

# COMMERCE BANCSHARES, INC.

***INVESTOR UPDATE***

***MAY 2016***

Charles Kim  
Chief Financial Officer

Jeffery Aberdeen  
Controller



# CAUTIONARY STATEMENT

**This presentation may contain “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 2016 1<sup>st</sup> Quarter Report on Form 10-Q and the Corporation’s Current Reports on Form 8-K.**



# ABOUT COMMERCE BANCSHARES



- Super-Community Bank
- \$24.6 billion in assets
- 38th largest U.S. bank based on asset size<sup>1</sup>
- 150 years strong -*STRENGTH - COMMUNITY - INNOVATION*

## ● Nine key markets

1. St. Louis
2. Kansas City
3. Springfield
4. Central Missouri
5. Central Illinois
6. Wichita
7. Tulsa
8. Oklahoma City
9. Denver

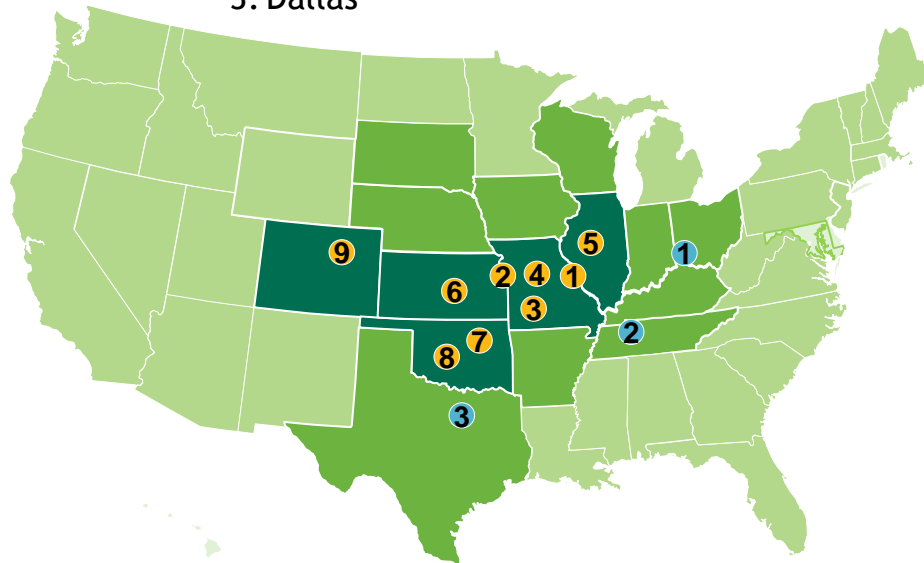
## ● Commercial offices

1. Cincinnati
2. Nashville
3. Dallas

## ■ Branch Footprint

■ Extended Commercial Markets

■ Commercial Payment Services



191

Branches

387

ATMs

360M

Online banking  
customers

176M

Mobile customers

61MM

Online banking /  
mobile sessions



# SUPER-COMMUNITY BANK PLATFORM

## A CONSISTENT STRATEGY WITH A LONG TERM VIEW

### Community Bank



- Responsive to customer needs and changing preferences
- Core values embraced by employees
- Award winning customer service
- Knowledge of customers and markets reduces risk

Customer relationship-based  
*We ask, listen and solve.*

High performing teams and engaged workforce

Investment in distinctive, high-return businesses

Long history of top quartile credit quality metrics

Disciplined approach to acquisitions

Focus on operational efficiencies

### 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



# A STRONG EMPHASIS ON CULTURE

## ENABLES EXECUTION OF CORPORATE STRATEGIES

### Core Values

We have a long term View

We collaborate as One team

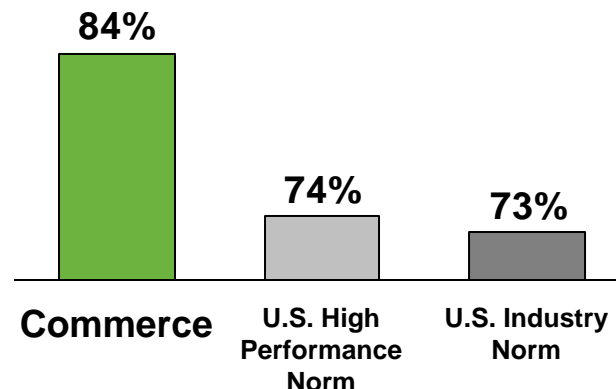
We act with Integrity

We are Customer focused

We strive for Excellence

- Engaged, long-term leadership team
- Focus on people/talent development
- Knowledge of customers and markets
- Collaboration drives sales across business lines
- Focus on EPS growth
- Investing in the communities in which we operate

### 2015 Employee Engagement<sup>1</sup>



- Provided more than \$3 million in community support<sup>2</sup>
- Rated “outstanding” from the Federal Reserve for community reinvestment
- Employees performed more than 150 community service acts in 2015

***150 years - dedicated to providing high customer service and risk adjusted shareholder returns***

<sup>1</sup>The Hay Group – 2015 survey results

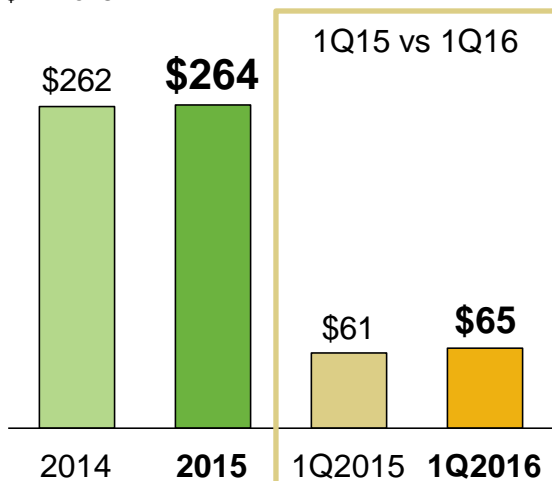
<sup>2</sup> Commerce and its related foundation



