



Financial News Release

FOR IMMEDIATE RELEASE:

Thursday, January 13, 2011

COMMERCE BANCSHARES, INC. ANNOUNCES FOURTH QUARTER EARNINGS PER SHARE OF \$.70

Commerce Bancshares, Inc. announced earnings of \$.70 per share for the quarter ended December 31, 2010 compared to \$.57 in the fourth quarter of 2009 and \$.64 per share in the previous quarter. Net income for the fourth quarter amounted to \$61.9 million compared to \$49.6 million in the same period last year and \$55.9 million in the previous quarter. The return on average assets for the three months ended December 31, 2010 was 1.34%, and the return on average equity was 12.0%.

For the year ended December 31, 2010, earnings per share totaled \$2.52, an increase of 27.9% compared to \$1.97 in 2009. Net income amounted to \$221.7 million in 2010 compared to \$169.1 million in 2009, or an increase of 31.1%. The return on average assets was 1.22% in 2010 and the return on average equity was 11.1%. At December 31, 2010 the ratio of tangible common equity to total assets improved to 10.3% compared to 9.7% at year end 2009.

In making this announcement, David W. Kemper, Chairman and CEO, said, "We are pleased to report net income this quarter of \$61.9 million, an increase of 24.8%, over the same period last year. These results were mainly due to solid growth in core fee income, notably bankcard and trust fees, coupled with a lower loan loss provision and stable core expenses. Additionally, the Company sold a majority of its student loan portfolio this quarter at a gain of \$9.8 million and essentially exited from the federally insured student loan business due to recent statutory changes. Net interest income improved this quarter despite lower loan totals. We also prepaid high coupon advances from the Federal Home Loan Bank which resulted in a prepayment penalty of \$11.8 million which will lower future borrowing costs."

Mr. Kemper continued, "During the quarter, net loan charge-offs totaled \$21.6 million compared to \$21.8 million in the previous quarter, and \$37.0 million in the same period last year. Non-performing assets at December 31, 2010 totaled \$97.3 million compared to \$102.1 million in the previous quarter. The provision for loan losses matched our net loan charge-offs this quarter, and our allowance for loan losses was unchanged at \$197.5 million, representing 2.3 times non-performing loans. Our capital and liquidity positions have strengthened all year, and at year end the ratio of tangible common equity to assets amounted to 10.3%, while our loans to deposits ratio amounted to 64.6%. Because of our strong capital position, we elected to resume our treasury stock buyback plan and repurchased approximately 1.1 million shares of common stock this quarter. While we have navigated successfully through a stressed economy this year, new regulatory changes in 2011 will continue to challenge our Company and the entire banking industry. We feel confident we are well positioned to meet these challenges and take advantage of future growth opportunities."

(more)

Total assets at December 31, 2010 were \$18.5 billion, total loans were \$9.5 billion, and total deposits were \$15.1 billion. During the quarter, the Company purchased approximately 1.1 million shares of its common stock through its previously approved treasury stock buyback plan and paid a 5% common stock dividend on December 20, 2010.

Commerce Bancshares, Inc. is a registered bank holding company offering a full line of banking services, including investment management and securities brokerage. The Company currently operates in approximately 370 locations in Missouri, Illinois, Kansas, Oklahoma and Colorado. The Company also has operating subsidiaries involved in mortgage banking, credit related insurance, and private equity activities.

Summary of Non-Performing Assets and Past Due Loans

| <i>(Dollars in thousands)</i> | 9/30/10 | 12/31/10 | 12/31/09 |
|---|-----------|----------|-----------|
| Non-Accrual Loans | \$89,609 | \$85,275 | \$106,613 |
| Foreclosed Real Estate | \$12,539 | \$12,045 | \$10,057 |
| Total Non-Performing Assets | \$102,148 | \$97,320 | \$116,670 |
| Non-Performing Assets to Loans | 1.05% | 1.03% | 1.15% |
| Non-Performing Assets to Total Assets | .54% | .53% | .64% |
| Loans 90 Days & Over Past Due – Still Accruing | \$42,723 | \$20,466 | \$42,632 |

This financial news release, including management’s discussion of fourth quarter results, is posted to the Company’s web site at www.commercebank.com.

