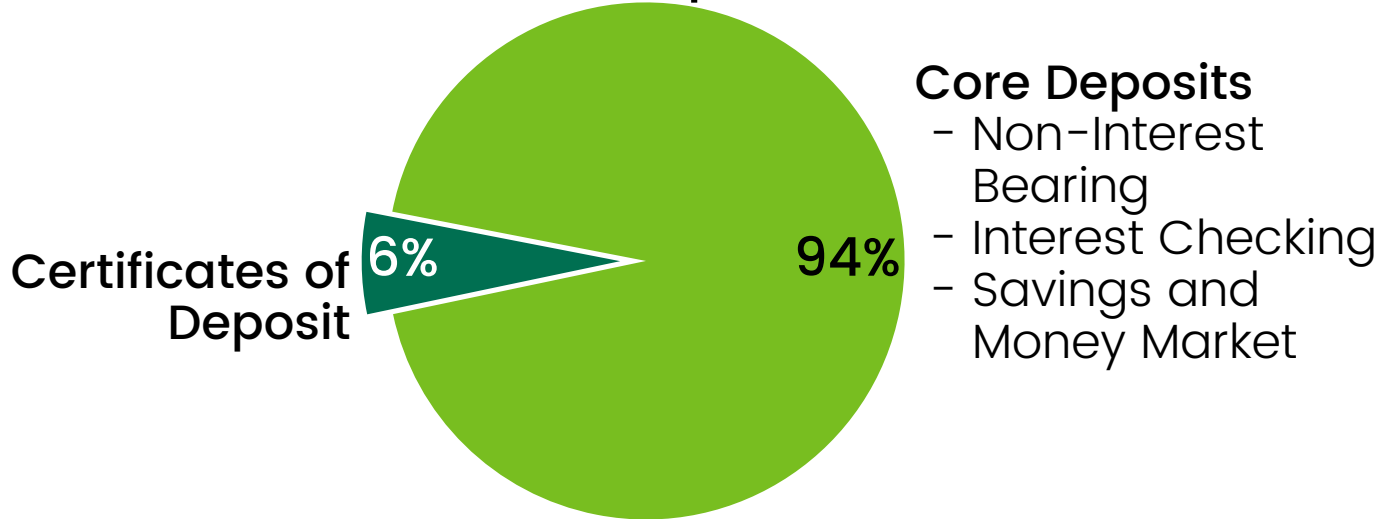


Loan to Deposit Ratio

Large, stable deposit base



Total Deposits

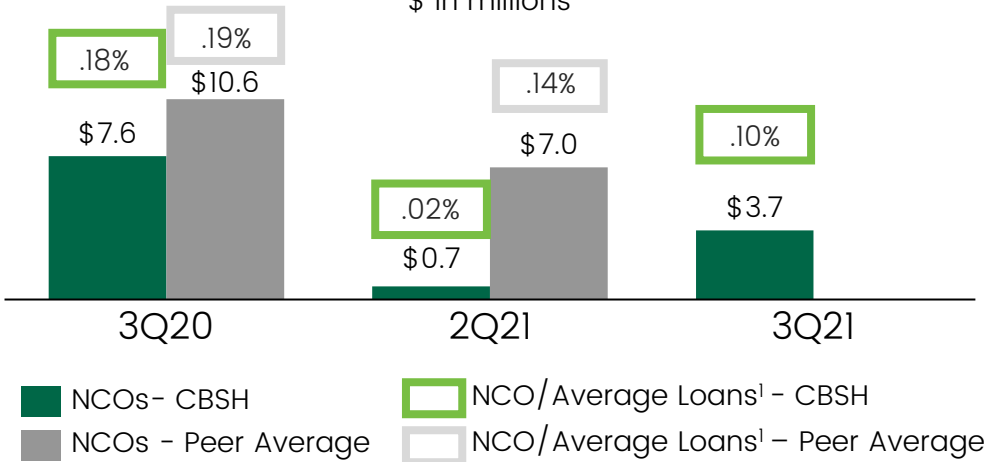


¹S&P Global Market Intelligence, Information as of June 30, 2021
²Period-end balances, as of September 30, 2021
³Includes loans held for sale, for the quarter ended September 30, 2021