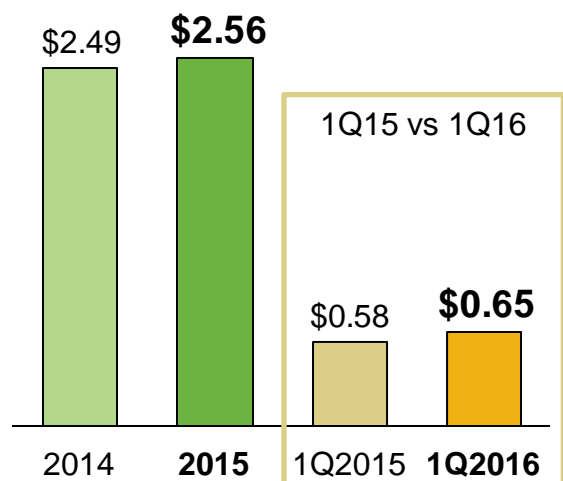
# FINANCIAL PERFORMANCE VS. PRIOR YEAR

## Net Income Attributable to CBI

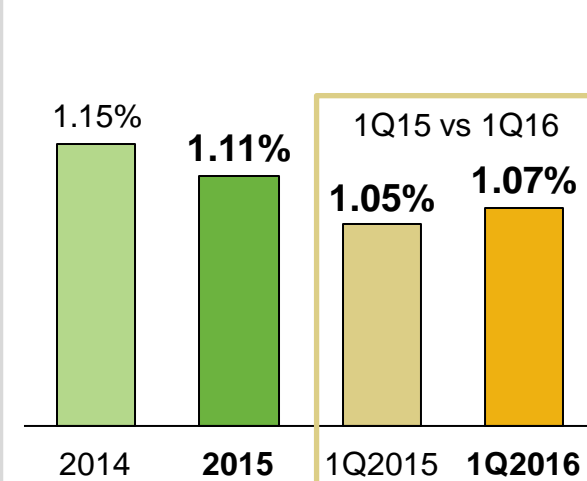
\$ millions



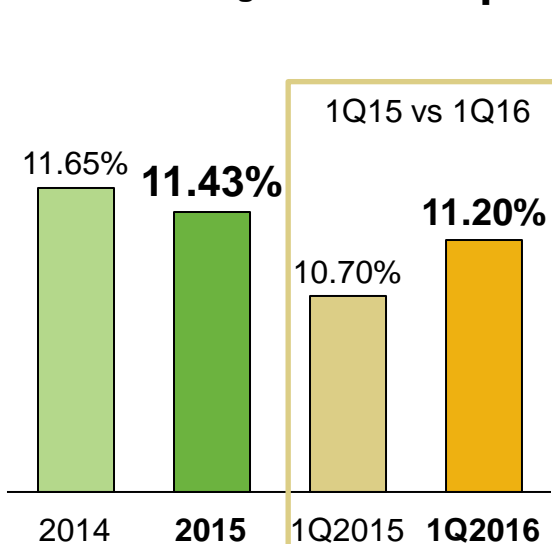
## Earnings per Common Share



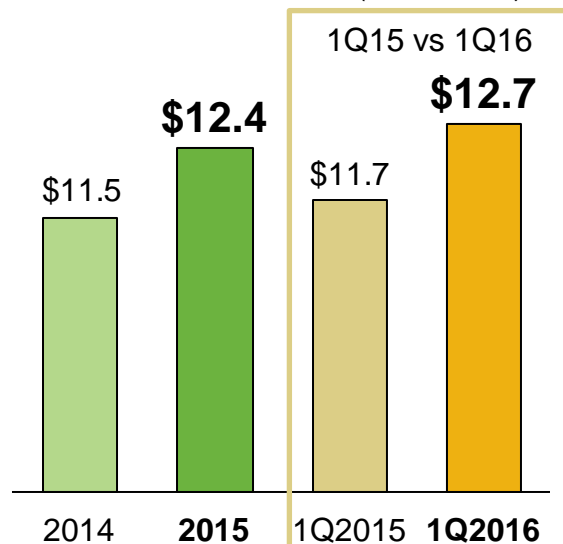
## Return on Total Assets



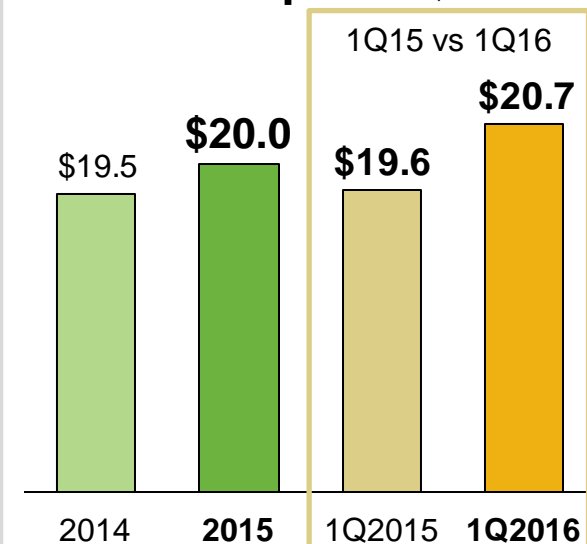
## Return on Average Common Equity



## Period End Loans (\$ in Billions)

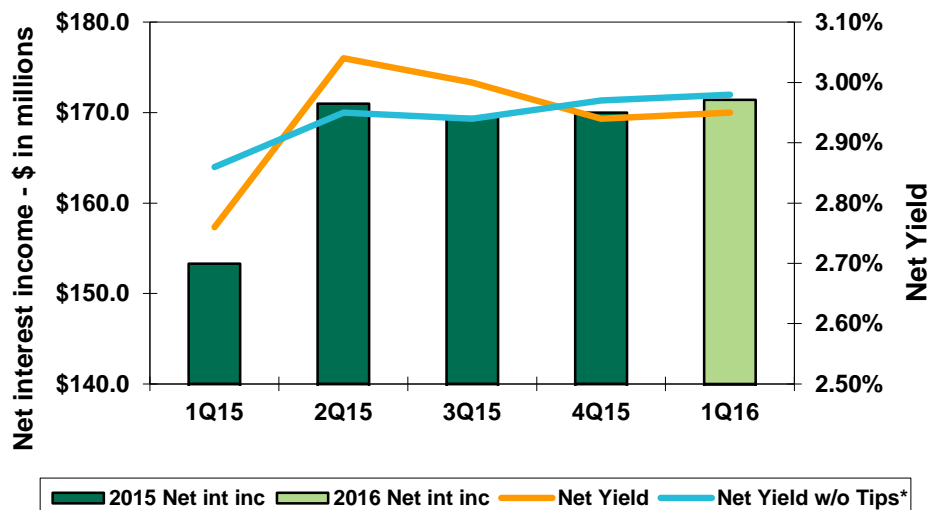


## Period End Deposits (\$ In Billions)



# NET INTEREST INCOME YTD - March 31, 2016

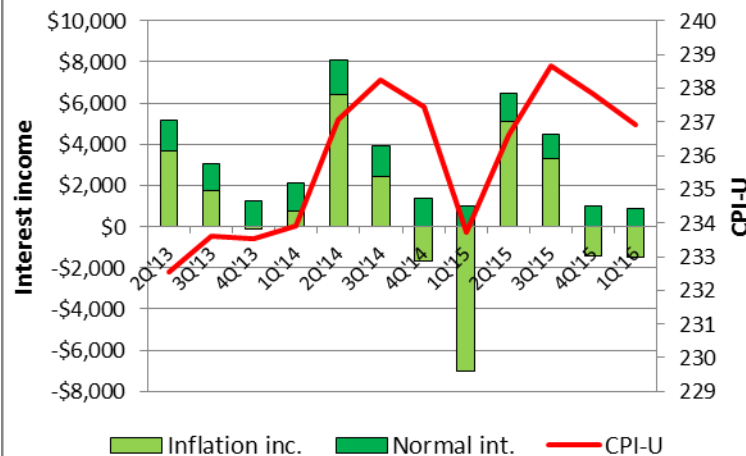
Quarterly Net Interest Income



- TIPs inflation income was \$(1.5) million this quarter; but \$5.5 million higher than 1Q'15.
- Adjusted for TIP's, NIM was 2.98% in 2016 vs 2.89% in 2015.
- Growth in earning assets, including loan growth of \$1.1 billion in last 12 months, is a major factor in continued growth of net interest income.

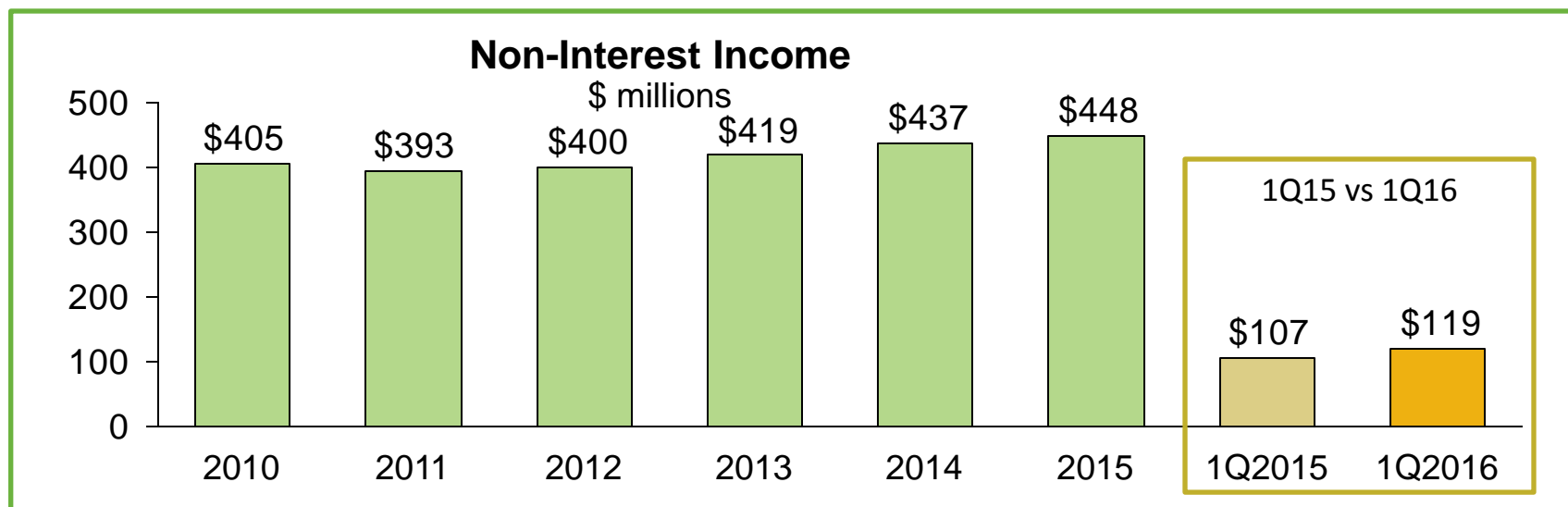
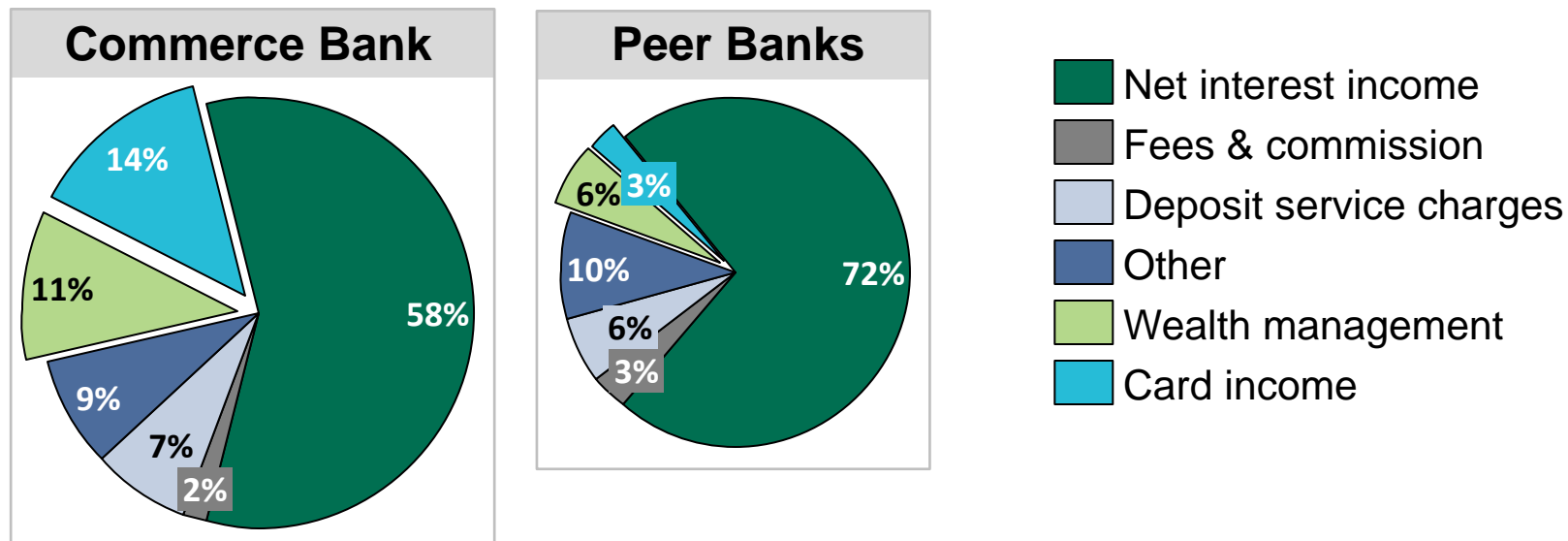
| Tax equivalent – YTD       | 2015  | 2016  | Change |
|----------------------------|-------|-------|--------|
| Rates earned – assets      | 2.89% | 3.10% | 0.21%  |
| Rates paid – liabilities   | 0.19% | 0.23% | 0.04%  |
| Net yield – earning assets | 2.76% | 2.95% | 0.19%  |