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COMMERCE BANCSHARES, INC. and SUBSIDIARIES
FINANCIAL HIGHLIGHTS

| <i>(Unaudited)</i> | For the Three Months Ended | | | For the Year Ended | |
|---|----------------------------|-------------------|-----------------|--------------------|-----------------|
| | Sept 30 2010 | Dec. 31 2010 | Dec. 31 2009 | Dec. 31 2010 | Dec. 31 2009 |
| FINANCIAL SUMMARY <i>(In thousands, except per share data)</i> | | | | | |
| Net interest income | \$159,437 | \$160,677 | \$164,503 | \$645,932 | \$635,502 |
| Taxable equivalent net interest income | 164,773 | 166,010 | 169,530 | 666,143 | 654,203 |
| Non-interest income | 100,010 | 110,454 | 102,519 | 405,111 | 396,259 |
| Investment securities gains (losses), net | 16 | 1,204 | (1,325) | (1,785) | (7,195) |
| Provision for loan losses | 21,844 | 21,647 | 41,002 | 100,000 | 160,697 |
| Non-interest expense | 155,586 | 164,031 | 153,739 | 631,134 | 621,737 |
| Net income | 55,885 | 61,921 | 49,622 | 221,710 | 169,075 |
| Cash dividends | 19,621 | 19,395 | 18,984 | 78,231 | 74,720 |
| Net total loan charge-offs | 21,844 | 21,647 | 36,988 | 96,942 | 138,836 |
| Business | 582 | 1,514 | 1,991 | 4,586 | 12,837 |
| Real estate - construction and land | 1,971 | 1,589 | 10,030 | 15,006 | 34,092 |
| Real estate - business | 776 | 1,829 | 2,186 | 4,058 | 5,248 |
| Consumer credit card | 12,592 | 9,736 | 12,721 | 47,731 | 49,275 |
| Consumer | 4,912 | 5,295 | 7,870 | 20,474 | 32,201 |
| Revolving home equity | 276 | 469 | 561 | 1,975 | 1,190 |
| Student | 2 | - | 2 | 5 | 6 |
| Real estate - personal | 379 | 961 | 1,230 | 2,056 | 2,787 |
| Overdraft | 354 | 254 | 397 | 1,051 | 1,200 |
| Per common share: | | | | | |
| Net income - basic | \$0.63 | \$0.72 | \$0.57 | \$2.54 | \$1.98 |
| Net income - diluted | \$0.64 | \$0.70 | \$0.57 | \$2.52 | \$1.97 |
| Cash dividends | \$0.224 | \$0.224 | \$0.218 | \$0.895 | \$0.871 |
| Diluted wtd. average shares o/s | 87,560 | 86,927 | 87,192 | 87,382 | 85,551 |
| RATIOS | | | | | |
| Average loans to deposits ⁽¹⁾ | 68.88% | 64.63% | 73.61% | 70.02% | 79.79% |
| Return on total average assets | 1.19% | 1.34% | 1.09% | 1.22% | 0.96% |
| Return on total average equity | 10.98% | 11.99% | 10.48% | 11.15% | 9.76% |
| Non-interest income to revenue ⁽²⁾ | 38.55% | 40.74% | 38.39% | 38.54% | 38.41% |
| Efficiency ratio ⁽³⁾ | 59.58% | 60.33% | 57.27% | 59.71% | 59.88% |
| AT PERIOD END | | | | | |
| Book value per share based on total equity | \$23.37 | \$23.36 | \$21.64 | | |
| Market value per share | \$35.80 | \$39.73 | \$36.88 | | |
| Allowance for loan losses | | | | | |
| as a percentage of loans | 2.04% | 2.10% | 1.92% | | |
| Tier I leverage ratio | 9.93% | 10.17% | 9.58% | | |
| Tangible equity to assets ratio ⁽⁴⁾ | 10.26% | 10.27% | 9.71% | | |
| Common shares outstanding | 87,578,505 | 86,624,181 | 87,158,735 | | |
| Shareholders of record | 4,311 | 4,284 | 4,444 | | |
| Number of bank/ATM locations | 369 | 367 | 374 | | |
| Full-time equivalent employees | 5,011 | 4,979 | 5,125 | | |
| OTHER QTD INFORMATION | | | | | |
| High market value per share | \$38.42 | \$40.59 | \$38.46 | | |
| Low market value per share | \$33.43 | \$34.35 | \$32.56 | | |

⁽¹⁾ Includes loans held for sale.

⁽²⁾ Revenue includes net interest income and non-interest income.

⁽³⁾ The efficiency ratio is calculated as non-interest expense (excluding intangibles amortization) as a percent of revenue.

⁽⁴⁾ The tangible equity ratio is calculated as stockholders' equity reduced by goodwill and other intangible assets (excluding mortgage servicing rights) divided by total assets reduced by goodwill and other intangible assets (excluding mortgage servicing rights).