MAINTAINING STRONG CREDIT QUALITY

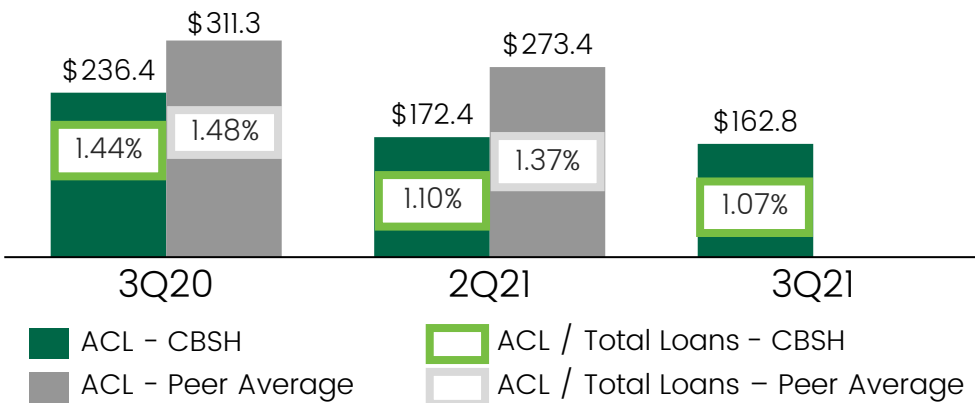
Net Loan Charge-Offs (NCOs)

\$ in millions



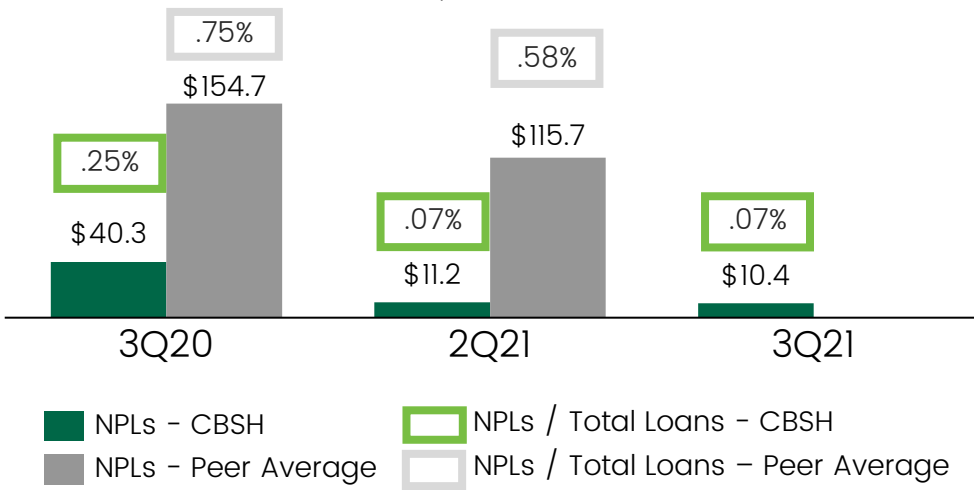
Allowance for Credit Losses on Loans (ACL)

\$ in millions

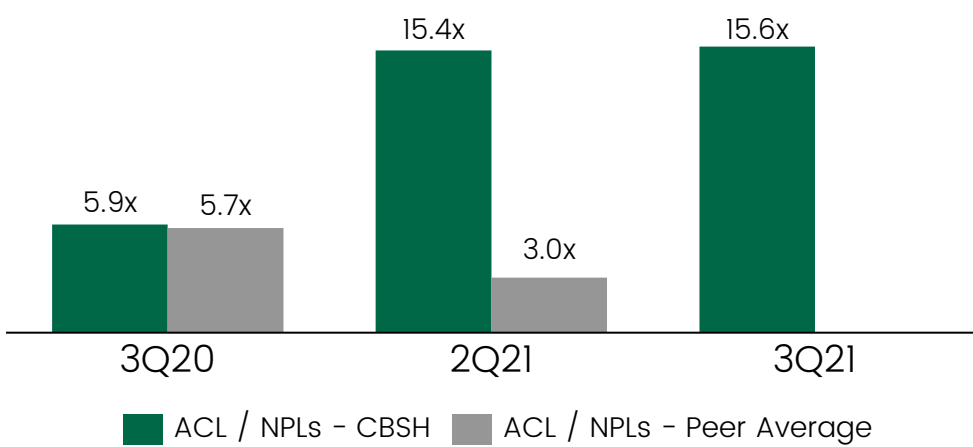


Non-Performing Loans (NPLs)

\$ in millions



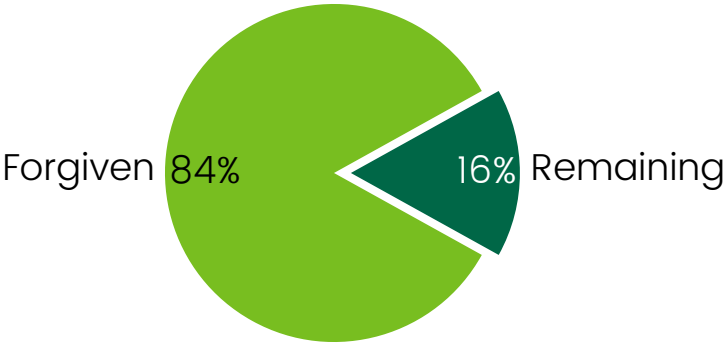
Allowance for Credit Losses on Loans (ACL) to NPLs



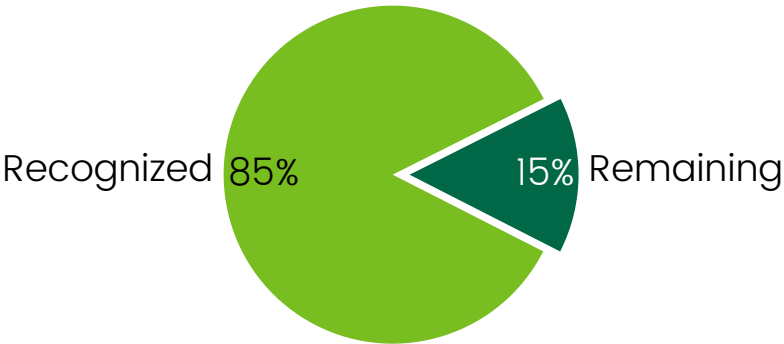
Percentages are illustrative and not to scale; Peer Banks include: ASB, BXS, OZK, BOKF, CFR, FNB, FMBI, FULT, HWC, ONB, PNFP, SFNC, SSB, UMBF, UMPQ, UBSI, VLY, WBS, WTFC
¹As a percentage of average loans (excluding loans held for sale)

PAYCHECK PROTECTION PROGRAM IMPACT AND UPDATE

Total Loan Originations¹:
\$1.9 Billion

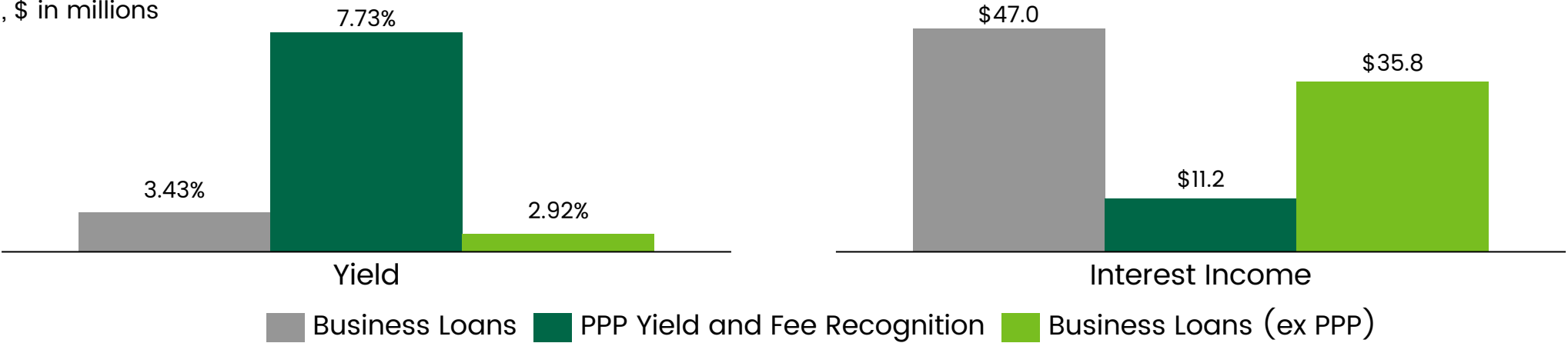


Total SBA Fees:
\$60.4 Million



Yield and Interest Income²

Q3 2021, \$ in millions

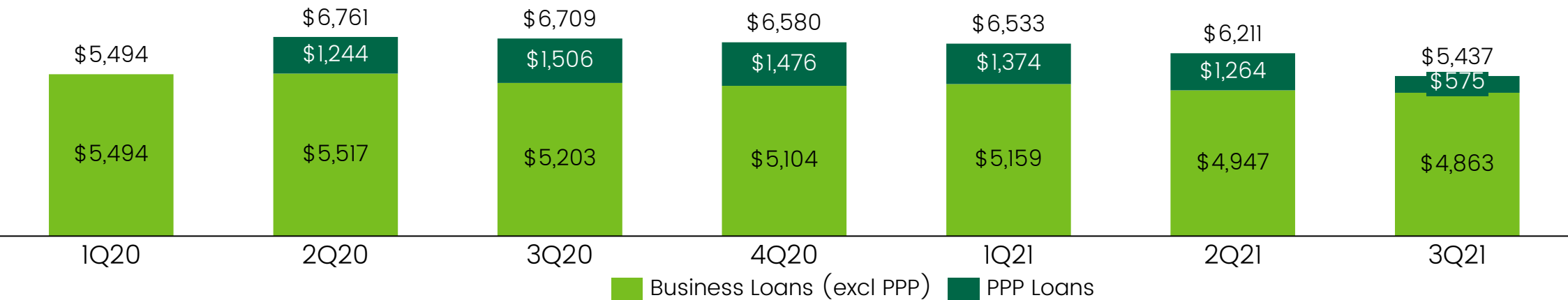


¹Includes Round 1 and Round 2 fundings. Period-end balance as of 9/30 was \$307.9 million; ²Tax equivalent basis