TIPs's Interest - \$ in 000's



# DIVERSE REVENUE RELATIVE TO PEERS

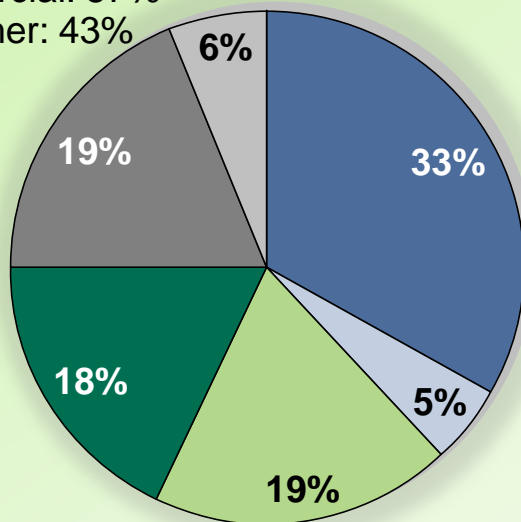
## Balanced mix of interest and non-interest income



# WELL-DIVERSIFIED LOAN PORTFOLIO

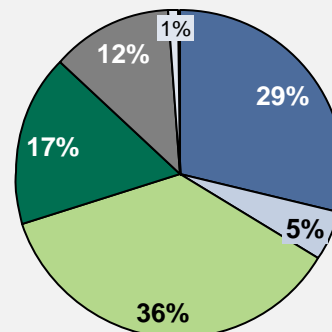
## COMMERCE

Commercial: 57%  
Consumer: 43%



## Peer Banks

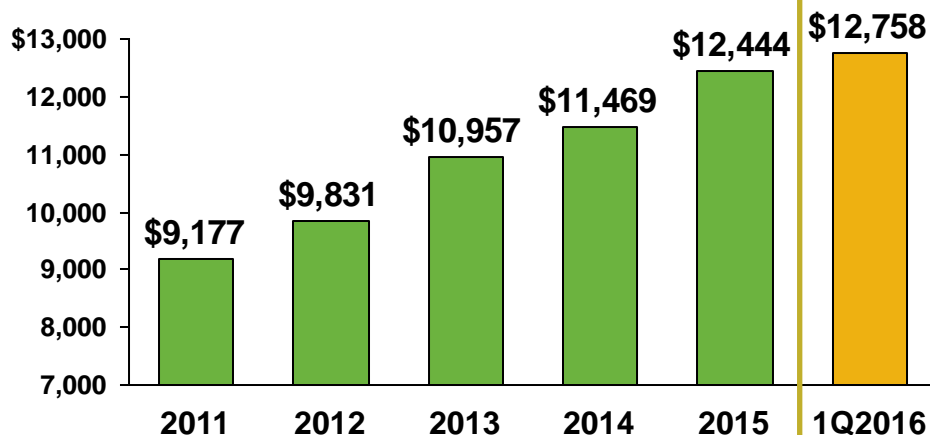
Commercial: 70%  
Consumer: 30%



- Business, Lease & tax free
- Construction
- Business Real Estate
- Personal Real Estate
- Consumer & HELOC
- Consumer Card
- Loans held for sale

## Period End Loan Growth

\$s in millions



## 1Q2016 Loan Growth

Quarterly average loans in 1Q2016 grew \$316 million or 10% annualized vs prior quarter and up 9% vs 1Q2015.

### Loan Growth vs previous quarter by product:

|                         |                 |
|-------------------------|-----------------|
| Business/Lease/Tax Free | ↑ \$140 million |
| Construction            | ↑ \$98 million  |
| Business RE             | ↑ \$62 million  |
| Auto/consumer           | ↑ \$36 million  |

Period end December 31, 2015

Peer Banks include: ASBC, BKU, BOKF, CFR, FCNCA, FHN, FMER, HBHC, IBKC, ISBC, PB, SBNY, SNV,

TCB, UMBF, UBQ, WBS, VLY, WTFC;

Source: Financial Information Systems data

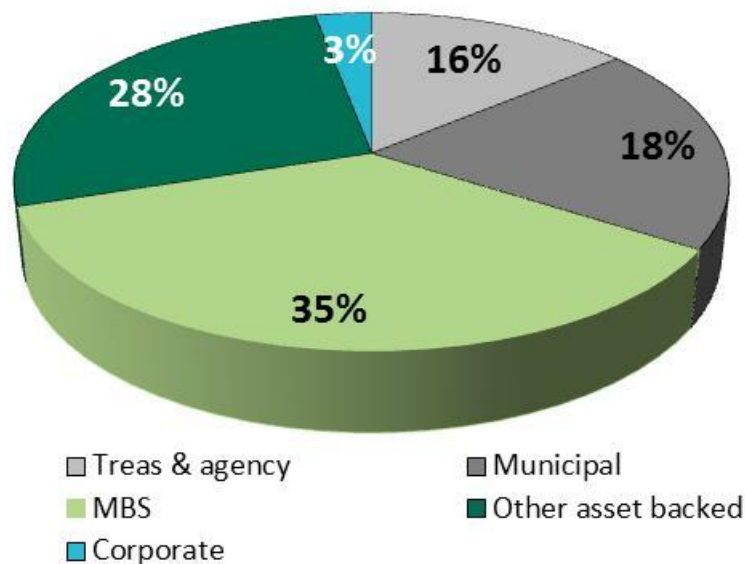
We ask, listen and solve.