COMMERCE BANCSHARES, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

| <i>(Unaudited)</i> <i>(In thousands, except per share data)</i> | For the Three Months Ended | | | For the Year Ended | |
|--|----------------------------|------------------|-----------------|--------------------|------------------|
| | Sept.30 2010 | Dec. 31 2010 | Dec. 31 2009 | Dec. 31 2010 | Dec. 31 2009 |
| Interest income | \$178,916 | \$177,436 | \$194,999 | \$729,478 | \$789,512 |
| Interest expense | 19,479 | 16,759 | 30,496 | 83,546 | 154,010 |
| Net interest income | 159,437 | 160,677 | 164,503 | 645,932 | 635,502 |
| Provision for loan losses | 21,844 | 21,647 | 41,002 | 100,000 | 160,697 |
| Net interest income after provision for loan losses | 137,593 | 139,030 | 123,501 | 545,932 | 474,805 |
| NON-INTEREST INCOME | | | | | |
| Bank card transaction fees | 37,723 | 41,016 | 33,572 | 148,888 | 122,124 |
| Deposit account charges and other fees | 21,693 | 21,491 | 26,085 | 92,637 | 106,362 |
| Trust fees | 20,170 | 21,117 | 19,345 | 80,963 | 76,831 |
| Bond trading income | 5,133 | 5,574 | 4,903 | 21,098 | 22,432 |
| Consumer brokerage services | 2,390 | 2,311 | 2,413 | 9,190 | 10,831 |
| Loan fees and sales | 5,830 | 11,975 | 7,728 | 23,116 | 21,273 |
| Other | 7,071 | 6,970 | 8,473 | 29,219 | 36,406 |
| Total non-interest income | 100,010 | 110,454 | 102,519 | 405,111 | 396,259 |
| INVESTMENT SECURITIES | | | | | |
| GAINS (LOSSES), NET | | | | | |
| Impairment (losses) reversals on debt securities | 5,645 | 1,703 | 2,639 | 13,058 | (32,783) |
| Noncredit-related losses (reversals) on securities not expected to be sold | (7,690) | (2,594) | (2,301) | (18,127) | 30,310 |
| Net impairment losses | (2,045) | (891) | 338 | (5,069) | (2,473) |
| Realized gains (losses) on sales and fair value adjustments | 2,061 | 2,095 | (1,663) | 3,284 | (4,722) |
| Investment securities gains (losses), net | 16 | 1,204 | (1,325) | (1,785) | (7,195) |
| NON-INTEREST EXPENSE | | | | | |
| Salaries and employee benefits | 85,442 | 86,562 | 85,480 | 346,550 | 345,779 |
| Net occupancy | 12,086 | 11,290 | 11,273 | 46,987 | 45,925 |
| Equipment | 5,709 | 5,776 | 6,589 | 23,324 | 25,472 |
| Supplies and communication | 6,724 | 6,222 | 7,162 | 27,113 | 32,156 |
| Data processing and software | 16,833 | 16,999 | 16,935 | 67,935 | 61,789 |
| Marketing | 5,064 | 3,377 | 4,132 | 18,161 | 18,231 |
| Deposit insurance | 4,756 | 4,801 | 5,465 | 19,246 | 27,373 |
| Debt extinguishment | - | 11,784 | - | 11,784 | - |
| Indemnification obligation | - | (2,722) | - | (4,405) | (2,496) |
| Other | 18,972 | 19,942 | 16,703 | 74,439 | 67,508 |
| Total non-interest expense | 155,586 | 164,031 | 153,739 | 631,134 | 621,737 |
| Income before income taxes | 82,033 | 86,657 | 70,956 | 318,124 | 242,132 |
| Less income taxes | 26,012 | 24,432 | 21,493 | 96,249 | 73,757 |
| Net income before non-controlling interest | 56,021 | 62,225 | 49,463 | 221,875 | 168,375 |
| Less non-controlling interest expense (income) | 136 | 304 | (159) | 165 | (700) |
| Net income | \$55,885 | \$61,921 | \$49,622 | \$221,710 | \$169,075 |
| Net income per common share - basic | \$0.63 | \$0.72 | \$0.57 | \$2.54 | \$1.98 |
| Net income per common share - diluted | \$0.64 | \$0.70 | \$0.57 | \$2.52 | \$1.97 |