PAYCHECK PROTECTION PROGRAM IMPACT AND UPDATE

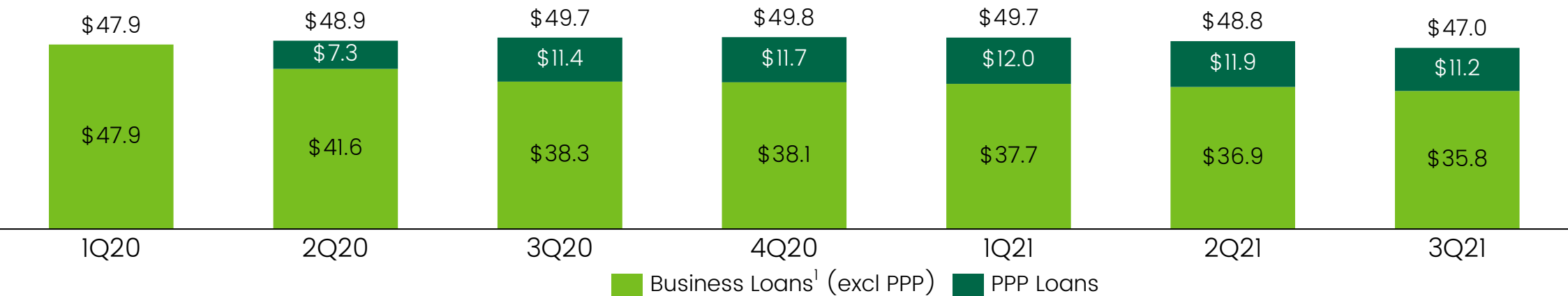
Loan Portfolio Impact

QTD Average Balances, \$ in millions



Interest Income Impact

\$ in millions



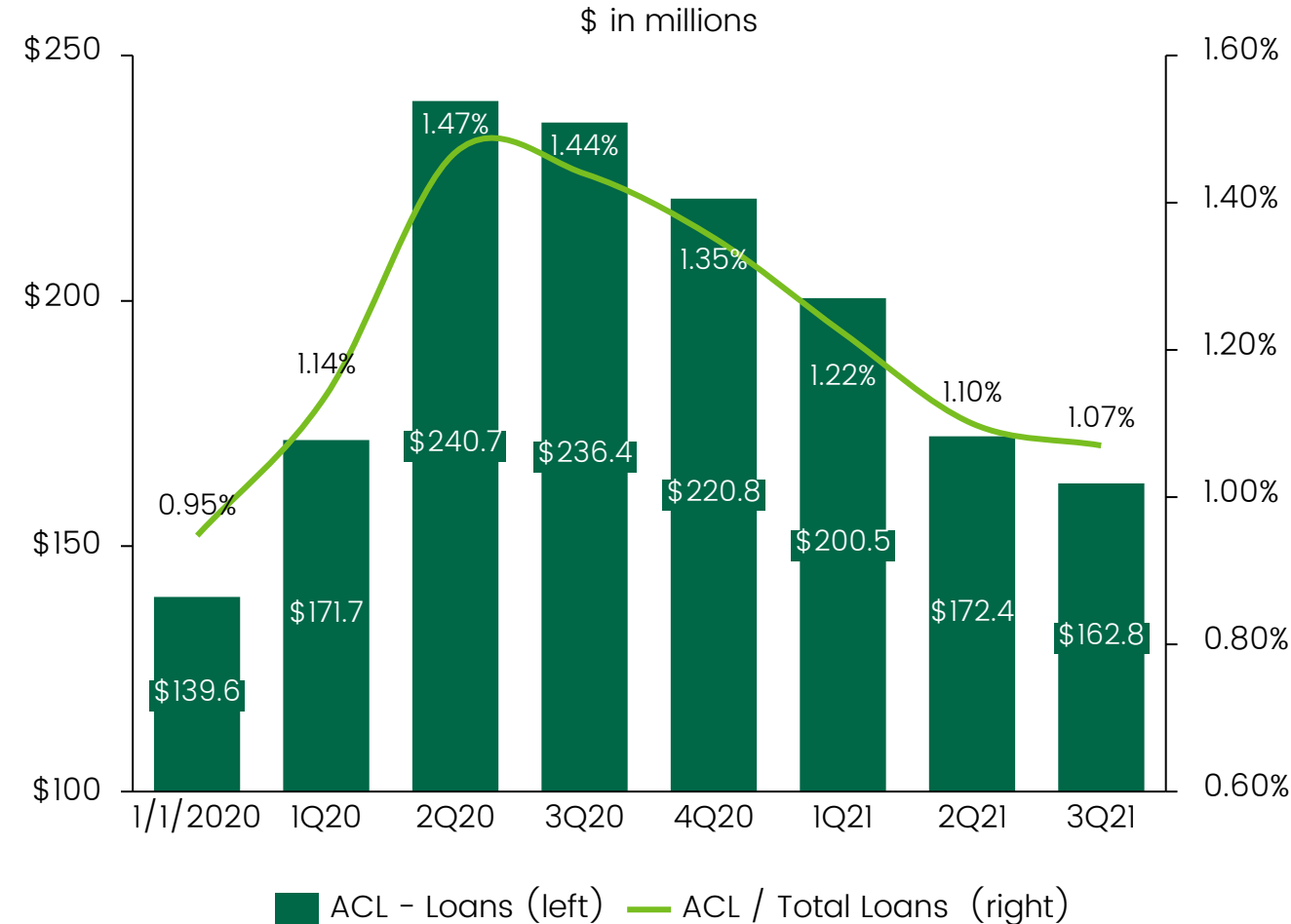
¹Tax equivalent basis

ALLOCATION OF ALLOWANCE

CECL allowances reflect the economic and market outlook

\$ in millions	June 30, 2021		September 30, 2021	
	Allowance for Credit Losses (ACL)	% of Outstanding Loans	Allowance for Credit Losses (ACL)	% of Outstanding Loans
Business	\$ 44.9	.77%	\$ 41.0	.78%
Bus R/E	29.6	.98%	32.3	1.10%
Construction	23.5	2.13%	24.8	1.97%
Commercial total	\$ 98.0	.99%	\$ 98.2	1.04%
Consumer	12.3	.60%	11.4	.56%
Consumer CC	55.2	9.41%	46.4	8.15%
Personal R/E	5.6	.20%	5.4	.19%
Revolving H/E	1.1	.39%	1.1	.40%
Overdrafts	.2	7.29%	.3	6.66%
Consumer total	\$ 74.4	1.30%	\$ 64.6	1.14%
Allowance for credit losses on loans	\$ 172.4	1.10%	\$ 162.8	1.07%

Allowance for Credit Losses (ACL) on Loans



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

33 Portfolio Companies
Representing
\$733 million in Revenue
Over 2,900 Employees

Fair Value as of September 30, 2021:
\$138.1 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)		Sept. 30, 2021	Jun. 31, 2021	Sept. 30, 2020
A	Net Interest Income	\$ 214,037	\$ 207,982	\$ 215,962
B	Non-Interest Income	\$ 137,506	\$ 139,143	\$ 129,572
C	Non-Interest Expense	\$ 211,620	\$ 198,126	\$ 190,858
Pre-Provision Net Revenue (A+B-C)		\$ 139,923	\$ 148,999	\$ 154,676