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# INVESTMENT PORTFOLIO: HIGH QUALITY, DIVERSE, SHORT DURATION

Composition of AFS Portfolio



## AFS Portfolio: March 31, 2016

Total investments \$9.6 billion

Unrealized gain \$199 million

12 mo. maturities/pay-downs \$1.6 billion

### Duration

Dec 2014 2.4 years

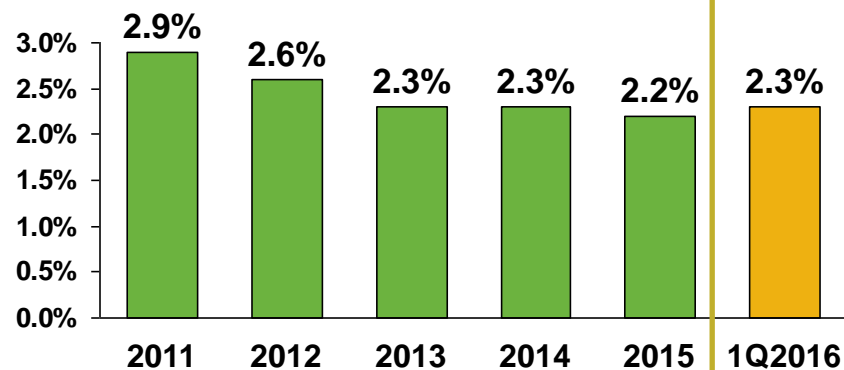
Jun 2015 2.9 years

Dec 2015 2.9 years

Mar 2016 2.8 years

| December 31, 2015  | Weighted Avg rate | Weighted Life (years) |
|--------------------|-------------------|-----------------------|
| Treasury & agency* | 1.2%              | 3.4                   |
| Municipal - TE     | 3.9%              | 5.4                   |
| MBS                | 2.8%              | 3.4                   |
| Other asset-backed | 1.3%              | 2.4                   |
| Corporate          | 2.5%              | 5.9                   |

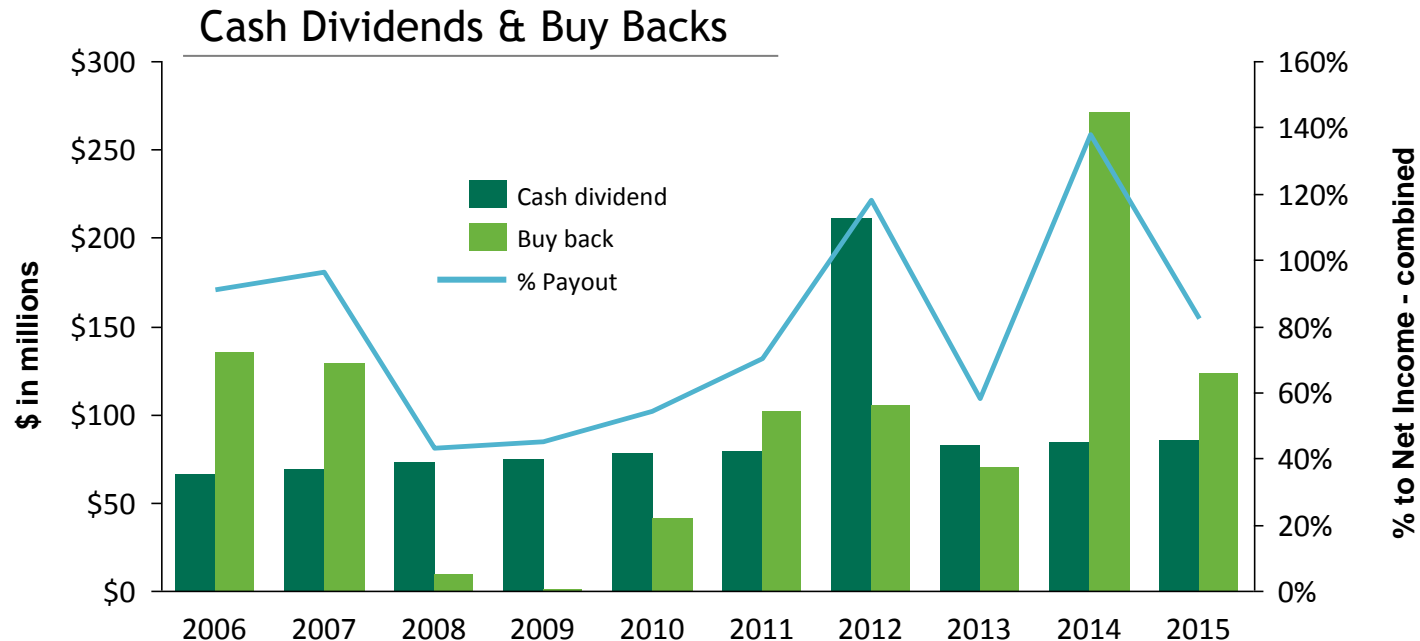
## YTD TE Rate - Investments



\*Excludes inflation effect on TIPs  
Sources: InTrader, AFS portfolio



# STRONG CAPITAL POSITION - FLEXIBILITY IN CAPITAL PLANNING



## Capital Ratios – 12/31/2015

|                                  |       |
|----------------------------------|-------|
| Tier 1 common risk-based capital | 11.5% |
| Tier 1 risk-based capital        | 12.3% |
| Total risk-based capital         | 13.3% |

- Repurchased treasury stock of \$123 million in 2015 including \$100 million as part of ASR transaction; purchased \$36 million in 1Q'16
- Total cash dividends in 2012 of \$212 million, included \$131 million special dividend

***48 consecutive years of regular common cash dividend increases***

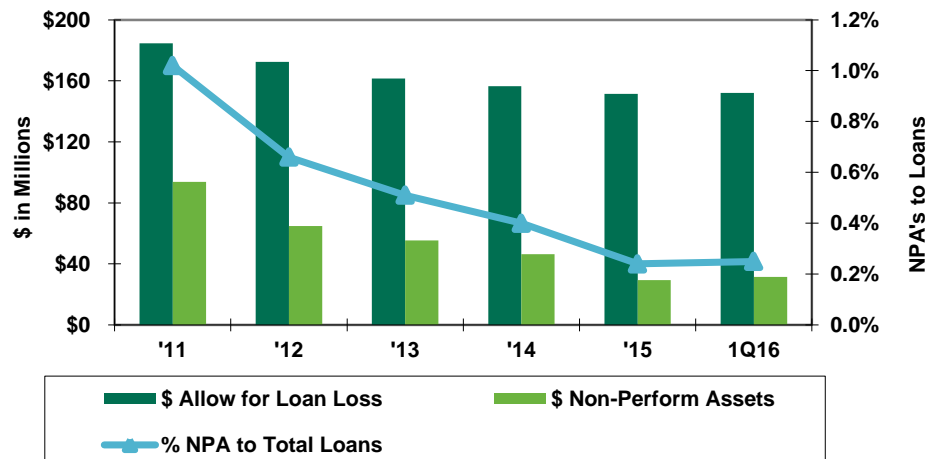


# NET LOAN CHARGE-OFFS YTD - March 31, 2016

| <i>\$ in 000's</i> |           | YTD<br>2015  | YTD<br>2016  | \$ Chge      | '16 Loss<br>Rate |
|--------------------|-----------|--------------|--------------|--------------|------------------|
| Business           | \$        | 147          | 463          | 316          | 0.04%            |
| Leases             |           | 12           | -            | (12)         | 0.00%            |
| Overdraft          |           | 222          | 219          | (3)          | 18.46%           |
| Construction       |           | (946)        | (11)         | 935          | -0.01%           |
| Business R/E       |           | (249)        | (242)        | 7            | -0.04%           |
| Personal R/E       |           | 99           | (195)        | (294)        | -0.04%           |
| Consumer           |           | 1,743        | 2,599        | 856          | 0.54%            |
| HELOC              |           | 40           | 88           | 48           | 0.08%            |
| Credit card        |           | 6,352        | 5,918        | (434)        | 3.16%            |
| <b>Total</b>       | <b>\$</b> | <b>7,420</b> | <b>8,839</b> | <b>1,419</b> | <b>0.28%</b>     |

- Net recoveries on construction loans in 2015 drove commercial loan losses lower last year. Overall commercial loan loss rates are very low.
- Consumer credit card losses declined in the current quarter; credit quality remains strong.
- Growth in consumer loan losses reflective on growth in auto portfolio; losses on marine/RV continues to decline as portfolio runs off.