COMMERCE BANCSHARES, INC. and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| <i>(Unaudited)</i> | Sept. 30 | Dec. 31 | Dec. 31 |
|---|----------------------------|-----------------------------------|----------------------------|
| <i>(In thousands)</i> | 2010 | 2010 | 2009 |
| ASSETS | | | |
| Loans | \$9,706,265 | \$9,410,982 | \$10,145,324 |
| Allowance for loan losses | (197,538) | (197,538) | (194,480) |
| Net loans | <u>9,508,727</u> | <u>9,213,444</u> | <u>9,950,844</u> |
| Loans held for sale | 248,108 | 63,751 | 345,003 |
| Investment securities: | | | |
| Available for sale | 7,164,273 | 7,294,303 | 6,340,975 |
| Trading | 20,828 | 11,710 | 10,335 |
| Non-marketable | 110,487 | 103,521 | 122,078 |
| Total investment securities | <u>7,295,588</u> | <u>7,409,534</u> | <u>6,473,388</u> |
| Short-term federal funds sold and securities purchased under agreements to resell | 4,550 | 10,135 | 22,590 |
| Long-term securities purchased under agreements to resell | 350,000 | 450,000 | --- |
| Interest earning deposits with banks | 4,047 | 122,076 | 24,118 |
| Cash and due from banks | 412,315 | 328,464 | 417,126 |
| Land, buildings and equipment - net | 387,792 | 383,397 | 402,633 |
| Goodwill | 125,585 | 125,585 | 125,585 |
| Other intangible assets - net | 11,285 | 10,937 | 14,333 |
| Other assets | 403,762 | 385,016 | 344,569 |
| Total assets | <u><u>\$18,751,759</u></u> | <u><u>\$18,502,339</u></u> | <u><u>\$18,120,189</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Deposits: | | | |
| Non-interest bearing demand | \$1,752,930 | \$2,150,725 | \$1,793,816 |
| Savings, interest checking and money market | 9,712,088 | 10,190,134 | 9,202,916 |
| Time open and C.D.'s of less than \$100,000 | 1,607,664 | 1,465,050 | 1,801,332 |
| Time open and C.D.'s of \$100,000 and over | 1,318,877 | 1,279,112 | 1,412,387 |
| Total deposits | <u>14,391,559</u> | <u>15,085,021</u> | <u>14,210,451</u> |
| Federal funds purchased and securities sold under agreements to repurchase | 1,530,555 | 982,827 | 1,103,191 |
| Other borrowings | 337,863 | 112,273 | 736,062 |
| Other liabilities | 445,177 | 298,754 | 184,580 |
| Total liabilities | <u>16,705,154</u> | <u>16,478,875</u> | <u>16,234,284</u> |
| Stockholders' equity: | | | |
| Preferred stock | --- | --- | --- |
| Common stock | 417,827 | 433,942 | 415,637 |
| Capital surplus | 865,246 | 971,293 | 854,490 |
| Retained earnings | 669,485 | 555,778 | 568,532 |
| Treasury stock | (2,323) | (2,371) | (838) |
| Accumulated other comprehensive income | 95,204 | 63,345 | 46,407 |
| Total stockholders' equity | <u>2,045,439</u> | <u>2,021,987</u> | <u>1,884,228</u> |
| Non-controlling interest | 1,166 | 1,477 | 1,677 |
| Total equity | <u>2,046,605</u> | <u>2,023,464</u> | <u>1,885,905</u> |
| Total liabilities and equity | <u><u>\$18,751,759</u></u> | <u><u>\$18,502,339</u></u> | <u><u>\$18,120,189</u></u> |

COMMERCE BANCSHARES, INC. and SUBSIDIARIES
AVERAGE BALANCE SHEETS - AVERAGE RATES AND YIELDS

| (Unaudited) (Dollars in thousands) | For the Three Months Ended | | | | | |
|--|----------------------------|-------------------------------|----------------------|-------------------------------|----------------------|-------------------------------|
| | September 30, 2010 | | December 31, 2010 | | December 31, 2009 | |
| | Average Balance | Avg. Rates Earned/ Paid | Average Balance | Avg. Rates Earned/ Paid | Average Balance | Avg. Rates Earned/ Paid |
| ASSETS: | | | | | | |
| Loans: | | | | | | |
| Business (A) | \$ 2,917,798 | 3.82 % | \$ 2,919,553 | 3.77 % | \$ 2,866,187 | 3.77 % |
| Real estate - construction and land | 530,472 | 4.00 | 498,296 | 4.17 | 695,077 | 3.93 |
| Real estate - business | 1,998,500 | 5.10 | 2,002,721 | 5.01 | 2,112,793 | 4.98 |
| Real estate - personal | 1,450,898 | 5.13 | 1,443,998 | 5.00 | 1,546,822 | 5.32 |
| Consumer | 1,234,138 | 6.65 | 1,190,862 | 6.61 | 1,358,380 | 7.03 |
| Revolving home equity | 485,034 | 4.32 | 483,195 | 4.31 | 488,314 | 4.33 |
| Student | 315,150 | 2.40 | 22,307 | 2.10 | 334,804 | 2.28 |
| Consumer credit card | 762,987 | 11.29 | 776,426 | 10.82 | 748,918 | 11.80 |
| Overdrafts | 6,667 | - | 8,068 | - | 10,802 | - |
| Total loans (B) | 9,701,644 | 5.21 | 9,345,426 | 5.22 | 10,162,097 | 5.27 |
| Loans held for sale | 305,013 | 1.78 | 93,041 | 2.38 | 322,125 | 1.70 |
| Investment securities: | | | | | | |
| U.S. government & federal agency | 672,447 | 1.44 | 623,102 | 2.30 | 517,951 | 3.02 |
| State & municipal obligations (A) | 982,137 | 4.53 | 1,090,639 | 4.45 | 930,881 | 4.80 |
| Mortgage and asset-backed securities | 5,100,958 | 2.77 | 5,221,307 | 2.86 | 4,478,166 | 3.86 |
| Other marketable securities (A) | 182,966 | 5.18 | 176,628 | 5.01 | 188,467 | 5.45 |
| Total available for sale securities (B) | 6,938,508 | 2.95 | 7,111,676 | 3.11 | 6,115,465 | 3.98 |
| Trading securities (A) | 22,525 | 2.87 | 31,537 | 3.35 | 13,746 | 2.66 |
| Non-marketable securities (A) | 109,215 | 9.43 | 107,275 | 5.98 | 133,682 | 6.02 |
| Total investment securities | 7,070,248 | 3.05 | 7,250,488 | 3.15 | 6,262,893 | 4.02 |
| Short-term federal funds sold and securities purchased under agreements to resell | 6,903 | 0.69 | 5,219 | 0.61 | 9,383 | 0.85 |
| Long-term securities purchased under agreements to resell | 199,302 | 1.72 | 396,739 | 1.69 | - | - |
| Interest earning deposits with banks | 170,504 | 0.25 | 87,371 | 0.25 | 290,233 | 0.25 |
| Total interest earning assets | 17,453,614 | 4.19 | 17,178,284 | 4.22 | 17,046,731 | 4.66 |
| Non-interest earning assets (B) | 1,167,692 | | 1,116,547 | | 1,045,890 | |
| Total assets | \$ 18,621,306 | | \$ 18,294,831 | | \$ 18,092,621 | |
| LIABILITIES AND EQUITY: | | | | | | |
| Interest bearing deposits: | | | | | | |
| Savings | \$ 481,997 | 0.16 | \$ 480,417 | 0.14 | \$ 442,036 | 0.14 |
| Interest checking and money market | 9,979,287 | 0.28 | 10,316,143 | 0.27 | 9,180,802 | 0.33 |
| Time open & C.D.'s of less than \$100,000 | 1,642,200 | 1.32 | 1,533,324 | 1.18 | 1,895,538 | 1.93 |
| Time open & C.D.'s of \$100,000 and over | 1,417,162 | 0.97 | 1,231,865 | 0.93 | 1,558,664 | 1.46 |
| Total interest bearing deposits | 13,520,646 | 0.47 | 13,561,749 | 0.43 | 13,077,040 | 0.69 |
| Borrowings: | | | | | | |
| Federal funds purchased and securities sold under agreements to repurchase | 1,023,961 | 0.23 | 1,125,258 | 0.12 | 979,738 | 0.33 |
| Other borrowings | 350,328 | 3.09 | 230,469 | 2.96 | 773,130 | 3.62 |
| Total borrowings | 1,374,289 | 0.96 | 1,355,727 | 0.61 | 1,752,868 | 1.78 |
| Total interest bearing liabilities | 14,894,935 | 0.52 % | 14,917,476 | 0.45 % | 14,829,908 | 0.82 % |
| Non-interest bearing demand deposits | 1,006,578 | | 1,041,035 | | 1,166,687 | |
| Other liabilities | 700,754 | | 286,675 | | 217,306 | |
| Equity | 2,019,039 | | 2,049,645 | | 1,878,720 | |
| Total liabilities and equity | \$ 18,621,306 | | \$ 18,294,831 | | \$ 18,092,621 | |
| Net interest income (T/E) | \$ 164,773 | | \$ 166,010 | | \$ 169,530 | |
| Net yield on interest earning assets | | 3.75 % | | 3.83 % | | 3.95 % |

(A) Stated on a tax equivalent basis using a federal income tax rate of 35%.