Non-Performing Loans to Allowance



|                   | March 31,       |               |
|-------------------|-----------------|---------------|
|                   | 2015            | 2016          |
| Non accrual loans | \$35,818        | 29,367        |
| Foreclosed assets | 4,967           | 1,997         |
|                   | <u>\$40,785</u> | <u>31,364</u> |



# MAINTAINING THE BALANCE

## Continued strong performance of the core bank 150 years strong

- Super-Community Bank platform
- Relationship-based banking
- High-touch customer service
- Emphasis on culture, collaboration and core values
- Engaged workforce
- Full suite of product and service offerings
- Disciplined attention to risk return
- Focus on profitability and shareholder return

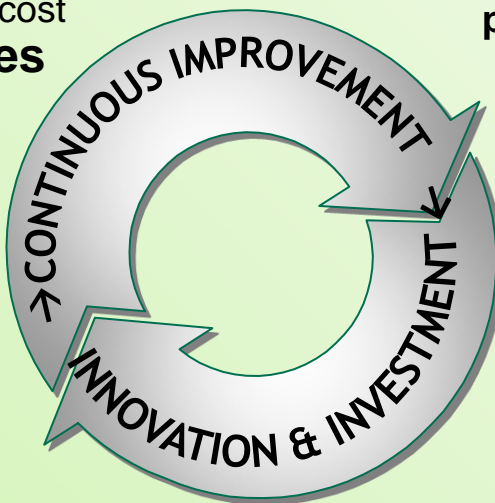


Deepen **relationships** and **profitability** in **traditional markets & lines of business**

Achieve **continuous process and cost efficiencies**

**Innovate** on select **products and services**

**Divest** in businesses & activities that no longer provide acceptable returns



**Invest** in distinctive, **high return** businesses


Execute on a disciplined & systematic **sales** process

Leverage our position in **expanded geographic markets** and **maximize profitability**

## Disciplined focus on priority blue chip investments




Grow Expansion Markets 

Transform the Retail Model 

Enhance Private Client Model 

Health Services Financing 

Claims Payments 

Supply Chain Finance 

Commerce Bank Mortgage 

Enterprise CRM 



**People**  
Our greatest asset  
*The Commerce EDGE*



# TRANSFORMING THE RETAIL MODEL - COMMITMENT AND FOCUS

## Key Priorities:

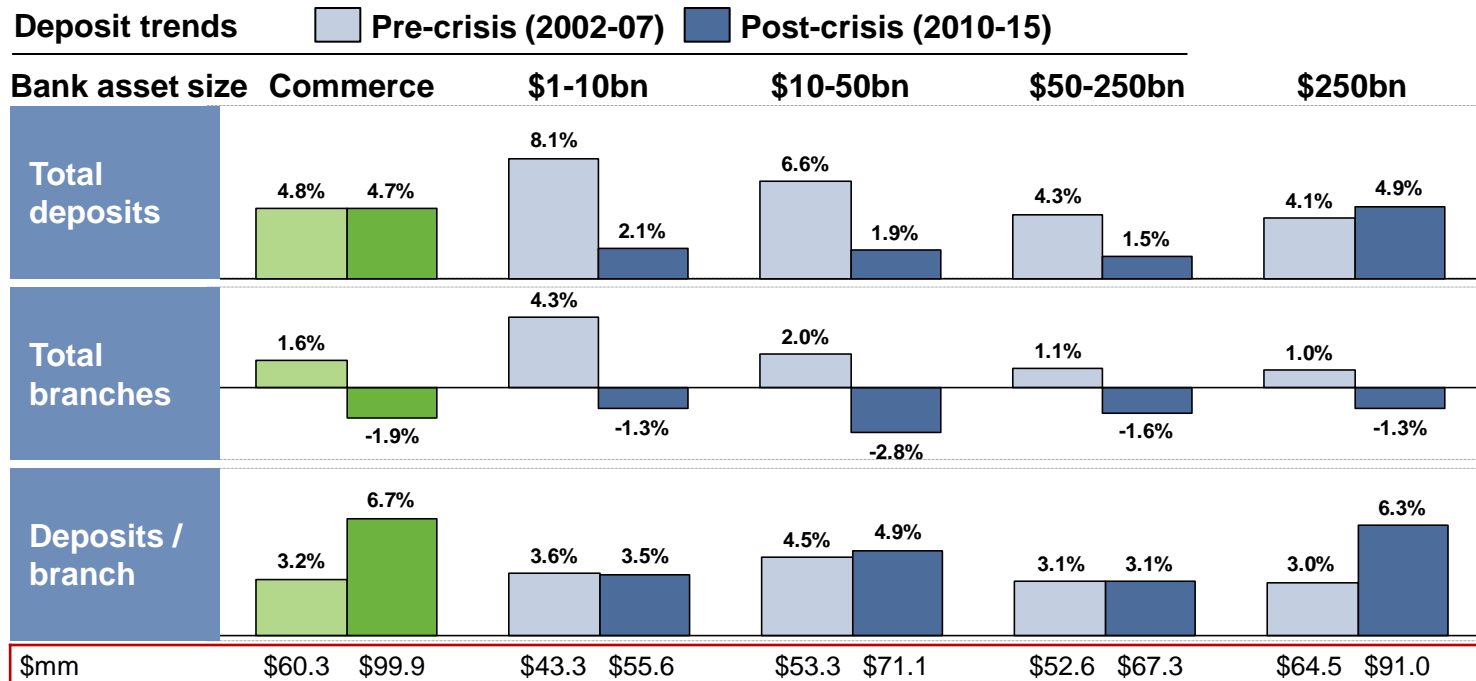
- Efficiently deliver products, services & processes to increase growth
- Refine efforts to attract new households
- Deliver expanded digital capabilities
- Transforming the branch experience model
- Cost effectively retain the deposit portfolio

Evolving the branch distribution strategy...



...to meet changes in customer preferences

## Deposit growth picks up at largest banks while branch pruning continues



Source: JP Morgan – January 2016 (Financial data as of 9/30/2015; data set consists of all commercial banks, deposits capped at \$500mm per branch  
Figures represent 2007YE and 2015Q3 period end balances  
We ask, listen and solve.



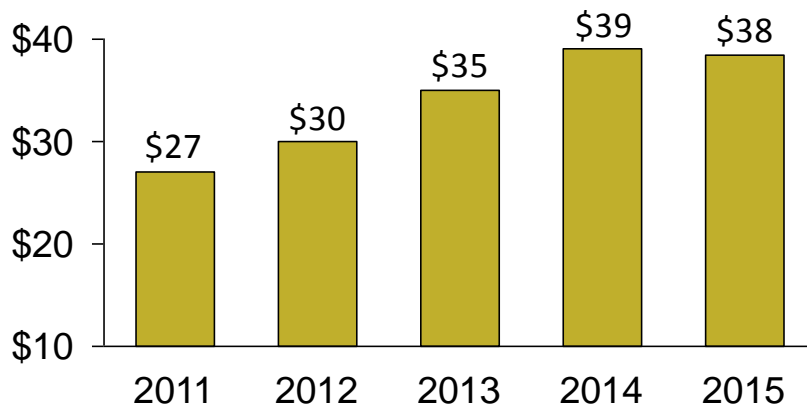
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As one of the nation's largest bank-owned trust companies, The Commerce Trust Company excels at providing objective financial advice, exceptional personal service and comprehensive wealth management solutions to individuals, businesses and other institutional clients.

- **\$39.0 billion** in total client assets<sup>1</sup>
- **\$23.5 billion** in assets under management
- **22<sup>nd</sup> largest bank-owned Trust Company** in the United States<sup>2</sup>
- **Commerce Family Office** is the **22<sup>nd</sup> largest family office** in the world by assets<sup>3</sup>

Trust Assets (\$ billions)



## Key Priorities

- Expand sales staff and calling programs
- Focus on newer markets
- Managed product lines offer growth opportunities
- Expand Family Office
- Emerging wealth - Horizons in Brokerage

<sup>1</sup>Assets under Administration

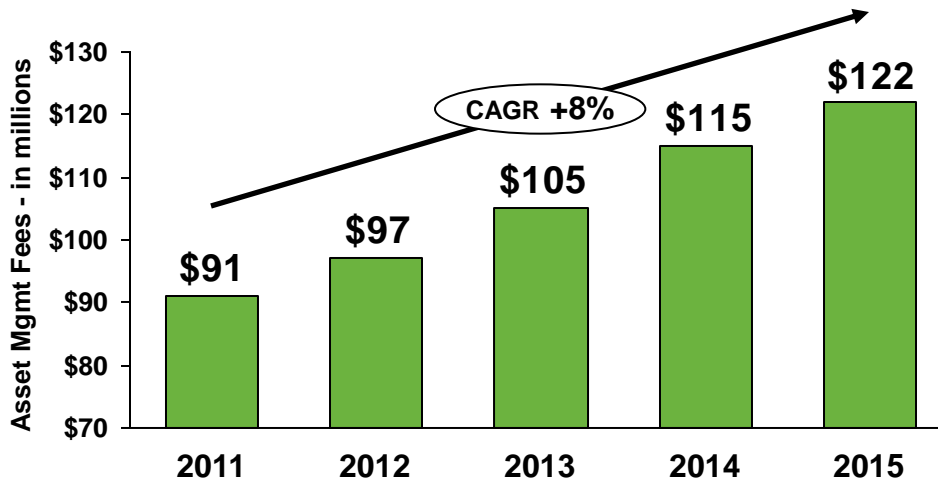
<sup>2</sup>SNL Ranking as of 12/31/2015

<sup>3</sup>Bloomberg Markets magazine -November 2015

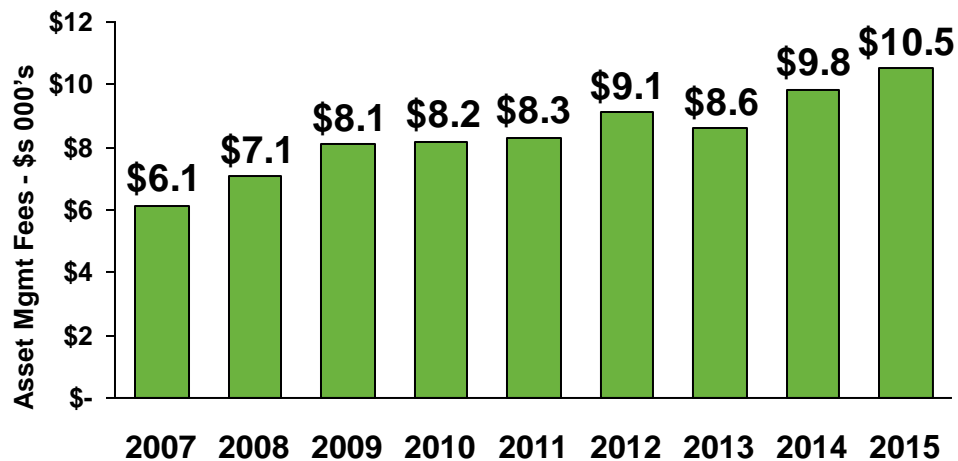


# TRENDS IN TRUST REVENUE AND SALES

## Asset Management Revenues



## Asset Management Sales



- Asset management revenues offer both continued solid growth and good margins.
- Attrition rates remain below industry results.
- Asset management sales were record \$10.5 million in 2015 reflecting continued growth opportunities.



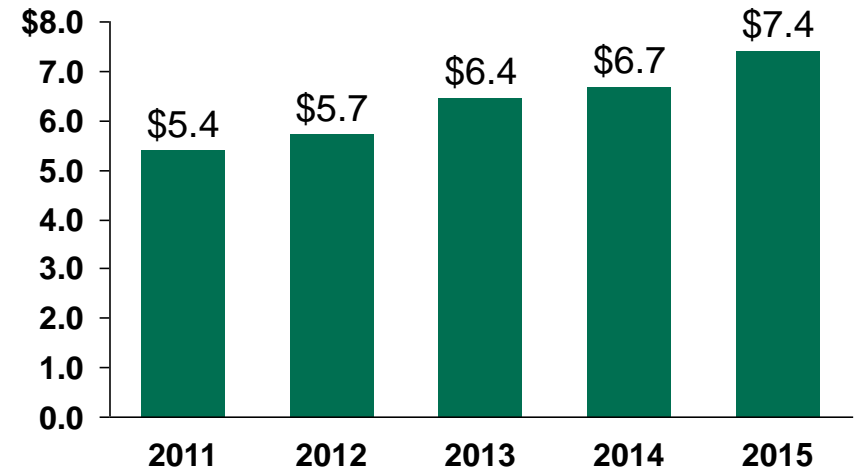
# COMMERCIAL - REVENUE GROWTH OPPORTUNITIES

## Key Priorities:

- Build out capabilities in Expansion Markets
- Refine Healthcare Banking strategy
- Embrace innovation in the Payments Systems
- Proactively respond to hyper-competitive environment

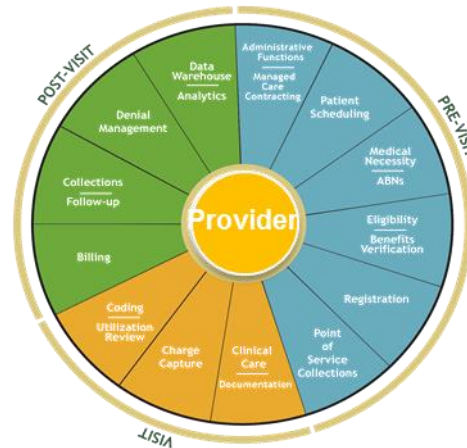
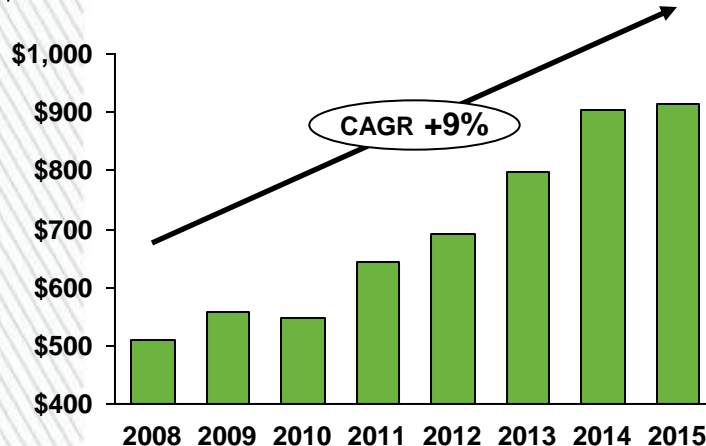
## Commercial Banking – Total loans

\$s in billions



## Loan Growth in the Healthcare Sector

\$s in millions



## Full suite of products:

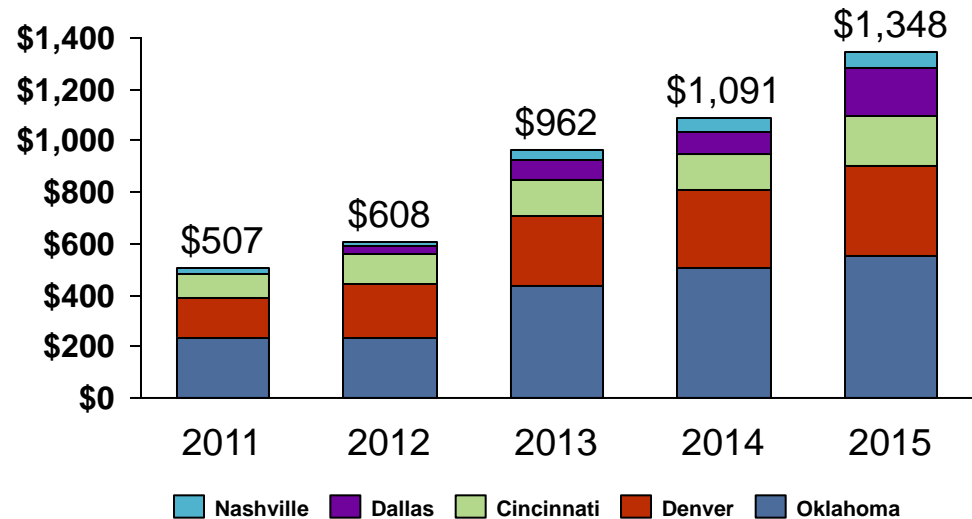
- Health Services Financing
- Commerce OnePay™ and AP Automation
- Commerce Bank Point-of-Care™ and Merchant Services
- Commerce Bank RemitConnect® and Lockbox Services



# COMMERCIAL BANKING - EXPANSION MARKETS

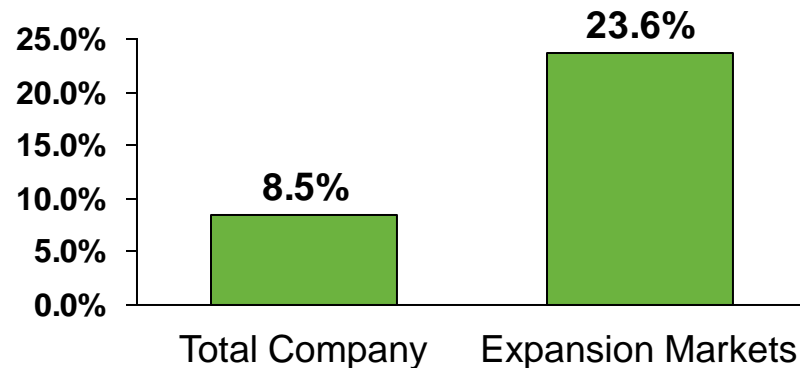


Expansion Markets - Total Loans - \$ millions



Loan Growth 2015 vs 2014

Expansion Markets Offering Growth Opportunities



**EXPANSION MARKETS OFFERING GROWTH OPPORTUNITIES**

# CARD PRODUCTS - A LEADER IN THE PAYMENTS INDUSTRY

## Commercial Card

#7

Purchasing Card Issuer

#15

Commercial Card Issuer

### Key Products:

- Supply Chain Finance
- Health Services Financing
- Claims Payments
- Multi Account Chip
- **toggle®**
- Co-Brand