(B) The allowance for loan losses and unrealized gains/(losses) on available for sale securities are included in non-interest earning assets.

COMMERCE BANCSHARES, INC.
Management Discussion of Fourth Quarter Results
December 31, 2010

For the quarter ended December 31, 2010, net income amounted to \$61.9 million, an increase of \$12.3 million over the same quarter last year, and an increase of \$6.0 million compared to the previous quarter. For the current quarter, the return on average assets was 1.34%, the return on average equity was 12.0%, and the efficiency ratio was 60.3%. Compared to the same quarter last year, net interest income (tax equivalent) decreased by \$3.5 million to \$166.0 million, while non-interest income increased by \$7.9 million to \$110.5 million and included a \$6.9 million gain on the sale of the Company's entire held to maturity student loan portfolio. Non-interest expense for the quarter totaled \$164.0 million, an increase of \$10.3 million, or 6.7%, over the same period last year but included an early pay-off penalty of \$11.8 million on the redemption of certain Federal Home Loan Bank (FHLB) borrowings, partly offset by a \$2.7 million reduction in a Visa indemnification obligation. The provision for loan losses totaled \$21.6 million, representing a decline of \$19.4 million from the amount recorded in the same quarter last year.

Balance Sheet Review

During the 4th quarter of 2010, average loans, including loans held for sale, decreased \$568.2 million, or 5.7%, compared to the previous quarter. Also, these same loans decreased \$1.0 billion, or 10.0%, this quarter compared to the same period last year. The decrease in average loans compared to the previous quarter was partly due to the sale of the Company's held to maturity student loans in October 2010, which totaled approximately \$311 million. Also in October, the Company sold held for sale student loans totaling approximately \$175 million. These loans were originated in the 2009-2010 school year and sold to the U.S. Department of Education (DOE). The Company no longer holds any student loans originated under the DOE program. In addition, construction and consumer banking loans declined on average by \$32.2 million and \$43.3 million, respectively. Average business loans increased slightly, which included growth in commercial and tax free loans of \$12.5 million offset by a decline in lease loans of \$10.8 million, while average business real estate loans increased \$4.2 million. Average consumer credit card loans also increased \$13.4 million, mainly due to seasonal retail spending in the 4th quarter. The decline in average consumer loans resulted mainly from a decline of \$32.7 million in marine and RV loans, primarily due to normal pay-downs on these loans as the Company no longer originates these types of loans. On December 30, 2010, the Company purchased business real estate loans, totaling \$40.1 million, from another financial institution. These loans are to borrowers within the Company's existing markets. On a period end basis, business and business real estate loans increased \$100.2 million over the previous quarter mainly due to new loan activity late in the current quarter.

Total available for sale investment securities (excluding fair value adjustments) averaged \$7.1 billion this quarter, up \$173.2 million compared to the previous quarter. The increase was mainly the result of purchases of municipal, agency mortgage-backed and other asset-backed securities which totaled \$75.9 million, \$307.3 million and \$445.9 million, respectively, in the 4th quarter. On December 31, 2010, the duration of the investment portfolio was 2.0 years, and maturities of approximately \$1.6 billion are expected to occur during 2011.

Total average deposits increased \$75.6 million, or .5%, during the 4th quarter of 2010 compared to the previous quarter. This increase in average deposits resulted mainly from growth in non-interest bearing demand, money market, and interest checking accounts of \$34.5 million, \$315.7 million, and \$21.2 million, respectively, partly offset by a decline in certificate of deposit (CD) accounts of \$294.2 million. Virtually all of the net increase in average deposits came from business type accounts. The average loans to deposits ratio in the current quarter was 64.6%, compared to 68.9% in the previous quarter.

During the current quarter, the Company's average borrowings decreased \$18.6 million compared to the previous quarter. This decrease was mainly due to a decline of \$119.2 million in the average balance of FHLB advances during the current quarter as a result of both redemptions and maturities during the quarter. In November 2010, the Company repaid FHLB advances totaling \$125 million which had a weighted average rate of 4.2%, and paid a pre-payment penalty of \$11.8 million. In December 2010, another \$100 million in such advances also matured. Average balances of federal funds purchased and repurchase agreements increased this quarter by \$101.3 million.

Net Interest Income

Net interest income (tax equivalent) in the 4th quarter of 2010 amounted to \$166.0 million, an increase of \$1.2 million compared with the previous quarter, and a decrease of \$3.5 million compared to the 4th quarter of last year. During the 4th quarter of 2010, the net yield on earning assets (tax equivalent) was 3.83%, compared with 3.75% in the previous quarter and 3.95% in the same period last year.

The increase in net interest income (tax equivalent) in the 4th quarter of 2010 over the previous quarter was primarily due to lower rates paid on both deposits and borrowings, lower average balances on FHLB advances and growth in interest income on the Company's investment securities portfolio. Interest on loans, including held for sale student loans, declined \$5.4 million, mainly due to lower average balances and rates earned on most loan categories. Of this decline in interest income, the sale of the Company's student loan portfolios (both held for sale and held to maturity) accounted for \$2.6 million of the overall decline in interest income. Interest income on investment securities increased \$3.1 million mainly due to higher interest earned on mortgage-backed, municipal and inflation-protected securities (TIPS). The higher interest on mortgage-backed securities was partly due to the settlement late in the 3rd quarter and in the 4th quarter of certain securities purchased on a forward delivery basis, as mentioned last quarter. The growth in municipal interest income of \$1.0 million was mainly due to higher average balances, while interest on TIPS increased \$1.3 million due to higher inflation income recorded this quarter.

Interest expense on deposits declined \$1.5 million in the 4th quarter of 2010 compared with the previous quarter as a result of continued lower rates paid on virtually all deposit products, in addition to lower average CD balances. Interest expense on borrowings decreased \$1.2 million, due mainly to lower average balances and lower rates paid on FHLB advances, as discussed above. Also, rates paid on repurchase agreements declined 12 basis points this quarter, further reducing interest expense.

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The tax equivalent yield on interest earning assets in the 4th quarter of 2010 increased 3 basis points over the previous quarter to 4.22%, while the overall cost of interest bearing liabilities decreased 7 basis points to .45%.

Non-Interest Income

For the 4th quarter of 2010, total non-interest income amounted to \$110.5 million, an increase of \$7.9 million compared to \$102.5 million in the same period last year. Also, current quarter non-interest income increased \$10.4 million compared to \$100.0 million recorded in the previous quarter.

Bank card fees in the current quarter increased 22.2% over the 4th quarter of last year due to strong growth in transaction fees earned on corporate card (growth of 44.6%), merchant (growth of 22.7%) and debit card (growth of 12.9%) transactions. Corporate card fees, which totaled \$13.1 million this quarter, saw continued growth resulting from both new customer transactions and increased volumes from existing customers. Debit card and merchant fee income in the 4th quarter of 2010 totaled \$15.0 million and \$7.3 million, respectively, and reflected good holiday retail sales results. Credit card fees also increased 6.4% over the same quarter last year. Trust fees for the quarter increased 9.2% compared to the same period last year, which resulted from growth in both personal and institutional trust business, but continued to be negatively affected by low interest rates on money market investments held in trust accounts.

Deposit account fees decreased \$4.6 million, or 17.6%, from the 4th quarter of 2009, and decreased \$202 thousand, or .9%, compared to the previous quarter. Virtually the entire decline was due to lower overdraft fees. The decline in overdraft fees of \$4.8 million this quarter compared to the same period last year was the result of the Company's implementation on July 1, 2010 of new overdraft regulations on debit card transactions. There was only a slight decline in overdraft fees from the previous quarter. Corporate cash management fees, which comprised 38.2% of total deposit account fees in the current quarter, declined 1.8% compared to the same period in the previous year.

Bond trading income for the current quarter totaled \$5.6 million, an increase of 13.7% over the same period last year. Loan fees and sales totaled \$12.0 million this quarter, an increase of \$4.2 million over the 4th quarter of last year and included gains of \$6.9 million on sales of \$311 million of held to maturity student loans and gains of \$2.8 million on sales of \$175 million of held for sale student loans originated under the DOE program. Other non-interest income included \$1.0 million in impairment charges recorded during the quarter on certain bank premises which the Company intends to sell.

Investment Securities Gains and Losses

Net securities gains amounted to \$1.2 million in the 4th quarter of 2010, compared to net gains of \$16 thousand in the previous quarter and net losses of \$1.3 million in the same quarter last year. During the current quarter, the Company recorded additional credit-related impairment losses of \$891 thousand on certain non-agency guaranteed mortgage-backed securities identified as other than temporarily impaired, compared to losses of \$2.0 million in the previous quarter. The cumulative credit-related impairment reserve on these bonds totaled \$7.5 million at quarter end. At December 31, 2010, the par value of non-agency guaranteed mortgage-backed securities identified as other than

temporarily impaired totaled \$184.3 million, compared to \$171.6 million at December 31, 2009.