## Debit Card

#35

Debit Card Issuer

## Consumer Card

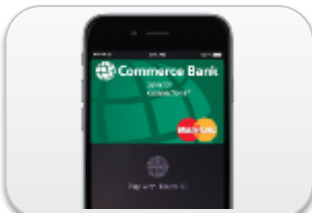
#19

Consumer Card Issuer\*

## Merchant Services

#12

Bank Acquirer\*



\*Excludes non-banks

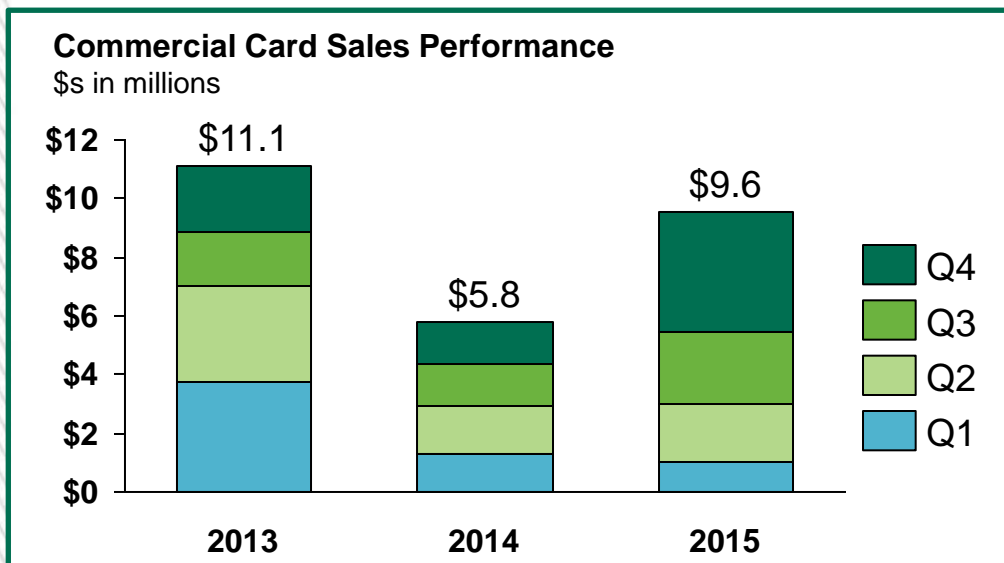
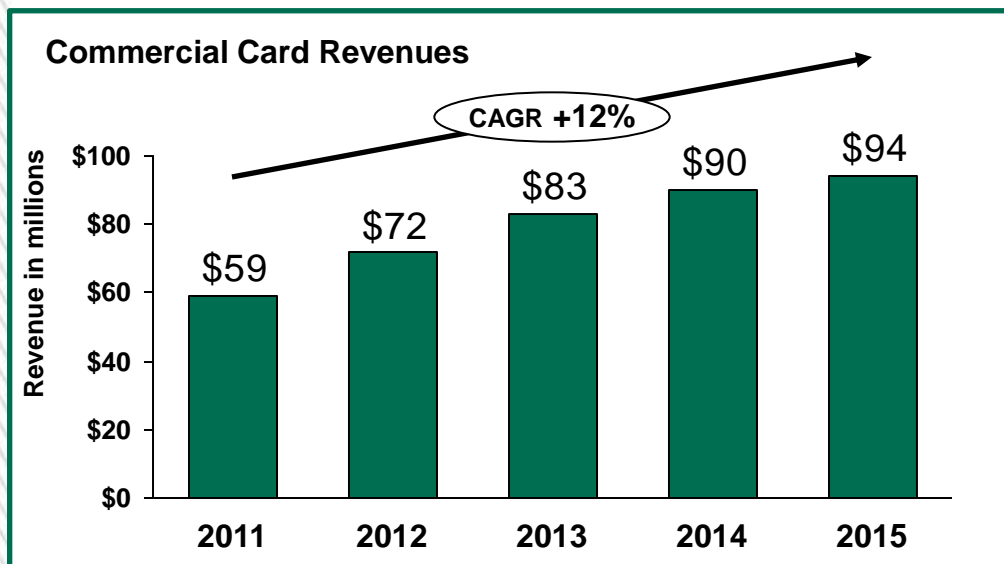
Source: Nilson Reports (Debit: April 2015; Consumer Card: February 2015; Merchant: March 2016; Purchasing: June 2015; Commercial Card June 2015)

We ask, listen and solve.



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# TRENDS IN COMMERCIAL CARD REVENUES AND SALES



- Commercial card revenues grew 12% over previous 5 years.
- Sales lagged in 2014 due to sales force turnover but has rebounded in 2015.
- New onboarding processes developed reduces length in sales cycle for new reps.

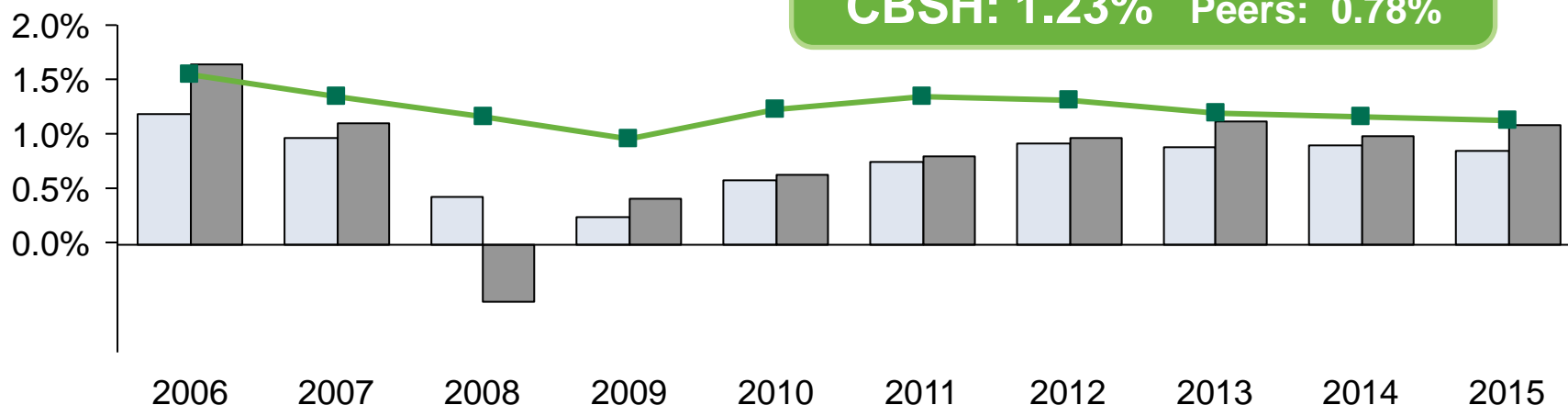


# COMMERCE BANK MAINTAINS SOLID PERFORMANCE OVER TIME

—■ Commerce Bank    ■ Peer Banks    ■ Large Banks

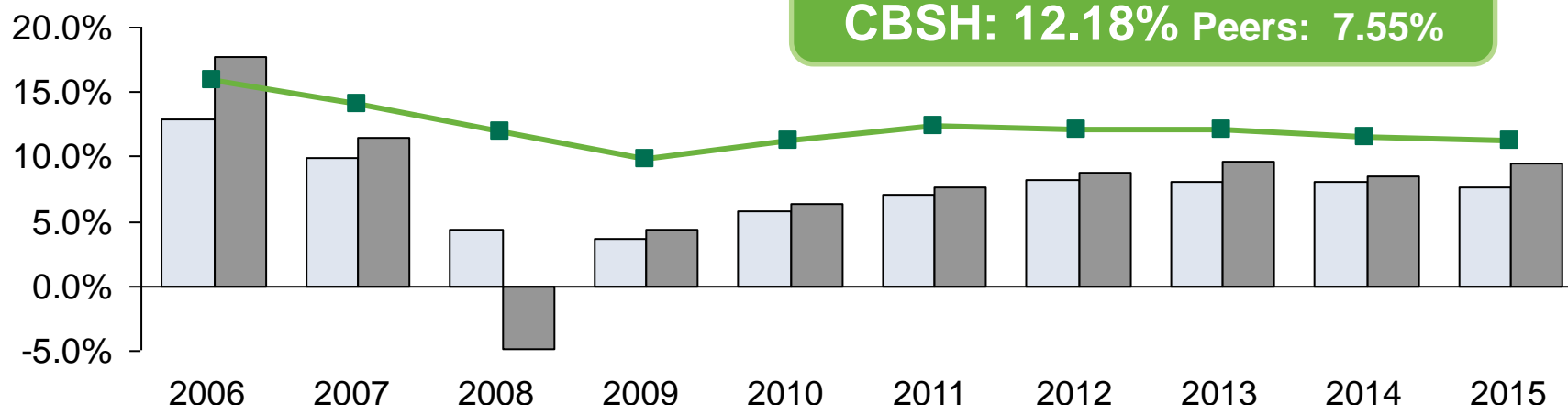
## Return on Assets

ROA 10-yr average  
CBSH: 1.23% Peers: 0.78%



## Return on Equity

ROE 10-yr average  
CBSH: 12.18% Peers: 7.55%



Peer Banks include: ASB, BKU, BOKF, CFR, FCNCA, FHN, FMER, HBHC, IBKC, ISBC, PB, SBNY, SNV, TCB, UMBF, UMPQ, WBS, VLY, WFC; Large Banks include: JPM, BAC, C, WFC, USB, PNC, FITH, RF

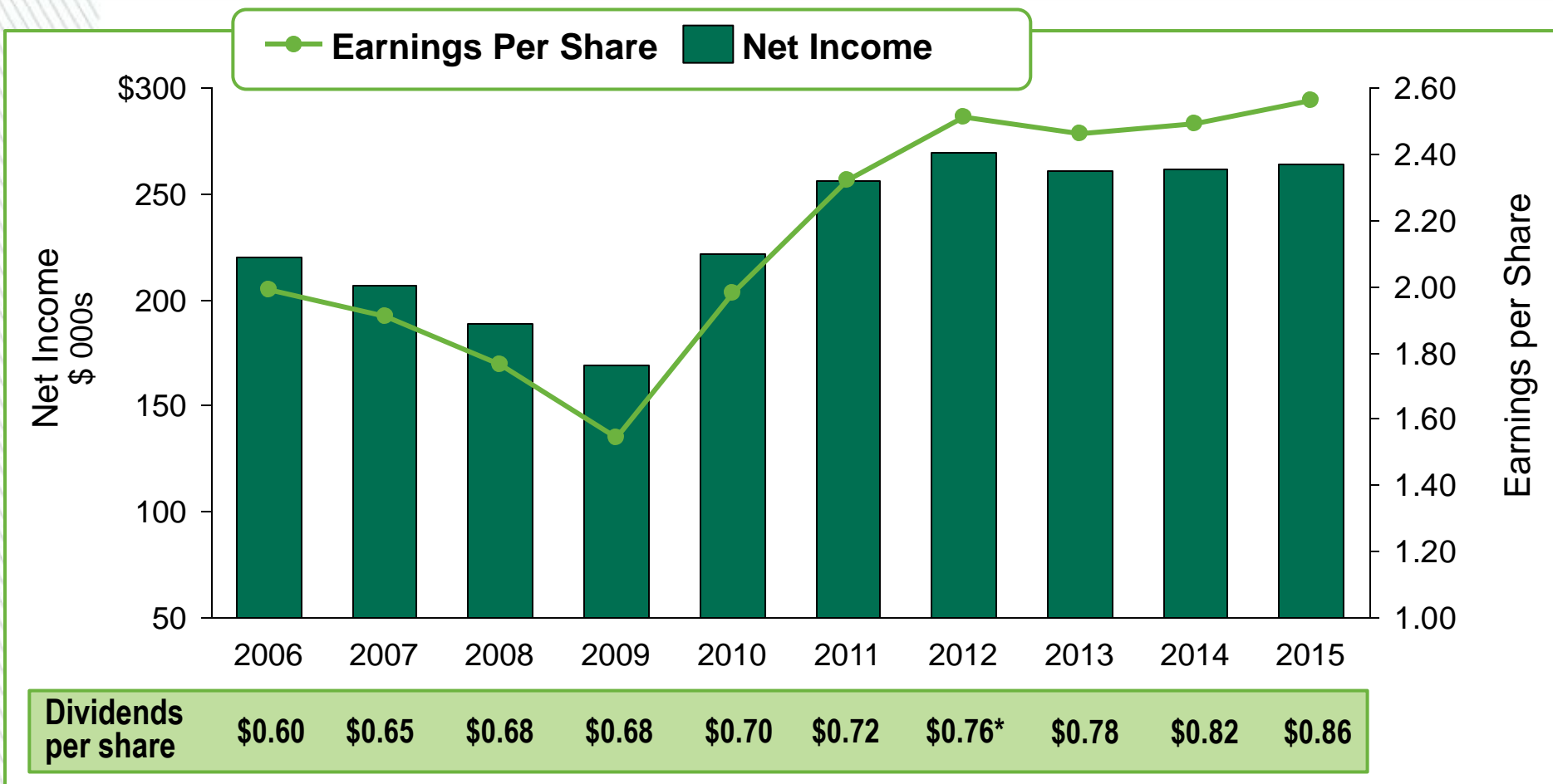
Source: SNL Financial; data as of 12/31/2015; CBI 2014 & 2015 numbers via internal reporting

We ask, listen and solve.



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# LONG TERM VIEW: NET INCOME AND EARNINGS PER SHARE



**EPS REMAINS STRONG**

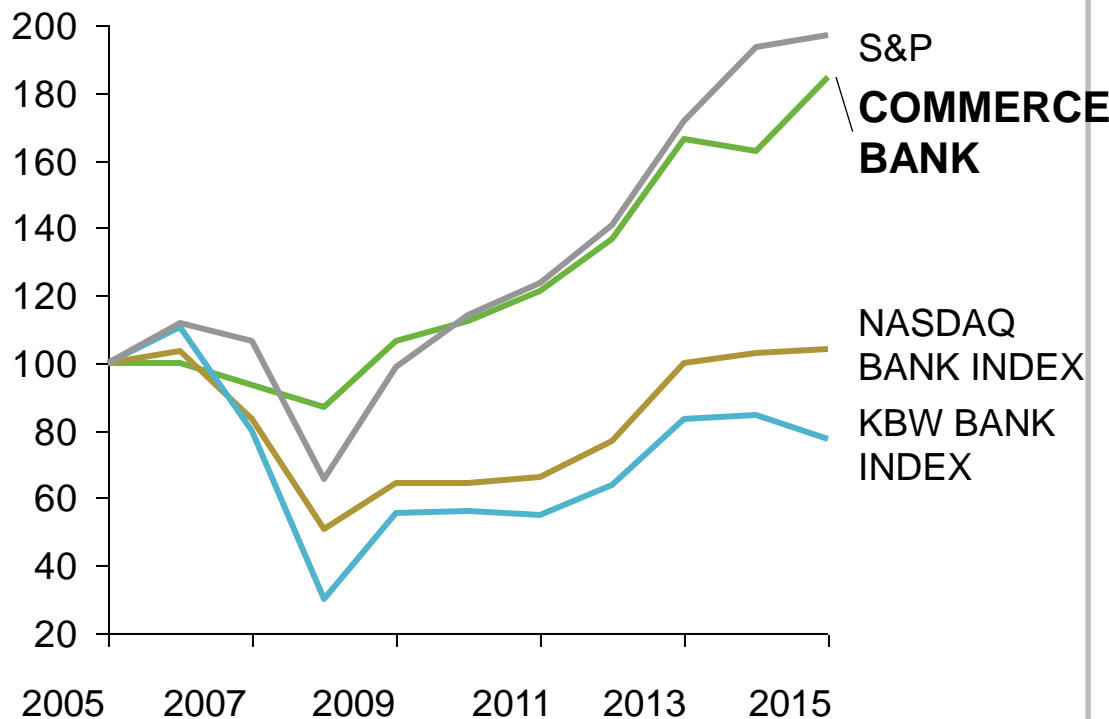
**47<sup>TH</sup> CONSECUTIVE YEAR OF DIVIDEND GROWTH**



# STEADY SHAREHOLDER RETURNS (as of March 31, 2016)

## Total Shareholder Returns

Indexed, 3/31/2006 = 100



## Annualized Comparison Total Shareholder Returns Percent

|                | 1 yr    | 3 yr   | 5 yr   | 10 yr   |
|----------------|---------|--------|--------|---------|
| CBSH           | 13.73%  | 10.61% | 10.45% | 6.33%   |
| S&P 500        | 1.77%   | 11.81% | 11.56% | 7.01%   |
| NASDAQ Banks   | 1.63%   | 10.85% | 10.20% | 0.42%   |
| KBW Bank Index | (9.00%) | 6.67%  | 6.52%  | (2.56%) |

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