The current quarter also included a pre-tax gain of \$2.1 million, which included \$1.1 million in fair value adjustments on certain of the Company's private equity investments and a gain of \$950 thousand on the sale of mortgage-backed securities.

Non-Interest Expense

Non-interest expense for the current quarter amounted to \$164.0 million, an increase of \$8.4 million over the previous quarter and an increase of \$10.3 million, or 6.7%, compared to the same period last year. Non-interest expense included a FHLB pre-payment penalty of \$11.8 million and a \$2.7 million reduction in a Visa indemnification obligation, as previously mentioned. Excluding these items, non-interest expense would have amounted to \$155.0 million, slightly less than the amount recorded in the previous quarter. Compared to the 4th quarter of last year, salaries and benefits expense increased \$1.1 million, or 1.3%, mainly due to higher incentive compensation and 401K plan expense, but offset by lower salaries, pension plan expense, and medical claims costs. Full time equivalent employees totaled 4,979 and 5,125 at December 31, 2010 and 2009, respectively.

Compared with the 4th quarter of last year, supplies and communication costs declined 13.1%, reflecting initiatives to reduce paper supplies, customer checks, and courier costs. Costs for equipment, loan collection, and marketing costs were all lower than the same period last year. Data processing and software costs increased slightly, which was mainly the result of higher bankcard processing fees (related to higher bankcard revenues), partly offset by lower student loan servicing costs. Included in other non-interest expense this quarter was foreclosed real estate and other repossessed property expense which totaled \$3.1 million compared to \$129 thousand in the same period last year.

Income Taxes

The effective tax rate for the Company was 28.3% in the current quarter, compared with 31.8% in the previous quarter and 30.2% in the 4th quarter of 2009.

Credit Quality

Net loan charge-offs in the 4th quarter of 2010 amounted to \$21.6 million, compared with \$21.8 million in the prior quarter and \$37.0 million in the 4th quarter of last year. The slight decrease in net loan charge-offs in the 4th quarter of 2010 compared to the previous quarter was mainly the result of lower consumer credit card and construction loan losses, which decreased by \$2.9 million and \$382 thousand, respectively. Net loan charge-offs on business and business real estate loans were higher than in the previous quarter but remained at low levels. Consumer loan losses totaled \$5.3 million in the current quarter, with the majority of the losses contained in the marine/RV loan portfolio. The ratio of annualized net loan charge-offs to total average loans was .92% in the current quarter compared to .89% in the previous quarter.

For the 4th quarter of 2010, annualized net charge-offs on average consumer credit card loans amounted to 4.97%, compared with 6.55% in the previous quarter and 6.74% in the same period last year. Consumer loan net charge-offs for the quarter amounted to 1.76% of average consumer loans, compared to 1.58% in the previous quarter and 2.30% in the same quarter last year. The

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provision for loan losses for the current quarter totaled \$21.6 million, matching net loan charge-offs, and was \$19.4 million lower than in the same period last year. The allowance for loan losses, which was unchanged from the previous quarter, totaled \$197.5 million, or 2.10% of total loans, excluding loans held for sale. At December 31, 2010, the allowance for loan losses was 232% of total non-accrual loans.

At December 31, 2010, total non-performing assets amounted to \$97.3 million, a decrease of \$4.8 million from the previous quarter. Non-performing assets are comprised of non-accrual loans (\$85.3 million) and foreclosed real estate (\$12.0 million). At December 31, 2010, the balance of non-accrual loans, which represented .9% of loans outstanding, included construction and land loans of \$52.8 million, business real estate loans of \$16.2 million and business loans of \$8.9 million. Loans past due more than 90 days and still accruing interest totaled \$20.5 million at December 31, 2010, a decline of \$22.3 million from the previous quarter. The decline from the previous quarter was mainly due to

\$19.6 million in federally guaranteed student loans which, as noted above, were sold in October 2010.

Other

During the quarter ended December 31, 2010, the Company resumed its previously approved treasury stock buyback plan and purchased 1,076,732 shares of treasury stock at an average cost of \$37.09.

Forward Looking Information

This information contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include future financial and operating results, expectations, intentions and other statements that are not historical facts. Such statements are based on current beliefs and expectations of the Company's management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements.