

REFINITIV

DELTA REPORT

10-Q

CBSH - COMMERCE BANCSHARES INC /
10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2008
<div>CHANGES</div>	743
<div>DELETIONS</div>	701
<div>ADDITIONS</div>	564

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)



QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023 March 31, 2024



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

For the transition period from to

Commission File No. 001-36502

COMMERCE BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

Missouri

(State of Incorporation)

1000 Walnut

Kansas City, MO

(Address of principal executive offices)

43-0889454

(IRS Employer Identification No.)

64106

(Zip Code)

(816) 234-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Trading symbol(s)	Name of exchange on which registered
\$5 Par Value Common Stock	CBSH	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 2, 2023 May 3, 2024, the registrant had outstanding 124,288,417 129,536,050 shares of its \$5 par value common stock, registrant's only class of common stock.

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PART I: FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Commerce Bancshares, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(Unaudited)			
	(In thousands)			
	(Unaudited)			
	(In thousands)			
	(In thousands)			
	(In thousands)			
ASSETS	ASSETS			
Loans				

Loans			
Loans	Loans	\$17,129,326	\$16,303,131
Allowance for credit losses on loans	Allowance for credit losses on loans	(162,244)	(150,136)
Net loans	Net loans	16,967,082	16,152,995
Loans held for sale (including \$366,000 and \$— of residential mortgage loans carried at fair value at September 30, 2023 and December 31, 2022, respectively)			
		5,120	4,964
Loans held for sale (including \$1,185,000 and \$1,585,000 of residential mortgage loans carried at fair value at March 31, 2024 and December 31, 2023, respectively)			
Investment securities:	Investment securities:	Investment securities:	
Available for sale debt, at fair value (amortized cost of \$11,457,305,000 and \$13,738,206,000 at September 30, 2023 and December 31, 2022, respectively, and allowance for credit losses of \$— at both September 30, 2023 and December 31, 2022)			
		9,860,828	12,238,316
Available for sale debt, at fair value (amortized cost of \$10,388,902,000 and \$10,904,765,000 at March 31, 2024 and December 31, 2023, respectively, and allowance for credit losses of \$— at both March 31, 2024 and December 31, 2023)			
March 31, 2024 and December 31, 2023, respectively, and allowance for credit losses of \$—			
March 31, 2024 and December 31, 2023, respectively, and allowance for credit losses of \$—			
March 31, 2024 and December 31, 2023, respectively, and allowance for credit losses of \$—			
at both March 31, 2024 and December 31, 2023)			
at both March 31, 2024 and December 31, 2023)			
at both March 31, 2024 and December 31, 2023)			
Trading debt	Trading debt	35,564	43,523
Equity	Equity	12,212	12,304
Other	Other	230,792	225,034
Total investment securities	Total investment securities	10,139,396	12,519,177
Federal funds sold	Federal funds sold	2,735	49,505
Securities purchased under agreements to resell	Securities purchased under agreements to resell	450,000	825,000

Interest earning deposits with banks	Interest earning deposits with banks	1,847,641	389,140
Cash and due from banks	Cash and due from banks	358,010	452,496
Premises and equipment – net	Premises and equipment – net	460,830	418,909
Goodwill	Goodwill	146,539	138,921
Other intangible assets – net	Other intangible assets – net	14,432	15,234
Other assets	Other assets	984,907	909,590
Total assets	Total assets	\$ 31,376,692	\$ 31,875,931

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits:	Deposits:		
Deposits:			
Deposits:			
Non-interest bearing	Non-interest bearing	\$ 7,961,402	\$ 10,066,356
Savings, interest checking and money market	Savings, interest checking and money market	14,154,275	15,126,981
Certificates of deposit of less than \$100,000	Certificates of deposit of less than \$100,000	1,210,169	387,336
Certificates of deposit of \$100,000 and over	Certificates of deposit of \$100,000 and over	1,764,611	606,767
Total deposits	Total deposits	25,090,457	26,187,440
Federal funds purchased and securities sold under agreements to repurchase	Federal funds purchased and securities sold under agreements to repurchase	2,745,181	2,841,734
Other borrowings	Other borrowings	503,589	9,672
Other liabilities	Other liabilities	438,199	355,508
Total liabilities	Total liabilities	28,777,426	29,394,354

Commerce Bancshares, Inc. stockholders' equity:	Commerce Bancshares, Inc. stockholders' equity:		
Common stock, \$5 par value	Common stock, \$5 par value		
Authorized 190,000,000 at September 30, 2023 and 140,000,000 at December 31, 2022; issued 125,863,879 shares at September 30, 2023 and December 31, 2022		629,319	629,319

Common stock, \$5 par value

Common stock, \$5 par value

Authorized 190,000,000; issued 131,064,418 shares at both March 31, 2024 and December 31, 2023			
Capital surplus	Capital surplus	2,924,211	2,932,959
Retained earnings	Retained earnings	298,297	31,620
Treasury stock of 1,233,706 shares at September 30, 2023 and 605,142 shares at December 31, 2022, at cost			
		(76,888)	(41,743)
Treasury stock of 1,092,341 shares at March 31, 2024 and 611,546 shares at December 31, 2023, at cost and 611,546 shares at December 31, 2023, at cost and 611,546 shares at December 31, 2023, at cost			
Accumulated other comprehensive income (loss)	Accumulated other comprehensive income (loss)	(1,193,534)	(1,086,864)
Total Commerce Bancshares, Inc. stockholders' equity	Total Commerce Bancshares, Inc. stockholders' equity	2,581,405	2,465,291
Non-controlling interest	Non-controlling interest	17,861	16,286
Total equity	Total equity	2,599,266	2,481,577
Total liabilities and equity	Total liabilities and equity	\$31,376,692	\$31,875,931

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME

	For the Three Months Ended September 30	For the Nine Months Ended September 30
	For the Three Months Ended March 31	
	For the Three Months Ended March 31	
	For the Three Months Ended March 31	

(In thousands, except per share data)		(In thousands, except per share data)				(In thousands, except per share data)	
		2023	2022	2023	2022	2024	2023
		(Unaudited)					
		(Unaudited)					
INTEREST INCOME	INTEREST INCOME						
Interest and fees on loans							
Interest and fees on loans							
Interest and fees on loans	Interest and fees on loans	\$256,242	\$171,272	\$ 721,385	\$445,873		
Interest and fees on loans held for sale	Interest and fees on loans held for sale	152	159	448	470		
Interest on investment securities	Interest on investment securities	69,245	79,586	214,091	241,326		
Interest on federal funds sold	Interest on federal funds sold	45	94	639	114		
Interest on securities purchased under agreements to resell	Interest on securities purchased under agreements to resell	3,740	5,984	11,791	15,669		
Interest on deposits with banks	Interest on deposits with banks	31,738	5,571	70,328	9,150		
Total interest income	Total interest income	361,162	262,666	1,018,682	712,602		
INTEREST EXPENSE	INTEREST EXPENSE						
Interest on deposits:							
Interest on deposits:							
Savings, interest checking and money market							
Savings, interest checking and money market							
Savings, interest checking and money market	Savings, interest checking and money market	43,795	7,545	93,992	11,583		
Certificates of deposit of less than \$100,000	Certificates of deposit of less than \$100,000	15,499	411	27,049	755		
Certificates of deposit of \$100,000 and over	Certificates of deposit of \$100,000 and over	18,942	871	39,985	1,768		
Interest on federal funds purchased	Interest on federal funds purchased	6,833	315	18,816	546		

Interest on securities sold under agreements to repurchase	Interest on securities sold under agreements to repurchase	18,431	7,576	52,940	10,960
Interest on other borrowings	Interest on other borrowings	9,115	(425)	36,192	(554)
Total interest expense	Total interest expense	112,615	16,293	268,974	25,058
Net interest income	Net interest income	248,547	246,373	749,708	687,544
Provision for credit losses	Provision for credit losses	11,645	15,290	29,572	12,594
Net interest income after credit losses	Net interest income after credit losses	236,902	231,083	720,136	674,950
NON-INTEREST INCOME	NON-INTEREST INCOME				
Trust fees					
Trust fees					
Trust fees					
Bank card transaction fees	Bank card transaction fees	46,899	45,638	143,278	131,556
Trust fees		49,207	45,406	141,800	140,009
Deposit account charges and other fees	Deposit account charges and other fees	23,090	24,521	67,475	72,392
Consumer brokerage services	Consumer brokerage services	3,820	5,085	13,582	14,599
Capital market fees	Capital market fees	2,410	3,393	8,311	10,845
Loan fees and sales	Loan fees and sales	2,966	3,094	8,290	10,575
Other	Other	14,557	11,377	45,430	29,734
Total non-interest income	Total non-interest income	142,949	138,514	428,166	409,710
INVESTMENT SECURITIES GAINS (LOSSES), NET	INVESTMENT SECURITIES GAINS (LOSSES), NET	4,298	3,410	7,384	11,602
INVESTMENT SECURITIES GAINS (LOSSES), NET					
INVESTMENT SECURITIES GAINS (LOSSES), NET					
NON-INTEREST EXPENSE	NON-INTEREST EXPENSE				
Salaries and employee benefits					

Salaries and employee benefits					
Salaries and employee benefits	Salaries and employee benefits	146,805	137,393	436,607	415,589
Data processing and software	Data processing and software	30,744	28,050	87,617	82,701
Net occupancy	Net occupancy	13,948	12,544	39,702	37,343
Marketing		6,167	6,228	18,006	18,408
Deposit insurance					
Equipment	Equipment	4,697	5,036	14,411	14,338
Supplies and communication	Supplies and communication	4,963	4,581	14,178	13,655
Marketing					
Other	Other	20,686	19,052	69,207	50,003
Total non-interest expense	Total non-interest expense	228,010	212,884	679,728	632,037
Income before income taxes	Income before income taxes	156,139	160,123	475,958	464,225
Less income taxes	Less income taxes	33,439	33,936	102,242	97,859
Net income	Net income	122,700	126,187	373,716	366,366
Less non-controlling interest expense (income)	Less non-controlling interest expense (income)	2,104	3,364	5,879	9,595
Net income attributable to Commerce Bancshares, Inc.	Net income attributable to Commerce Bancshares, Inc.	\$ 120,596	\$ 122,823	\$ 367,837	\$ 356,771
Net income per common share — basic	Net income per common share — basic	\$.96	\$.97	\$ 2.94	\$ 2.81
Net income per common share — basic					
Net income per common share — basic					
Net income per common share — diluted	Net income per common share — diluted	\$.96	\$.97	\$ 2.93	\$ 2.81

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended March 31
	For the Three Months Ended March 31

For the Three Months Ended March 31					
(In thousands)		(In thousands)		2024	2023
(Unaudited)		(Unaudited)			
Net income					
Other comprehensive income (loss):					
		For the Three Months Ended September 30	For the Nine Months Ended September 30		
(In thousands)		2023	2022	2023	2022
Net unrealized gains (losses) on available for sale debt securities					
		(Unaudited)			
Net income		\$122,700	\$ 126,187	\$373,716	\$ 366,366
Other comprehensive income (loss):					
Net unrealized gains (losses) on available for sale debt securities					
Net unrealized gains (losses) on available for sale debt securities	Net unrealized gains (losses) on available for sale debt securities	(133,024)	(345,565)	(72,440)	(1,181,031)
Change in pension loss	Change in pension loss	199	302	738	947
Unrealized gains (losses) on cash flow hedge derivatives	Unrealized gains (losses) on cash flow hedge derivatives	(24,414)	(7,187)	(34,968)	(16,340)
Other comprehensive income (loss)	Other comprehensive income (loss)	(157,239)	(352,450)	(106,670)	(1,196,424)
Comprehensive income (loss)	Comprehensive income (loss)	(34,539)	(226,263)	267,046	(830,058)
Less non-controlling interest (income) expense	Less non-controlling interest (income) expense	2,104	3,364	5,879	9,595
Comprehensive income (loss) attributable to Commerce Bancshares, Inc.	Comprehensive income (loss) attributable to Commerce Bancshares, Inc.	\$ (36,643)	\$ (229,627)	\$261,167	\$ (839,653)

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Three Months Ended **September 30, 2023** **March 31, 2024** and **2022** **2023**

Commerce Bancshares, Inc. Shareholders	
Commerce Bancshares, Inc. Shareholders	
Commerce Bancshares, Inc. Shareholders	
Commerce Bancshares, Inc. Shareholders	

(In thousands, except per share data)	(In thousands, except per share data)	Accumulated						
		Common	Capital	Retained	Treasury	Other Comprehensive	Non-Controlling	
		Stock	Surplus	Earnings	Stock	Income (Loss)	Interest	Total
(Unaudited)								
Balance June 30, 2023		\$ 629,319	\$ 2,921,365	\$ 211,358	\$ (58,389)	\$ (1,036,295)	\$ 17,870	\$ 2,685,228
(In thousands, except per share data)								
(In thousands, except per share data)								
(Unaudited)								
Balance December 31, 2023								
Net income	Net income			120,596			2,104	122,700
Other comprehensive income (loss)	Other comprehensive income (loss)					(157,239)		(157,239)
Distributions to non-controlling interest	Distributions to non-controlling interest						(2,105)	(2,105)
Purchases of treasury stock	Purchases of treasury stock				(19,978)			(19,978)
Sale of non-controlling interest of subsidiary			8				(8)	—
Issuance under stock purchase and equity compensation plans								
Issuance under stock purchase and equity compensation plans								
Issuance under stock purchase and equity compensation plans	Issuance under stock purchase and equity compensation plans		(1,479)		1,479			—
Stock-based compensation	Stock-based compensation		4,317					4,317
Cash dividends paid on common stock (\$0.270 per share)	Cash dividends paid on common stock (\$0.270 per share)			(33,657)				(33,657)
Balance September 30, 2023		\$ 629,319	\$ 2,924,211	\$ 298,297	\$ (76,888)	\$ (1,193,534)	\$ 17,861	\$ 2,599,266
Balance June 30, 2022		\$ 610,804	\$ 2,682,161	\$ 262,363	\$ (129,588)	\$ (766,894)	\$ 16,467	\$ 2,675,313
Balance March 31, 2024								
Balance March 31, 2024								
Balance March 31, 2024								
Balance December 31, 2022								
Net Income								
Net Income								
Net Income	Net Income			122,823			3,364	126,187

Other comprehensive income (loss)	Other comprehensive income (loss)					(352,450)		(352,450)
Distributions to non-controlling interest	Distributions to non-controlling interest						(318)	(318)
Purchases of treasury stock	Purchases of treasury stock					(50,116)		(50,116)
Sale of non-controlling interest of subsidiary								
Issuance under stock purchase and equity compensation plans	Issuance under stock purchase and equity compensation plans			(2,762)	2,761			(1)
Stock-based compensation	Stock-based compensation		4,232					4,232
Cash dividends paid on common stock (\$.252 per share)				(31,740)				(31,740)
Cash dividends paid on common stock (\$.257 per share)								
Balance September 30, 2022	\$610,804	\$2,683,631	\$353,446	\$ (176,943)	\$	(1,119,344)	\$	19,513 \$2,371,107
Balance March 31, 2023								
Balance March 31, 2023								
Balance March 31, 2023								

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Nine Months Ended September 30, 2023 and 2022

(In thousands, except per share data)	Commerce Bancshares, Inc. Shareholders						
					Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	(Loss)		
	(Unaudited)						
Balance December 31, 2022	\$ 629,319	\$ 2,932,959	\$ 31,620	\$ (41,743)	\$ (1,086,864)	\$ 16,286	\$ 2,481,577
Net income			367,837			5,879	373,716
Other comprehensive income (loss)					(106,670)		(106,670)
Distributions to non-controlling interest						(4,250)	(4,250)
Purchases of treasury stock				(56,541)			(56,541)
Sale of non-controlling interest of subsidiary		54				(54)	—
Issuance under stock purchase and equity compensation plans		(21,396)		21,396			—
Stock-based compensation		12,594					12,594
Cash dividends paid on common stock (\$.810 per share)			(101,160)				(101,160)
Balance September 30, 2023	\$ 629,319	\$ 2,924,211	\$ 298,297	\$ (76,888)	\$ (1,193,534)	\$ 17,861	\$ 2,599,266
Balance December 31, 2021	\$ 610,804	\$ 2,689,894	\$ 92,493	\$ (32,973)	\$ 77,080	\$ 11,026	\$ 3,448,324
Net income			356,771			9,595	366,366

Other comprehensive income (loss)					(1,196,424)		(1,196,424)
Distributions to non-controlling interest						(1,108)	(1,108)
Purchases of treasury stock				(163,321)			(163,321)
Issuance under stock purchase and equity compensation plans		(18,904)		19,351			447
Stock-based compensation		12,641					12,641
Cash dividends paid on common stock (\$.757 per share)				(95,818)			(95,818)
Balance September 30, 2022	\$	610,804	\$	2,683,631	\$	353,446	\$ (176,943)
						(1,119,344)	\$ 19,513
							2,371,107

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30							
For the Three Months Ended March 31				For the Three Months Ended March 31			
(In thousands)	(In thousands)	2023	2022	(In thousands)	2024	2023	
(Unaudited)				(Unaudited)			
OPERATING ACTIVITIES:				OPERATING ACTIVITIES:			
Net income	Net income	\$ 373,716	\$ 366,366				
Net income							
Net income							
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:						
Provision for credit losses	Provision for credit losses						
Provision for credit losses	Provision for credit losses	29,572	12,594				
Provision for depreciation and amortization	Provision for depreciation and amortization	36,661	35,350				
Amortization of investment security premiums, net	Amortization of investment security premiums, net	13,345	8,565				
Investment securities (gains) losses, net (A)	Investment securities (gains) losses, net (A)	(7,384)	(11,602)				
Net (gains) losses on sales of loans held for sale	Net (gains) losses on sales of loans held for sale	(705)	(2,607)				

Originations of loans held for sale	Originations of loans held for sale	(40,470)	(114,765)
Proceeds from sales of loans held for sale	Proceeds from sales of loans held for sale	40,775	116,421
Net (increase) decrease in trading debt securities, excluding unsettled transactions	Net (increase) decrease in trading debt securities, excluding unsettled transactions	14,354	14,080
Purchase of interest rate floor derivative contracts	Purchase of interest rate floor derivative contracts	(54,449)	(16,849)
Stock-based compensation	Stock-based compensation	12,594	12,641
(Increase) decrease in interest receivable	(Increase) decrease in interest receivable	(7,861)	(21,959)
Increase (decrease) in interest payable	Increase (decrease) in interest payable	41,622	1,097
Increase (decrease) in income taxes payable	Increase (decrease) in income taxes payable	(52)	168
Other changes, net	Other changes, net	(83,973)	70,285
Other changes, net			
Other changes, net			
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	367,745	469,785
INVESTING ACTIVITIES:	INVESTING ACTIVITIES:		
Cash paid in acquisition, net of cash received		(6,365)	—
Distributions received from equity-method investment			
Distributions received from equity-method investment			
Distributions received from equity-method investment	Distributions received from equity-method investment	1,434	400

Proceeds from sales of investment securities (A)	Proceeds from sales of investment securities (A)	1,141,949	55,690
Proceeds from maturities/pay downs of investment securities (A)	Proceeds from maturities/pay downs of investment securities (A)	1,315,175	2,079,939
Purchases of investment securities (A)	Purchases of investment securities (A)	(190,637)	(1,951,694)
Net (increase) decrease in loans	Net (increase) decrease in loans	(849,375)	(736,474)
Securities purchased under agreements to resell	Securities purchased under agreements to resell	—	(200,000)
Repayments of securities purchased under agreements to resell	Repayments of securities purchased under agreements to resell	375,000	550,000
Purchases of premises and equipment	Purchases of premises and equipment	(72,563)	(46,636)
Sales of premises and equipment	Sales of premises and equipment	3,751	1,613
Net cash provided by (used in) investing activities	Net cash provided by (used in) investing activities	1,718,369	(247,162)
FINANCING ACTIVITIES:	FINANCING ACTIVITIES:		
Net increase (decrease) in non-interest bearing, savings, interest checking and money market deposits	Net increase (decrease) in non-interest bearing, savings, interest checking and money market deposits	(2,995,739)	(2,078,327)
Net increase (decrease) in non-interest bearing, savings, interest checking and money market deposits			

Net increase (decrease) in non-interest bearing, savings, interest checking and money market deposits			
Net increase (decrease) in certificates of deposit	Net increase (decrease) in certificates of deposit	1,980,677	(454,376)
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	(96,553)	(708,377)
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase			
FHLB short-term borrowings		2,250,000	—
Repayments of FHLB borrowings		(1,750,000)	—
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase			
Net increase (decrease) in other borrowings	Net increase (decrease) in other borrowings	(6,083)	(10,729)
Net increase (decrease) in other borrowings			
Net increase (decrease) in other borrowings			
Purchases of treasury stock			
Purchases of treasury stock	Purchases of treasury stock	(56,541)	(163,321)
Cash dividends paid on common stock	Cash dividends paid on common stock	(101,160)	(95,818)
Other, net		—	447
Cash dividends paid on common stock			
Cash dividends paid on common stock			
Net cash provided by (used in) financing activities			

Net cash provided by (used in) financing activities			
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	(775,399)	(3,510,501)
Increase (decrease) in cash, cash equivalents and restricted cash	Increase (decrease) in cash, cash equivalents and restricted cash	1,310,715	(3,287,878)
Cash, cash equivalents and restricted cash at beginning of year	Cash, cash equivalents and restricted cash at beginning of year	897,801	4,296,954
Cash, cash equivalents and restricted cash at September 30		\$2,208,516	\$1,009,076
Cash, cash equivalents and restricted cash at March 31			
Income tax payments, net			
Income tax payments, net			
Income tax payments, net	Income tax payments, net	\$ 97,018	\$ 92,646
Interest paid on deposits and borrowings	Interest paid on deposits and borrowings	\$ 227,352	\$ 23,961
Loans transferred to foreclosed real estate	Loans transferred to foreclosed real estate	\$ 133	\$ 457

(A) Available for sale debt securities, equity securities, and other securities.

See accompanying notes to consolidated financial statements.

Restricted cash is comprised of cash collateral posted by the Company to secure interest rate swap agreements. This balance is included in other assets in the consolidated balance sheets and totaled \$130 \$71 thousand at September 30, 2023 and \$7.9 million March 31, 2024. The Company had no restricted cash at September 30, 2022 March 31, 2023.

Commerce Bancshares, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 March 31, 2024 (Unaudited)

1. Principles of Consolidation and Presentation

The accompanying consolidated financial statements include the accounts of Commerce Bancshares, Inc. and all majority-owned subsidiaries (the Company). Most of the Company's operations are conducted by its subsidiary bank, Commerce Bank (the Bank). The consolidated financial statements in this report have not been audited by an independent registered public accounting firm, but in the opinion of management, all adjustments necessary to present fairly the financial position and the results of operations for the interim periods have been made. All such adjustments are of a normal recurring nature. All significant intercompany accounts and transactions have been eliminated. Certain

reclassifications were made to 2022 2023 data to conform to current year presentation. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheets and revenues and expenses for the periods. Actual results could differ significantly from those estimates. Management has evaluated subsequent events for potential recognition or disclosure. The results of operations for the nine three month period ended September 30, 2023 March 31, 2024 are not necessarily indicative of results to be attained for the full year or any other interim period.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q adopted by the Securities and Exchange Commission. Accordingly, the financial statements do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Company's most recent Annual Report on Form 10-K, containing the latest audited consolidated financial statements and notes thereto.

The Company adopted ASU 2022-02 Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures on January 1, 2023, using the prospective transition method. This ASU eliminates the troubled debt restructuring recognition and measurement guidance and requires an entity to present gross write-offs by year of origination. The amendments also enhance disclosure requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. With the exception of enhanced disclosures, there was no material impact to the consolidated financial statements from adoption of this ASU. As of the Company's adoption date, all restructurings are evaluated to determine whether they are modifications to a borrower experiencing financial difficulty. Loans that were accounted for under the troubled debt restructuring method as of December 31, 2022 will continue to be accounted for under that method until they are paid off or modified.

The following significant accounting policies have been updated since the Company's 2022 Annual Report on Form 10-K to reflect the adoption of ASU 2022-02.

Troubled Debt Restructurings

Prior to the Company's adoption of ASU 2022-02, a loan was accounted for as a troubled debt restructuring if the Company, for economic or legal reasons related to the borrower's financial difficulties, granted a concession to the borrower that it would not otherwise consider. A troubled debt restructuring typically involves (1) modification of terms such as a reduction of the stated interest rate, loan principal, or accrued interest, (2) a loan renewal at a stated interest rate lower than the current market rate for a new loan with similar risk, or (3) debt that was not reaffirmed in bankruptcy. Business, business real estate, construction and land real estate and personal real estate troubled debt restructurings with impairment charges are placed on non-accrual status. The Company measures the impairment loss of a troubled debt restructuring at the time of modification based on the present value of expected future cash flows. Subsequent to modification, troubled debt restructurings are subject to the Company's allowance for credit loss model, which is discussed below and in Note 2, Loans and Allowance for Credit Losses. Troubled debt restructurings that are performing under their contractual terms continue to accrue interest, which is recognized in current earnings. Loans that were accounted as troubled debt restructurings at of December 31, 2022 will continue to be accounted for under that method until they are either paid off or modified.

Modifications for Borrowers Experiencing Financial Difficulty

The Company may renegotiate the terms of existing loans for a variety of reasons. When refinancing or restructuring a loan, the Company evaluates whether the borrower is experiencing financial difficulty. In making this determination, the Company considers whether the borrower is currently in default on any of its debt. In addition, the Company evaluates whether it is probable that the borrower would be in payment default on any of its debt in the foreseeable future without the modification and if the borrower (without the current modification) could obtain equivalent financing from another creditor at a market rate for similar debt. Modifications of loans to borrowers in these situations may indicate that the borrower is facing financial difficulty.

Modifications of loans to borrowers experiencing financial difficulty that are in the form of principal forgiveness, interest rate reductions, other-than-insignificant payment delays, or a term extension (or a combination thereof) require disclosure. The Company's disclosures are included in Note 2, Loans and Allowance for Credit Losses.

2. Loans and Allowance for Credit Losses

Major classifications within the Company's held for investment loan portfolio at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows:

	September		December 31,			
(In thousands)	(In thousands)	30, 2023	2022	(In thousands)	March 31, 2024	December 31, 2023
Commercial:	Commercial:					
Business	Business	\$ 5,908,330	\$ 5,661,725			
Business						
Business						
Real estate – construction and land	Real estate – construction and land	1,539,566	1,361,095			
Real estate – business	Real estate – business	3,647,168	3,406,981			
Personal Banking:	Personal Banking:					

Real estate – personal			
Real estate – personal			
Real estate – personal	Real estate – personal	3,024,639	2,918,078
Consumer	Consumer	2,125,804	2,059,088
Revolving home equity	Revolving home equity	305,237	297,207
Consumer credit card	Consumer credit card	574,829	584,000
Overdrafts	Overdrafts	3,753	14,957
Total loans	Total loans	\$17,129,326	\$16,303,131

Accrued interest receivable totaled ~~\$72.5 million~~ ~~\$72.8 million~~ and ~~\$55.5 million~~ ~~\$71.9 million~~ at ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~December 31, 2022~~ ~~December 31, 2023~~, respectively, and was included within other assets on the consolidated balance sheets. For the three months ended ~~September 30, 2023~~ ~~March 31, 2024~~, the Company wrote-off accrued interest by reversing interest income of ~~\$237~~ ~~\$94~~ thousand and ~~\$1.2 million~~ ~~\$1.6 million~~ in the Commercial and Personal Banking portfolios, respectively. Similarly, for the ~~nine three~~ months ended ~~September 30, 2023~~ ~~March 31, 2023~~, the Company wrote-off accrued ~~reversed~~ interest income of ~~\$313~~ ~~\$34~~ thousand and ~~\$3.4 million~~ ~~\$1.1 million~~ in the Commercial and Personal Banking portfolios, respectively. ~~For the three months ended September 30, 2022, the Company reversed interest income of \$48 thousand and \$699 thousand in the Commercial and Personal Banking portfolios, respectively, and in the nine months ended September 30, 2022, reversed \$103 thousand and \$2.4 million in the Commercial and Personal Banking portfolios.~~

At ~~September 30, 2023~~ ~~March 31, 2024~~, loans of ~~\$3.5~~ ~~\$3.6~~ billion were pledged at the Federal Home Loan Bank as collateral for borrowings and letters of credit obtained to secure public deposits. Additional loans of ~~\$3.1~~ ~~\$2.9~~ billion were pledged at the Federal Reserve Bank as collateral for discount window borrowings.

Allowance for credit losses

The allowance for credit losses is measured using an average historical loss model which incorporates relevant information about past events (including historical credit loss experience on loans with similar risk characteristics), current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the loans. The allowance for credit losses is measured on a collective (pool) basis. Loans are aggregated into pools based on similar risk characteristics including borrower type, collateral type and expected credit loss patterns. Loans that do not share similar risk characteristics, primarily large loans on non-accrual status, are evaluated on an individual basis.

For loans evaluated for credit losses on a collective basis, average historical loss rates are calculated for each pool using the Company's historical net charge-offs (combined charge-offs and recoveries by observable historical reporting period) and outstanding loan balances during a lookback period. Lookback periods can be different based on the individual pool and represent management's credit expectations for the pool of loans over the remaining contractual life. In certain loan pools, if the Company's own historical loss rate is not reflective of the loss expectations, the historical loss rate is augmented by industry and peer data. The calculated average net charge-off rate is then adjusted for current conditions and reasonable and supportable forecasts. These adjustments increase or decrease the average historical loss rate to reflect expectations of future losses given a single path economic forecast of key macroeconomic variables including GDP, disposable income, various interest rates, unemployment rate, consumer price index (CPI) inflation rate, housing price index (HPI), commercial real estate price index (CREPI) and market volatility. The adjustments are based on results from various regression models projecting the impact of the macroeconomic variables to loss rates. The forecast is used for a reasonable and supportable period before reverting back to historical averages using a straight-line method. The ~~forecast adjusted~~ ~~forecast-adjusted~~ loss rate is applied to the amortized cost of loans over the remaining contractual lives, adjusted for expected prepayments. The contractual term excludes expected extensions (except for contractual extensions at the option of the customer), renewals and modifications. Credit cards and certain similar consumer lines of credit do not have stated maturities and therefore, for these loan classes, remaining contractual lives are determined by estimating future cash flows expected to be received from customers until payments have been fully allocated to outstanding balances. Additionally, the allowance for credit losses considers other qualitative factors not included in historical loss rates or macroeconomic forecast such as changes in portfolio composition, underwriting practices, or significant unique events or conditions.

Key assumptions in the Company's allowance for credit loss model include the economic forecast, the reasonable and supportable period, forecasted macro-economic variables, prepayment assumptions and qualitative factors applied for portfolio composition changes, underwriting practices, or significant unique events or conditions. The assumptions utilized in estimating the Company's allowance for credit losses at ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~June 30, 2023~~ ~~December 31, 2023~~ are discussed below.

Key Assumption	September 30, 2023 March 31, 2024	June 30, December 31, 2023	
Overall economic forecast	<ul style="list-style-type: none"> Mild recession starting Economic strength is visible in the fourth quarter of 2023 strong labor market Risks remain tilted toward another rate hike if progress Fiscal policy is forecasted to be a modest drag on inflation GDP There are expectations that the Federal Reserve will start cutting rates in 2nd quarter 2024 	<ul style="list-style-type: none"> The US economy is projected to slow at the start of 2024, but not enter a recession Impacts of tighter monetary and labor markets reverse course fiscal policy creates uncertainty Consumer spending is expected to be short lived, and growth is expected to fall 	<ul style="list-style-type: none"> Mild recession in the second half of 2023 Assume the Federal Reserve will pause increasing interest rates through year end Mild recession is expected to weaken employment decrease
Reasonable and supportable period and related reversion period	<ul style="list-style-type: none"> Reasonable and supportable period of one year Reversion to historical average loss rates within two quarters using a straight-line method 	<ul style="list-style-type: none"> Reasonable and supportable period of one year Reversion to historical average loss rates within two quarters using a straight-line method 	
Forecasted macro-economic variables	<ul style="list-style-type: none"> Unemployment rate ranges from 3.9% to 5.0% 4.1% during the reasonable and supportable forecast period Real GDP growth ranges from (.29)% 1.5% to 1.5% 3.0% BBB corporate yield from 4.8% 4.7% to 5.8% 5.1% Housing Price Index from 291.0 312.1 to 296.1 316.6 	<ul style="list-style-type: none"> Unemployment rate ranges from 3.9% 4.1% to 5.3% 4.5% during the reasonable and supportable forecast period Real GDP growth ranges from (.27)% .46% to 1.2% 2.1% BBB corporate yield from 4.9% 5.3% to 5.5% 5.9% Housing Price Index from 282.1 305.4 to 284.5 307.4 	
Prepayment assumptions	Commercial loans <ul style="list-style-type: none"> pools ranging from 0% to 5% for most loan pools Personal banking loans <ul style="list-style-type: none"> Ranging from 8.0% 6.2% to 22.8% 21.6% for most loan pools Consumer credit cards 67.3% 66.6% 	Commercial loans <ul style="list-style-type: none"> 5% for most loan pools Personal banking loans <ul style="list-style-type: none"> Ranging from 7.93% 6.5% to 22.9% 23.5% for most loan pools Consumer credit cards 67.6% 66.9% 	
Qualitative factors	Added qualitative factors related to: <ul style="list-style-type: none"> Changes in the composition of the loan portfolios Certain stressed industries within the portfolio Certain portfolios sensitive to unusually high rate of inflation and supply chain issues Loans downgraded to special mention, substandard, or non-accrual status Certain portfolios where the model assumptions do not capture all identified loss risk 	Added qualitative factors related to: <ul style="list-style-type: none"> Changes in the composition of the loan portfolios Certain stressed industries within the portfolio Certain portfolios sensitive to unusually high rate of inflation and supply chain issues Loans downgraded to special mention, substandard, or non-accrual status 	

The liability for unfunded lending commitments utilizes the same model as the allowance for credit losses on loans, however, the liability for unfunded lending commitments incorporates an assumption for the portion of unfunded commitments that are expected to be funded.

Sensitivity in the Allowance for Credit Loss model

The allowance for credit losses is an estimate that requires significant judgment including projections of the macro-economic environment. The forecasted macro-economic environment continuously changes which can cause fluctuations in estimated the estimate of expected credit losses.

The current forecast projects a mild recession starting low unemployment and positive GDP. It is expected the Federal Reserve will start cutting rates in the fourth 2nd quarter of 2023 as 2024.

Updated information on inflation and labor market trends could impact the economy continues to face high inflation, higher interest rates Federal Reserve's decision on the timing and a weaker job market. degree of rate reductions. The impacts of the market's response to unusual these events or trends including high inflation, supply chain stresses, trends in health conditions along with other economic, political, and changes in the geopolitical environment social developments regionally, nationally, and even globally could significantly modify economic projections used in the estimation of the allowance for credit losses.

Potential changes in any one economic variable may or may not affect the overall allowance because a variety of economic variables and inputs are considered in estimating the allowance, and changes in those variables and inputs may not occur at the same rate, may not be consistent across product types, and may have offsetting impacts to other changing variables and inputs.

A summary of the activity in the allowance for credit losses on loans and the liability for unfunded lending commitments during for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, follows:

For the Three Months Ended September 30, 2023				For the Nine Months Ended September 30, 2023			
For the Three Months Ended March 31, 2024							
For the Three Months Ended March 31, 2024							
For the Three Months Ended March 31, 2024							
(In thousands)	(In thousands)	Commercial	Personal Banking	Total	Commercial	Personal Banking	Total
(In thousands)							
(In thousands)							
ALLOWANCE FOR CREDIT LOSSES ON LOANS							
ALLOWANCE FOR CREDIT LOSSES ON LOANS							
ALLOWANCE FOR CREDIT LOSSES ON LOANS							
Balance at beginning of period	Balance at beginning of period	\$ 108,024	\$ 50,661	\$ 158,685	\$ 103,293	\$ 46,843	\$ 150,136
Balance at beginning of period							
Balance at beginning of period							
Provision for credit losses on loans							
Provision for credit losses on loans							
Provision for credit losses on loans	Provision for credit losses on loans	5,201	8,142	13,343	10,203	24,952	35,155
Deductions:	Deductions:						
Deductions:							
Deductions:							
Loans charged off							
Loans charged off							
Loans charged off	Loans charged off	2,664	9,262	11,926	3,263	26,549	29,812
Less recoveries on loans	Less recoveries on loans	66	2,076	2,142	394	6,371	6,765
Less recoveries on loans							
Less recoveries on loans							
Net loan charge-offs (recoveries)	Net loan charge-offs (recoveries)	2,598	7,186	9,784	2,869	20,178	23,047
Balance September 30, 2023		\$ 110,627	\$ 51,617	\$ 162,244	\$ 110,627	\$ 51,617	\$ 162,244
Net loan charge-offs (recoveries)							
Net loan charge-offs (recoveries)							
Balance March 31, 2024							
Balance March 31, 2024							
Balance March 31, 2024							
LIABILITY FOR UNFUNDED LENDING COMMITMENTS							
LIABILITY FOR UNFUNDED LENDING COMMITMENTS							
LIABILITY FOR UNFUNDED LENDING COMMITMENTS							
Balance at beginning of period	Balance at beginning of period	\$ 27,842	\$ 1,393	\$ 29,235	\$ 31,743	\$ 1,377	\$ 33,120

Balance at beginning of period													
Balance at beginning of period													
Provision for credit losses on unfunded lending commitments	Provision for credit losses on unfunded lending commitments												
		(1,724)		26		(1,698)		(5,625)		42		(5,583)	
Balance September 30, 2023	\$	26,118	\$	1,419	\$	27,537	\$	26,118	\$	1,419	\$	27,537	
Provision for credit losses on unfunded lending commitments													
Provision for credit losses on unfunded lending commitments													
Balance March 31, 2024													
Balance March 31, 2024													
Balance March 31, 2024													
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS	ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS												
		\$	136,745	\$	53,036	\$	189,781	\$	136,745	\$	53,036	\$	189,781
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS													
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS													
For the Three Months Ended September 30, 2022													
For the Nine Months Ended September 30, 2022													
For the Three Months Ended March 31, 2023													
For the Three Months Ended March 31, 2023													
For the Three Months Ended March 31, 2023													
(In thousands)	(In thousands)	Commercial	Personal Banking	Total	Commercial	Personal Banking	Total						
(In thousands)													
(In thousands)													
ALLOWANCE FOR CREDIT LOSSES ON LOANS													
ALLOWANCE FOR CREDIT LOSSES ON LOANS													
Balance at beginning of period	Balance at beginning of period	\$	99,525	\$	38,514	\$	138,039	\$	97,776	\$	52,268	\$	150,044
Balance at beginning of period													
Balance at beginning of period													
Provision for credit losses on loans													
Provision for credit losses on loans													
Provision for credit losses on loans	Provision for credit losses on loans		4,014		6,136		10,150		5,851		900		6,751
Deductions:	Deductions:												
Deductions:													
Deductions:													
Loans charged off													
Loans charged off													

Loans charged off	Loans charged off	509	6,721	7,230	893	20,539	21,432
Less recoveries on loans	Less recoveries on loans	56	2,362	2,418	352	7,662	8,014
Less recoveries on loans							
Less recoveries on loans							
Net loan charge-offs (recoveries)	Net loan charge-offs (recoveries)	453	4,359	4,812	541	12,877	13,418
Balance September 30, 2022		\$ 103,086	\$ 40,291	\$ 143,377	\$ 103,086	\$ 40,291	\$ 143,377
Net loan charge-offs (recoveries)							
Net loan charge-offs (recoveries)							
Balance March 31, 2023							
Balance March 31, 2023							
Balance March 31, 2023							
LIABILITY FOR UNFUNDED LENDING COMMITMENTS							
LIABILITY FOR UNFUNDED LENDING COMMITMENTS							
LIABILITY FOR UNFUNDED LENDING COMMITMENTS							
LIABILITY FOR UNFUNDED LENDING COMMITMENTS	LIABILITY FOR UNFUNDED LENDING COMMITMENTS						
Balance at beginning of period	Balance at beginning of period	\$ 23,617	\$ 1,290	\$ 24,907	\$ 23,271	\$ 933	\$ 24,204
Balance at beginning of period							
Balance at beginning of period							
Provision for credit losses on unfunded lending commitments	Provision for credit losses on unfunded lending commitments	5,182	(42)	5,140	5,528	315	5,843
Balance September 30, 2022		\$ 28,799	\$ 1,248	\$ 30,047	\$ 28,799	\$ 1,248	\$ 30,047
Provision for credit losses on unfunded lending commitments							
Provision for credit losses on unfunded lending commitments							
Balance March 31, 2023							
Balance March 31, 2023							
Balance March 31, 2023							
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS	ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS						
		\$ 131,885	\$ 41,539	\$ 173,424	\$ 131,885	\$ 41,539	\$ 173,424
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS							
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS							

Delinquent and non-accrual loans

The Company considers loans past due on the day following the contractual repayment date, if the contractual repayment was not received by the Company as of the end of the business day. The following table provides aging information on the Company's past due and accruing loans, in addition to the balances of loans on non-accrual status, at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**.

(In thousands)	Current or Less Than 30 Days Past Due	30 – 89			
		Current or Less Than 30 Days Past Due		30 – 89 Days Past Due	90 Days Past Due
	(In thousands)				
	September 30, 2023	March 31, 2024			
	Commercial:				
Business	\$	5,899,303	5,991,756	\$	1,726 1,644
Real estate – construction and land		1,539,345	1,497,325		221 322
Real estate – business		3,646,573	3,710,321		519 35
Personal Banking:					
Real estate – personal		3,003,094	3,015,760		13,578 13,911
Consumer		2,095,230	2,094,997		28,509 21,409
Revolving home equity		300,018	318,682		2,539 1,432
Consumer credit card		561,534	549,407		6,595 7,261
Overdrafts		3,395	48,282		358 231
Total	\$	17,048,492	17,226,530	\$	54,045 46,245
December 31, 2022	2023				
Commercial:					
Business	\$	5,652,710	5,985,713	\$	1,759 29,087
Real estate – construction and land		1,361,095	1,446,764		—
Real estate – business		3,406,207	3,714,579		585 4,582
Personal Banking:					
Real estate – personal		2,895,742	2,999,988		14,289 14,841
Consumer		2,031,827	2,036,353		25,089 38,217
Revolving home equity		295,303	315,483		1,201 1,564
Consumer credit card		572,213	574,805		6,238 7,525
Overdrafts		14,090	6,553		647 249
Total	\$	16,229,187	17,080,238	\$	49,808 96,065

At **September 30, 2023** **March 31, 2024**, the Company had **\$2.6 million** **\$3.7 million** in non-accrual business loans that had no allowance for credit loss, compared to **\$2.6 million** **\$3.7 million** at **December 31, 2022** **December 31, 2023**. The Company did not record any interest income on non-accrual loans during the **nine** **nine** months ended **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

Credit quality indicators

The following table provides information about the credit quality of the Commercial loan portfolio. The Company utilizes an internal risk rating system comprised of categories associated with the expectation of debt repayment based on borrower specific information including, but not limited to, current financial information, historical payment history, and other factors. The "pass" category consists of a range of loan grades that reflect increasing, though still acceptable, risk. A loan is assigned the risk rating at origination and then is re-rated periodically. Movement of risk through the various grade levels in the "pass" category is monitored for early identification of credit deterioration. The "special mention" rating is a borrower specific or systemic conditions that, if left uncorrected, threaten its capacity to meet its debt obligations. The borrower is believed to have sufficient financial resources to service its debt obligations. The "substandard" rating is applied to loans where the borrower exhibits well-defined weaknesses that make the loans less than desirable. The "doubtful" rating is applied to loans where the distinct possibility of default exists. Loans are placed on "non-accrual" when management does not expect to collect payments consistent with acceptable and appropriate risk.

All loans are analyzed for risk rating updates annually. For larger loans, rating assessments may be more frequent if relevant information is obtained earlier than the annual review. Loans are monitored as identified by the loan officer based on the risk profile of the individual borrower or if the loan becomes past due related to credit issues. Loans are reviewed and monitored during the regular review and monitoring processes. In addition to the regular monitoring performed by the lending personnel and credit committees, loans are subject to review by a credit review committee for the loans chosen as part of its risk-based review plan.

The risk category of loans in the Commercial portfolio as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** are as follows:

Term Loans Amortized Cost Basis by Origination Year	
Term Loans Amortized Cost Basis by Origination Year	

									Revolving Loans Amortized	
(In thousands)	(In thousands)	2023	2022	2021	2020	2019	Prior	Cost Basis	Total	
September 30, 2023										
(In thousands)										
(In thousands)										
March 31, 2024										
Business										
Business										
Business	Business									
Risk Rating: Risk Rating:										
Risk Rating:										
Risk Rating:										
Pass										
Pass										
Pass	Pass	\$ 1,277,612	\$ 944,231	\$ 585,620	\$ 302,672	\$ 281,949	\$ 281,170	\$ 2,101,284	\$ 5,774,538	
Special mention	Special mention	22,310	4,513	20,926	7,223	282	2,530	16,783	74,567	
Substandard	Substandard	68	5,675	9,511	14,799	465	10,726	11,379	52,623	
Non-accrual	Non-accrual	—	2,524	1,462	—	—	2,616	—	6,602	
Total	Total									
Business:	Business:	\$ 1,299,990	\$ 956,943	\$ 617,519	\$ 324,694	\$ 282,696	\$ 297,042	\$ 2,129,446	\$ 5,908,330	
Gross write-offs for the nine months ended September 30, 2023										
		\$ —	\$ 2,241	\$ 56	\$ 41	\$ —	\$ —	\$ 924	\$ 3,262	
Gross write-offs for the three months ended March 31, 2024										
Real estate-construction										
Real estate-construction										
Risk Rating: Risk Rating:										
Risk Rating:										
Risk Rating:										
Pass										
Pass										
Pass	Pass	\$ 344,977	\$ 638,963	\$ 467,912	\$ 46,827	\$ 469	\$ 2,984	\$ 29,907	\$ 1,532,039	
Special mention	Special mention	3,532	—	—	—	—	—	—	3,532	
Substandard	Substandard	—	3,995	—	—	—	—	—	3,995	
Total Real estate-construction:	Total Real estate-construction:									
		\$ 348,509	\$ 642,958	\$ 467,912	\$ 46,827	\$ 469	\$ 2,984	\$ 29,907	\$ 1,539,566	
Gross write-offs for the nine months ended September 30, 2023										
		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Total Real estate-construction:										
Total Real estate-construction:										

Gross write-offs for the three months ended March 31, 2024									
Real estate- business	Real estate- business								
Risk Rating:		Risk Rating:							
Risk Rating:									
Risk Rating:									
Pass									
Pass									
Pass	Pass	\$ 610,274	\$ 1,120,900	\$ 515,022	\$ 457,778	\$ 331,537	\$ 344,130	\$ 71,627	\$ 3,451,268
Special mention	Special mention	4,107	15,582	3,032	895	9,373	886	—	33,875
Substandard	Substandard	—	20,299	25,477	17,318	11,807	86,784	264	161,949
Non-accrual	Non-accrual	—	—	—	—	—	76	—	76
Total Real estate- business:	Total Real estate- business:	\$ 614,381	\$ 1,156,781	\$ 543,531	\$ 475,991	\$ 352,717	\$ 431,876	\$ 71,891	\$ 3,647,168
Gross write-offs for the nine months ended September 30, 2023									
		\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ —	1
Gross write-offs for the three months ended March 31, 2024									
Commercial loans	Commercial loans								
Risk Rating:		Risk Rating:							
Risk Rating:									
Risk Rating:									
Pass									
Pass									
Pass	Pass	\$ 2,232,863	\$ 2,704,094	\$ 1,568,554	\$ 807,277	\$ 613,955	\$ 628,284	\$ 2,202,818	\$ 10,757,845
Special mention	Special mention	29,949	20,095	23,958	8,118	9,655	3,416	16,783	111,974
Substandard	Substandard	68	29,969	34,988	32,117	12,272	97,510	11,643	218,567
Non-accrual	Non-accrual	—	2,524	1,462	—	—	2,692	—	6,678
Total Commercial loans:	Total Commercial loans:	\$ 2,262,880	\$ 2,756,682	\$ 1,628,962	\$ 847,512	\$ 635,882	\$ 731,902	\$ 2,231,244	\$ 11,095,064
Gross write-offs for the nine months ended September 30, 2023									
		\$ —	\$ 2,241	\$ 56	\$ 41	\$ —	\$ 1	\$ 924	\$ 3,263
Gross write-offs for the three months ended March 31, 2024									

Term Loans Amortized Cost Basis by Origination Year									
Term Loans Amortized Cost Basis by Origination Year									
							Revolving Loans Amortized Cost Basis		
(In thousands)	(In thousands)	2022	2021	2020	2019	2018	Prior	Total	
December 31, 2022									
(In thousands)									
(In thousands)									
December									
31, 2023									
Business									
Business									
Business	Business								
Risk Rating:	Risk Rating:								
Risk Rating:									
Risk Rating:									
Pass									
Pass									
Pass	Pass	\$ 1,456,476	\$ 782,409	\$ 464,201	\$ 360,844	\$ 180,375	\$ 219,053	\$ 2,146,380	\$ 5,609,738
Special	Special								
mention	mention	3,113	2,548	7,757	1,063	67	—	1,319	15,867
Substandard	Substandard	5,752	10,004	685	37	810	10,342	1,739	29,369
Non-accrual	Non-accrual	195	1,987	—	1	792	3,776	—	6,751
Total	Total								
Business:	Business:	\$ 1,465,536	\$ 796,948	\$ 472,643	\$ 361,945	\$ 182,044	\$ 233,171	\$ 2,149,438	\$ 5,661,725
Gross write-offs for the year ended December 31, 2023									
Real estate- Real estate- construction construction									
Risk Rating:	Risk Rating:								
Risk Rating:									
Pass									
Pass									
Pass	Pass	\$ 538,022	\$ 596,465	\$ 129,632	\$ 27,331	\$ 1,305	\$ 2,029	\$ 18,559	\$ 1,313,343
Special	Special								
mention	mention	352	—	—	—	—	—	—	352
Substandard		—	19,494	—	—	14,766	13,140	—	47,400
Total Real	Total Real								
estate- Real estate- construction: construction:		\$ 538,374	\$ 615,959	\$ 129,632	\$ 27,331	\$ 16,071	\$ 15,169	\$ 18,559	\$ 1,361,095
Total Real estate- construction:									
Total Real estate- construction:									
Gross write-offs for the year ended December 31, 2023									

March 31, 2024									
Real estate-personal	Real estate-personal								
Real estate-personal									
Real estate-personal									
Current to 90 days past due									
Current to 90 days past due									
Current to 90 days past due	Current to 90 days past due	\$384,542	\$462,127	\$546,460	\$728,286	\$266,678	\$619,916	\$8,663	\$3,016,672
Over 90 days past due	Over 90 days past due	49	1,299	1,499	1,071	—	2,518	—	6,436
Non-accrual	Non-accrual	—	161	—	—	160	1,210	—	1,531
Total Real estate-personal:	Total Real estate-personal:	\$384,591	\$463,587	\$547,959	\$729,357	\$266,838	\$623,644	\$8,663	\$3,024,639
Gross write-offs for the nine months ended September 30, 2023									
		\$ —	\$ 18	\$ —	\$ —	\$ —	\$ 23	\$ —	41
Gross write-offs for the three months ended March 31, 2024									
Consumer	Consumer								
Current to 90 days past due									
Current to 90 days past due									
Current to 90 days past due	Current to 90 days past due	\$452,731	\$368,897	\$279,652	\$143,995	\$66,217	\$59,466	\$752,781	\$2,123,739
Over 90 days past due	Over 90 days past due	293	392	200	28	66	378	708	2,065
Total Consumer:	Total Consumer:	\$453,024	\$369,289	\$279,852	\$144,023	\$66,283	\$59,844	\$753,489	\$2,125,804
Gross write-offs for the nine months ended September 30, 2023									
		\$ 392	\$ 1,968	\$ 1,541	\$ 658	\$ 310	\$ 297	\$ 788	\$ 5,954
Total Consumer:									
Total Consumer:									
Gross write-offs for the three months ended March 31, 2024									

Revolving home equity	Revolving home equity										
Current to 90 days past due	Current to 90 days past due	\$	— \$	— \$	— \$	— \$	— \$	— \$	302,557	\$	302,557
Current to 90 days past due											
Current to 90 days past due											
Over 90 days past due	Over 90 days past due		—	—	—	—	—	—	2,680		2,680
Non-accrual											
Total Revolving home equity:	Total Revolving home equity:	\$	— \$	— \$	— \$	— \$	— \$	— \$	305,237	\$	305,237
Gross write-offs for the nine months ended September 30, 2023		\$	— \$	— \$	— \$	— \$	— \$	— \$	11	\$	11
Gross write-offs for the three months ended March 31, 2024											
Consumer credit card	Consumer credit card										
Current to 90 days past due											
Current to 90 days past due											
Current to 90 days past due	Current to 90 days past due	\$	— \$	— \$	— \$	— \$	— \$	— \$	568,129	\$	568,129
Over 90 days past due	Over 90 days past due		—	—	—	—	—	—	6,700		6,700
Total Consumer credit card:	Total Consumer credit card:	\$	— \$	— \$	— \$	— \$	— \$	— \$	574,829	\$	574,829
Gross write-offs for the nine months ended September 30, 2023		\$	— \$	— \$	— \$	— \$	— \$	— \$	17,602	\$	17,602
Total Consumer credit card:											
Total Consumer credit card:											
Gross write-offs for the three months ended March 31, 2024											
Overdrafts	Overdrafts										

Current to 90 days past due									
Current to 90 days past due									
Current to 90 days past due	Current to 90 days past due	\$ 3,753	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,753
Total	Total								
Overdrafts: Overdrafts:	Overdrafts: Overdrafts:	\$ 3,753	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,753
Gross write-offs for the nine months ended September 30, 2023									
		\$ 2,941	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,941
Total Overdrafts:									
Total Overdrafts:									
Gross write-offs for the three months ended March 31, 2024									
Personal banking loans	Personal banking loans								
Current to 90 days past due									
Current to 90 days past due									
Current to 90 days past due	Current to 90 days past due	\$841,026	\$831,024	\$826,112	\$872,281	\$332,895	\$679,382	\$1,632,130	\$6,014,850
Over 90 days past due	Over 90 days past due	342	1,691	1,699	1,099	66	2,896	10,088	17,881
Non-accrual	Non-accrual	—	161	—	—	160	1,210	—	1,531
Total	Total								
Personal banking loans:	Personal banking loans:	\$841,368	\$832,876	\$827,811	\$873,380	\$333,121	\$683,488	\$1,642,218	\$6,034,262
Gross write-offs for the nine months ended September 30, 2023									
		\$ 3,333	\$ 1,986	\$ 1,541	\$ 658	\$ 310	\$ 320	\$ 18,401	\$ 26,549
Gross write-offs for the three months ended March 31, 2024									

Term Loans Amortized Cost Basis by Origination Year

Term Loans Amortized Cost Basis by Origination Year

								Revolving Loans Amortized		
(In thousands)	(In thousands)	2022	2021	2020	2019	2018	Prior	Cost Basis	Total	
December 31, 2022										
(In thousands)										
(In thousands)										
December 31, 2023										
Real estate- personal	Real estate- personal									
Real estate-personal										
Real estate-personal										
Current to 90 days past due										
Current to 90 days past due										
Current to 90 days past due	Current to 90 days past due	\$ 535,283	\$589,658	\$783,651	\$290,580	\$132,305	\$568,380	\$ 10,174	\$2,910,031	
Over 90 days past due	Over 90 days past due	514	967	1,338	81	1,388	2,393	—	6,681	
Non- accrual	Non- accrual	—	—	52	169	102	1,043	—	1,366	
Total Real estate- personal:	Total Real estate- personal:	\$ 535,797	\$590,625	\$785,041	\$290,830	\$133,795	\$571,816	\$ 10,174	\$2,918,078	
Gross write-offs for the year ended December 31, 2023										
Consumer	Consumer									
Current to 90 days past due										
Current to 90 days past due										
Current to 90 days past due	Current to 90 days past due	\$ 536,429	\$378,118	\$205,849	\$106,733	\$ 36,096	\$ 62,255	\$ 731,436	\$2,056,916	
Over 90 days past due	Over 90 days past due	326	251	203	58	267	228	839	2,172	
Total Consumer:	Total Consumer:	\$ 536,755	\$378,369	\$206,052	\$106,791	\$ 36,363	\$ 62,483	\$ 732,275	\$2,059,088	
Total Consumer:										
Total Consumer:										
Gross write-offs for the year ended December 31, 2023										

Revolving home equity	Revolving home equity										
Current to 90 days past due	Current to 90 days past due	\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	296,504	\$ 296,504
Current to 90 days past due											
Current to 90 days past due											
Over 90 days past due	Over 90 days past due		—	—	—	—	—	—	—	703	703
Non-accrual											
Total Revolving home equity:	Total Revolving home equity:	\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	297,207	\$ 297,207
Gross write-offs for the year ended December 31, 2023											
Consumer credit card	Consumer credit card										
Current to 90 days past due											
Current to 90 days past due											
Current to 90 days past due	Current to 90 days past due	\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	578,451	\$ 578,451
Over 90 days past due	Over 90 days past due		—	—	—	—	—	—	—	5,549	5,549
Total Consumer credit card:	Total Consumer credit card:	\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	584,000	\$ 584,000
Total Consumer credit card:											
Total Consumer credit card:											
Gross write-offs for the year ended December 31, 2023											
Overdrafts	Overdrafts										
Current to 90 days past due	Current to 90 days past due	\$	14,737	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	—	14,737
Over 90 days past due			220	—	—	—	—	—	—	—	220
Current to 90 days past due											

Current to 90 days past due									
Total	Total								
Overdrafts:	Overdrafts:	\$ 14,957	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	14,957
Total Overdrafts:									
Total Overdrafts:									
Gross write-offs for the year ended December 31, 2023									
Personal banking loans	Personal banking loans								
Current to 90 days past due									
Current to 90 days past due									
Current to 90 days past due	Current to 90 days past due	\$1,086,449	\$967,776	\$989,500	\$397,313	\$168,401	\$630,635	\$1,616,565	\$5,856,639
Over 90 days past due	Over 90 days past due	1,060	1,218	1,541	139	1,655	2,621	7,091	15,325
Non-accrual	Non-accrual	—	—	52	169	102	1,043	—	1,366
Total	Total								
Personal banking loans:	Personal banking loans:	\$1,087,509	\$968,994	\$991,093	\$397,621	\$170,158	\$634,299	\$1,623,656	\$5,873,330
Gross write-offs for the year ended December 31, 2023									

Collateral-dependent loans

The Company's collateral-dependent loans are comprised of large loans on non-accrual status. The Company requires that collateral-dependent loans are either The following table presents the amortized cost basis of collateral-dependent loans as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31,

(In thousands)		Business Assets	Other Assets
September 30, 2023			
Commercial:			
Business	\$	3,792	\$
Total	\$	3,792	\$
December 31, 2022			
Commercial:			
Business	\$	2,778	\$
Total	\$	2,778	\$

Commercial: Commercial:**Commercial:****Commercial:**

Business

Business

Business	Business	\$ 3,792	\$ —	\$ —	\$ —	\$ —	\$ 3,792	0.1	%	\$ 11,648	\$ —	\$ —	\$ —	\$ —
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Real estate – Real estate –

business	business	56,552	—	—	—	—	56,552	1.6						
----------	----------	--------	---	---	---	---	--------	-----	--	--	--	--	--	--

Real estate – business

Real estate – business

Personal **Personal****Banking:** **Banking:**

Real estate – personal

Real estate – personal

Real estate – Real estate –

personal	personal	45	773	—	—	—	818	—						
----------	----------	----	-----	---	---	---	-----	---	--	--	--	--	--	--

Consumer	Consumer	—	—	49	—	31	80	—						
----------	----------	---	---	----	---	----	----	---	--	--	--	--	--	--

Consumer	Consumer	—	—	935	72	—	1,007	0.2						
----------	----------	---	---	-----	----	---	-------	-----	--	--	--	--	--	--

credit card	credit card	—	—	935	72	—	1,007	0.2						
-------------	-------------	---	---	-----	----	---	-------	-----	--	--	--	--	--	--

Consumer credit card

Consumer credit card

Total	Total	\$ 60,389	\$ 773	\$ 984	\$ 72	\$ 31	\$ 62,249	0.4	%					
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Total

Total										\$ 29,178	\$ 2,706	\$ 976	\$ —	\$ —
-------	--	--	--	--	--	--	--	--	--	-----------	----------	--------	------	------

For the Three Months Ended March 31, 2023

(Dollars in thousands)

(Dollars in thousands)

Term
ExtensionPayment
DelayInterest Rate
ReductionInterest/Fees
Forgiven

For the Nine Months Ended September 30, 2023

% of

Interest

Total

Term

Payment

Rate

Interest/Fees

Loan

(Dollars in thousands)

Extension

Delay

Reduction

Forgiven

Other

Total

Category

September 30, 2023**March 31, 2023****March 31, 2023****March 31, 2023****Commercial: Commercial:****Commercial:****Commercial:**

Business

Business

Business	Business	\$ 16,705	\$ —	\$ —	\$ —	\$ —	\$ 16,705	0.3	%	\$ 3,104	\$ —	\$ —	\$ —	\$ —
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Real estate – Real estate –

business	business	106,034	—	—	—	—	106,034	2.9						
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Real estate – business

Real estate – business

Personal **Personal****Banking:** **Banking:**

Real estate – personal

The estimate of lifetime expected losses utilized in the allowance for credit losses model is developed using average historical experience on loans with similar borrowers experiencing financial difficulty. As a result, a change to the allowance for credit losses is generally not recorded upon modification. For modifications to non-accrual status, the Company determines the allowance for credit losses on an individual evaluation, using the same process that it utilizes for other loans on non-accrual status for borrowers experiencing financial difficulty are collectively evaluated based on internal risk rating, loan type, delinquency, historical experience, and financial difficulty for personal banking loans which are not on non-accrual status are collectively evaluated based on loan type, delinquency, historical experience, and

If a loan to a borrower experiencing financial difficulty is modified and subsequently deemed uncollectible, the allowance for credit losses continues to be based on the loan's risk rating. If a loan to a borrower experiencing financial difficulty is modified and subsequently deemed collectible, the allowance for credit losses is estimated using discounted expected cash flows or the fair value of collateral. If an accruing loan made to a borrower experiencing financial difficulty is modified and subsequently deemed uncollectible, the allowance for credit losses is estimated using discounted expected cash flows or the fair value of collateral. If the loan's risk rating is downgraded to non-accrual status and the loan's related allowance for credit losses is determined based on individual evaluation, or if necessary,

		Term Extension
Three Months Ended March 31, 2024		
Commercial:		
Business	Extended maturity by a weighted average of 3 months.	Extended maturity by a weighted average of 3 months.
Real estate – business	Extended maturity by a weighted average of 12 months.	Extended maturity by a weighted average of 12 months.
Personal Banking:		
Real estate – personal	Extended maturity by a weighted average of 6 months.	Extended maturity by a weighted average of 6 months.
Consumer Real estate – business		
		Extended maturity by 10 years.
Personal Banking:		
Real estate – personal	Extended maturity by a weighted average of 6 months.	

Payment Delay										
Three Months Ended March 31, 2024										
Personal Banking:										
Real estate – personal	Deferred certain payments by a weighted average of 22 8 years.			Deferred certain past due m payments a weighted avera						
Consumer				Deferred certain past due m payments a weighted avera						
Interest Rate Reduction										
Three Months Ended March 31, 2024										
Personal Banking:										
Consumer	Reduced weighted-average contractual interest rate from weighted average 21% 23% to 6%.		Reduced weighted-average							
Consumer credit card	Reduced weighted-average contractual interest rate from weighted average 21% 23% to 6%.		Reduced weighted-average							
Forgiveness of Interest/Fees										
Three Months Ended March 31, 2024										
Personal Banking:										
Consumer credit card	Approximately \$5 thousand of interest and fees forgiven.		Approximately \$33 \$14 thou							
<p>The Company had commitments of \$9.1 \$2.4 million and \$28.4 million at September 30, 2023 March 31, 2024 and December 31, 2023, respectively, to lend add company has modified the terms of loans in the form of principal forgiveness, an interest rate reduction, reduction; an other-than-insignificant payment delay, dela current reporting period.</p> <p>The following table provides tables provide the amortized cost basis at March 31, 2024 of loans to borrowers experiencing financial difficulty that had a payment 31, 2024 and were modified on or after January 1, 2023 (the date we adopted ASU 2022-02) through September 30, 2023. For purposes of this disclosure, within the preceding the payment default, as to interest or principal. In addition to the loans below, the Company charged off \$2.2 million and \$327 thousand of business at September 30, 2023 that were modified during the period.</p>										
For the Three Months Ended September 30, 2023										
(Dollars in thousands)	Payment Delay	Interest Rate Reduction	Interest/Fees Forgiven	Total	Payment Delay	Ir				
September 30, 2023										
Personal Banking:										
Real estate – personal	\$	802	\$	—	\$	802	\$	1,007	\$	
Consumer		—		19		—		19		—

Consumer credit card	—	235	157	392	—
Total	\$	802 \$	254 \$	157 \$	1,213 \$

The following table presents well as the amortized cost basis at September 30, 2023 March 31, 2023 of loans to borrowers experiencing financial difficulty that have had been modified on or after January 1, 2023 (the date we adopted ASU 2022-02) through September 30, 2023.

(In thousands)	Current	30-89 Days Past Due
September 30, 2023		
Commercial:		
Business	\$ 16,705	\$ —
Real estate – business	106,034	—
Personal Banking:		
Real estate – personal	2,203	597
Consumer	209	27
Consumer credit card	1,534	526
Total	\$ 126,685	\$ 1,150

Troubled debt restructuring disclosures prior to the Company's adoption of ASU 2022-02

Restructured loans are those extended to borrowers who are experiencing financial difficulty and who have been granted a concession. Restructured loans are placed on non-accrual status and amounts due under the contractual terms will be collected. Commercial performing restructured loans are primarily comprised of certain business, construction and other loans judged to be non-market. These loans are performing in accordance with their modified terms, and because the Company believes it probable that all amounts due under these loans is being recognized on an accrual basis. Troubled debt restructurings also include certain credit card and other small consumer loans under various debt modification programs that involve removing the available line of credit, placing loans on amortizing status, and lowering the contractual interest rate. Certain personal real estate, revolving credit and other loans classified as troubled debt restructurings because they were not reaffirmed by the borrower in bankruptcy proceedings. Interest on these loans is being recognized on an accrual basis. Troubled debt restructurings consist of various other workout arrangements with consumer customers.

(In thousands)	
Accruing restructured loans:	
Commercial	\$
Assistance programs	
Other consumer	
Non-accrual loans	
Total troubled debt restructurings	\$

Section 4013 of the CARES Act was signed into law on March 27, 2020, and included a provision that short-term modifications are not troubled debt restructurings if the modification was current prior to December 31, 2019. The Company elected such option under the CARES Act when determining if a customer's modification is subject to troubled debt restructuring disclosure requirements for troubled debt restructurings as a result of COVID-19. The Company elected to extend its application of this guidance through December 31, 2021. During January 2021, the Consolidated Appropriations Act, 2021 was enacted and extended through the end of 2021 the loan modification was not short-term, not COVID-19 related or the customer does not meet the criteria under the guidance to be scoped out of troubled debt restructurings. The Company's existing framework and accounted for the modification as a troubled debt restructuring.

The table below shows the balance of troubled debt restructurings by loan classification at December 31, 2022, in addition to the outstanding balances of these loans at any time during the past twelve months. For purposes of this disclosure, the Company considers "default" to mean 90 days or more past due as to interest or principal.

(In thousands)	December 31, 2022
Commercial:	
Business	\$
Real estate - construction and land	
Real estate - business	
Personal Banking:	
Real estate - personal	
Consumer	
Revolving home equity	
Consumer credit card	

Total troubled debt restructurings	\$
------------------------------------	----

	For the Three Mon
--	-------------------

(Dollars in thousands)	Payment Delay	Interest Rate Reduction
March 31, 2024		
Personal Banking:		
Real estate – personal	\$ 1,138	\$
Consumer	—	
Consumer credit card	—	2
Total	\$ 1,138	\$ 2

	For the Three Mon
--	-------------------

(Dollars in thousands)	Payment Delay	Interest Rate Reduction
March 31, 2023		
Personal Banking:		
Consumer	\$ —	\$
Consumer credit card	—	
Total	\$ —	\$ —

For those loans on non-accrual status also classified as restructured, the modification did not create any further financial effect on the Company as those commercial loans classified as restructured, there were no concessions involving forgiveness of principal or interest and, therefore, there was no financial impact to the Company. Modifications to loans under various debt management and assistance programs at December 31, 2022 were estimated to decrease interest income by approximately \$1.1 million, which was not contractually owed. Other modifications to consumer loans mainly involve extensions and other small modifications that did not include the forgiveness of principal or interest.

The allowance for credit losses related to loans to troubled debt restructurings borrowers experiencing financial difficulty that had been modified on non-accrual status is the same process as loans on non-accrual status which are not classified as troubled debt restructurings. Those performing loans classified as troubled debt restructurings are evaluated based on internal risk rating, loan type, delinquency, historical experience and current economic factors. Performing personal banking loans reaffirming the debt during bankruptcy and have had no other concession granted, other than the Bank's future limitations on collecting payment deficiencies or in payment of principal. These loans are evaluated collectively based on loan type, delinquency, historical experience and current economic factors. after January 1, 2023.

If a troubled debt restructuring defaults and is already on non-accrual status, the allowance for credit losses continues to be based on individual evaluation of collateral. If an accruing troubled debt restructuring defaults, the loan's risk rating is downgraded to non-accrual status and the loan's related allowance is evaluated, or if necessary, the loan is charged off and collection efforts begin.

(In thousands)	Current	30-89 Days Past Due
March 31, 2024		
Commercial:		
Business	\$ 25,544	\$ —
Real estate – business	93,924	—
Personal Banking:		
Real estate – personal	3,556	1,136
Consumer	150	17
Consumer credit card	2,107	513
Total	\$ 125,281	\$ 1,666

The Company had commitments of \$12.6 million at December 31, 2022 to lend additional funds to borrowers.

(In thousands)	Current	30-89 Days Past Due
March 31, 2023		
Commercial:		
Business	\$ 3,104	\$ —
Real estate – business	23,039	—
Personal Banking:		
Real estate – personal	1,061	605
Consumer	75	46
Consumer credit card	645	173
Total	\$ 27,924	\$ 824

Loans held for sale

The Company designates certain long-term fixed rate personal real estate loans as held for sale, and the Company has elected the fair value option for these loans with the related economic hedges discussed in Note 11. The loans are primarily sold to Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA). The fair value of these loans was \$366 thousand, \$1.2 million, and the unpaid principal balance was \$360 thousand.

\$1.1 million.

The Company also designates certain student loan originations as held for sale. The borrowers are credit-worthy students who are attending colleges and universities. The Company maintains contracts with Sallie Mae to sell the loans within 210 days after the last disbursement to the student. These loans are carried at lower of cost or fair value. \$763 thousand.

At September 30, 2023, March 31, 2024, none of the loans held for sale were on non-accrual status or 90 days past due and still accruing interest.

Foreclosed real estate/repossessed assets

The Company's holdings of foreclosed real estate totaled \$114 \$206 thousand and \$96 \$270 thousand at September 30, 2023, March 31, 2024 and December 31, 2022, respectively, of foreclosed residential real estate. Personal property acquired in repossession, generally autos, totaled \$1.6 million \$2.0 million and \$1.8 million at both September 30, 2023, March 31, 2024 and December 31, 2022, respectively, recorded at fair value less estimated selling costs at the date of foreclosure, establishing a new cost basis. They are subsequently carried at the lower of this cost basis or fair value.

3. Investment Securities

Investment securities consisted of the following at September 30, 2023, March 31, 2024 and December 31, 2022.

(In thousands)	(In thousands)	September 30, 2023	December 31, 2022	(In thousands)	March 31, 2024
Available for sale debt securities	Available for sale debt securities	\$ 9,860,828	\$12,238,316		
Trading debt securities	Trading debt securities	35,564	43,523		
Equity securities:	Equity securities:				
Readily determinable fair value	Readily determinable fair value	5,453	6,210		
Readily determinable fair value	Readily determinable fair value				
No readily determinable fair value	No readily determinable fair value	6,759	6,094		

Other:	Other:		
Federal Reserve Bank stock	Federal Reserve Bank stock	35,070	34,795

Federal Reserve Bank stock

Federal Reserve Bank stock	Federal Reserve Bank stock	30,400	10,678
Equity method investments	Equity method investments	—	1,434

Private equity investments

Private equity investments	Private equity investments	165,322	178,127
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Total investment securities (1)	Total investment securities (1)	\$10,139,396	\$12,519,177
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(1) Accrued interest receivable totaled \$29.4 million at September 30, 2023, \$28.2 million at March 31, 2024, and \$38.8 million at December 31, 2023, respectively, and was included in other assets.

The Company has elected to measure equity securities with no readily determinable fair value at cost minus impairment, if any, plus or minus changes resulting from the same issuer. This At March 31, 2024, this portfolio includes included the Company's holdings 823,447 shares of Visa Inc. ("Visa") Class B-1 common stock (formerly (the Company's parent company). The Company's Visa Class B shares which have had a carrying value of zero at March 31, 2024, as there have had not been investments of the same issuer. During the nine three months ended September 30, 2023 March 31, 2024, the Company did not record any impairment or other adjustments to the readily determinable fair value.

On April 8, 2024, Visa announced the commencement of a public offering to permit the exchange of its Class B-1 common stock for a combination of shares of its Class A common stock. The Company tendered all of its Visa Class B-1 shares pursuant to the Exchange Offer. On May 3, 2024, the Exchange Offer closed and the Company received 411,723 shares of Visa Class B-2 common stock (which will be convertible under certain circumstances into Class A common stock at an initial rate of 1.5875 shares of Class A common for each share of Class B-2 common stock, subject to adjustment) and 163,404 shares of Visa Class C common stock (subject to future adjustments for any stock splits, recapitalizations or similar transactions) upon any transfer to a person other than a Visa member.

As a condition of participating in the exchange, the Company entered into a Makewhole Agreement with Visa that provides for cash payments to Visa to the extent the conversion ratio to Class A common stock cause such ratio to fall below zero. Changes to the conversion ratio occur when Visa deposits funds to a litigation escrow account established in connection with Visa's initial public offering, for which Visa has been effectively indemnified by Visa USA members through reductions to the conversion ratio for its Class B-1 common stock. The economic benefit of these adjustments to the Class B-1 conversion ratio for the benefit of Visa's Class A and Class C common stockholders following the exchange is described in the Schedule TO and Prospectus, each dated April 8, 2024, publicly filed with the U. S. Securities and Exchange Commission, both the Makewhole Agreement and the Exchange Offer. The stock and the new Class B-2 common stock will terminate whenever the covered litigation is ultimately resolved, at which future date outstanding shares of Visa Class B-1 common stock at the then-applicable conversion ratio. The Makewhole Agreement also includes limited transfer restrictions, such that the Company may only transfer up to two-thirds of the Class C common stock received within the first 90 days following May 3, 2024, and may only transfer up to two-thirds of the Class C common stock received within the first 90 days following May 3, 2024.

As a result of the exchange, the Company marked its Visa Class C common stock to fair value and recorded a gain of \$175.5 million based on the conversion price of Class A common stock on May 3, 2024 of \$268.49 per share. The Company's Visa Class C shares are expected to continue to be marked to fair value on a recurring basis. The Company's Visa Class B-2 common stock will continue to be carried at cost of \$0 as there are no other investments of the same issuer.

Subsequent to the successful close of the Exchange Offer, the Company approved a plan to reposition a portion of its available for sale debt securities portfolio. The securities that the Company plans to sell have a yield of approximately 2.0%, which is expected to result in a loss of approximately \$165 million, net of transaction costs. The Company expects the repositioning to increase net interest income, reduce interest rate risk to lower rates, and improve the amount of the loss ultimately realized on the available for sale debt securities and the reinvestment assumptions may depend on many considerations, including market conditions.

Other investment securities include Federal Reserve Bank (FRB) stock, Federal Home Loan Bank (FHLB) stock, equity method investments, and investments in private equity and FHLB stock are held for debt and regulatory purposes. Investment in FRB stock is based on the capital structure of the investing bank, and investment in FHLB stock is based on the capital structure of the investing bank. These holdings are carried at cost. Additionally, the Company's equity method investments are carried at cost, adjusted to reflect the adjustments are included in non-interest income on the Company's consolidated statements of income. The Company's private equity investments are carried at estimated fair value.

The majority of the Company's investment portfolio is comprised of available for sale debt securities, which are carried at fair value with changes in fair value reported in other income. The investment portfolio includes agency mortgage-backed securities, FNMA, and Government National Mortgage Association (GNMA), in addition to non-agency mortgage-backed securities, which have no guarantee but are collateralized by residential mortgage loans. These securities differ from traditional asset-backed securities, which are primarily collateralized by credit cards, automobiles, student loans, and commercial loans. These securities differ from traditional asset-backed securities in that they are priced based on estimated prepayment rates on the underlying collateral.

(In thousands)

U.S. government and federal agency obligations:

Within 1 year

After 1 but within 5 years

After 5 but within 10 years

Total U.S. government and federal agency obligations

Government-sponsored enterprise obligations:

After 5 but within 10 years

After 10 years

Total government-sponsored enterprise obligations

State and municipal obligations:

Within 1 year

After 1 but within 5 years

After 5 but within 10 years

After 10 years

Total state and municipal obligations

Mortgage and asset-backed securities:

Agency mortgage-backed securities

Non-agency mortgage-backed securities

Asset-backed securities

Total mortgage and asset-backed securities

Other debt securities:

Within 1 year

After 1 but within 5 years

After 5 but within 10 years

After 10 years

Total other debt securities

Total available for sale debt securities

(In thousands)

U.S. government and federal agency obligations:

Within 1 year

After 1 but within 5 years

After 5 but within 10 years

Total U.S. government and federal agency obligations

Government-sponsored enterprise obligations:

After 5 but within 10 years

After 10 years

Total government-sponsored enterprise obligations

State and municipal obligations:

Within 1 year

After 1 but within 5 years

After 5 but within 10 years

After 10 years

Total state and municipal obligations

Mortgage and asset-backed securities:

Mortgage and asset-backed securities:	Mortgage and asset-backed securities:						
Agency mortgage-backed securities	Agency mortgage-backed securities						
Agency mortgage-backed securities	Agency mortgage-backed securities	9,762	218	3,766,485	930,086	3,776,247	930,304
Non-agency mortgage-backed securities	Non-agency mortgage-backed securities	809	5	1,131,284	215,658	1,132,093	215,663
Asset-backed securities	Asset-backed securities	20,020	149	2,287,893	128,061	2,307,913	128,210
Total mortgage and asset-backed securities	Total mortgage and asset-backed securities	30,591	372	7,185,662	1,273,805	7,216,253	1,274,177
Other debt securities	Other debt securities	864	136	449,421	63,972	450,285	64,108
Total	Total	\$ 123,679	\$ 5,396	\$ 9,705,147	\$ 1,591,321	\$ 9,828,826	\$ 1,596,717

December 31, 2022

December 31, 2023

U.S. government and federal agency obligations

U.S. government and federal agency obligations

U.S. government and federal agency obligations	U.S. government and federal agency obligations	\$ 605,840	\$ 17,490	\$ 380,573	\$ 25,940	\$ 986,413	\$ 43,430
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Government-sponsored enterprise obligations	Government-sponsored enterprise obligations	25,068	4,650	18,040	7,971	43,108	12,621
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State and municipal obligations	State and municipal obligations	814,799	26,708	875,329	171,385	1,690,128	198,093
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Mortgage and asset-backed securities:

Agency mortgage-backed securities

Agency mortgage-backed securities

Agency mortgage-backed securities	Agency mortgage-backed securities	1,323,938	125,330	2,966,851	654,327	4,290,789	779,657
Non-agency mortgage-backed securities	Non-agency mortgage-backed securities	135,984	16,736	1,069,222	195,218	1,205,206	211,954
Asset-backed securities	Asset-backed securities	1,331,055	50,056	2,006,188	140,424	3,337,243	190,480
Total mortgage and asset-backed securities	Total mortgage and asset-backed securities	2,790,977	192,122	6,042,261	989,969	8,833,238	1,182,091
Other debt securities	Other debt securities	166,040	9,690	308,818	54,707	474,858	64,397
Total	Total	\$4,402,724	\$250,660	\$7,625,021	\$1,249,972	\$12,027,745	\$1,500,632

The entire available for sale debt portfolio included **\$9.8 billion** **\$9.1 billion** of securities that were in a loss position at **September 30, 2023** **March 31, 2024**, compared to **\$1.6 billion** **\$1.2 billion** at **September 30, 2023** **March 31, 2024**, an increase of **\$96.1 million** **\$27.1 million** compared to the prior period. Securities with significant unrealized losses are discussed in the "Allowance for credit losses on available for sale debt securities" section above.

For debt securities classified as available for sale, the following table shows the amortized cost, fair value, and allowance for credit losses of securities available for sale at **2022 December 31, 2023**, and the corresponding amounts of gross unrealized gains and losses (pre-tax) in AOCI, by security type.

		Amortized	Gross Unrealized	Gross Unrealized	Allowance for Credit	Fair Value				
(In thousands)	(In thousands)	Cost	Gains	Losses	Losses		(In thousands)	Amortized Cost	Gross Unrealized	Gross Unrealized
September 30, 2023										
March 31, 2024										
U.S. government and federal agency obligations	U.S. government and federal agency obligations	\$ 988,175	\$ —	\$ (40,199)	\$ —	\$ 947,976				
Government-sponsored enterprise obligations	Government-sponsored enterprise obligations	55,666	—	(15,073)	—	40,593				
State and municipal obligations	State and municipal obligations	1,381,574	—	(203,160)	—	1,178,414				
Mortgage and asset-backed securities:	Mortgage and asset-backed securities:									
Agency mortgage-backed securities	Agency mortgage-backed securities									

Agency mortgage-backed securities						
Agency mortgage-backed securities	Agency mortgage-backed securities	4,722,758	113	(930,304)	—	3,792,567
Non-agency mortgage-backed securities	Non-agency mortgage-backed securities	1,353,003	108	(215,663)	—	1,137,448
Asset-backed securities	Asset-backed securities	2,441,736	19	(128,210)	—	2,313,545
Total mortgage and asset-backed securities	Total mortgage and asset-backed securities	8,517,497	240	(1,274,177)	—	7,243,560
Other debt securities	Other debt securities	514,393	—	(64,108)	—	450,285
Total	Total	\$11,457,305	\$ 240	\$(1,596,717)	\$ —	\$ 9,860,828

December 31, 2022

December 31, 2023

U.S. government and federal agency obligations

U.S. government and federal agency obligations

U.S. government and federal agency obligations	U.S. government and federal agency obligations	\$ 1,078,807	\$ 29	\$ (43,430)	\$ —	\$ 1,035,406
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Government-sponsored enterprise obligations	Government-sponsored enterprise obligations	55,729	—	(12,621)	—	43,108
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State and municipal obligations	State and municipal obligations	1,965,028	174	(198,093)	—	1,767,109
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Mortgage and asset-backed securities:

Agency mortgage-backed securities

Agency mortgage-backed securities

Agency mortgage-backed securities	Agency mortgage-backed securities	5,087,893	191	(779,657)	—	4,308,427
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Non-agency mortgage-backed securities	Non-agency mortgage-backed securities	1,423,469	92	(211,954)	—	1,211,607
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The following table presents proceeds from sales of securities and the components of investment securities gains and losses which have been recognized in earnings:

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Equity securities:	Equity securities:		
Equity securities:			
Equity securities:			
Fair value adjustments, net			
Fair value adjustments, net			
Fair value adjustments, net	Fair value adjustments, net	(757)	(1,048)
Other:	Other:		
Gains realized on sales	Gains realized on sales	884	104
Losses realized on sales	Losses realized on sales	(1,245)	(4,313)
Gains realized on sales			
Gains realized on sales			
Fair value adjustments, net			
Fair value adjustments, net			
Fair value adjustments, net	Fair value adjustments, net	16,946	37,133
Total investment securities gains (losses), net	Total investment securities gains (losses), net	7,384	\$ 11,602

Net losses on investment securities for the **nine** three months ended **September 30, 2023** **March 31, 2024** were mainly comprised of net losses of **\$8.4 million** losses/gains in fair value of **\$757** **\$142** thousand on equity investments, and net losses/gains of **\$361** **\$969** thousand on sales of private equity securities, offset by an **million** **\$7.1 million**.

At **September 30, 2023** **March 31, 2024**, securities totaling **\$7.6 billion** **\$6.6 billion** in fair value were pledged to secure public fund deposits, securities sold under agreement compared to **\$4.7 billion** **\$7.5 billion** at **December 31, 2022** **December 31, 2023**. Securities pledged under agreements pursuant to which the collateral may be sold if remaining securities were pledged under agreements pursuant to which the secured parties may not sell or re-pledge the collateral. Except for obligations of the U.S. FHLB and FHLMC, no investment in a single issuer exceeded 10% of stockholders' equity.

4. Goodwill and Other Intangible Assets

The following table presents information about the Company's intangible assets which have estimable useful lives.

September 30, 2023										December 31, 2022				
March 31, 2024														
Gross					Gross									
(In thousands)	(In thousands)	Carrying Amount	Accumulated Amortization	Valuation Allowance	Net Amount	Carrying Amount	Accumulated Amortization	Valuation Allowance	Net Amount	(In thousands)	Gross Carrying Amount	Accumulated Amortization	Valuation Allowance	Net Amount
Amortizable intangible assets:	Amortizable intangible assets:													
Core deposit premium	Core deposit premium	\$ 5,550	\$ (5,039)	\$ —	\$ 511	\$ 31,270	\$ (30,565)	\$ —	\$ 705					
Core deposit premium														
Core deposit premium														
Mortgage servicing rights	Mortgage servicing rights													
		22,438	(12,117)	—	10,321	22,187	(11,258)	—	10,929					

Total	Total	\$27,988	\$ (17,156)	\$ —	\$10,832	\$53,457	\$ (41,823)	\$ —	\$11,634
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Aggregate amortization expense on intangible assets was \$344 \$331 thousand and \$456 \$356 thousand for the three month periods ended September 30, 2023 and the nine month periods ended September 30, 2023 and 2022, 2023, respectively. The following table shows the estimated annual amortization expense for the next interest rate environment as of September 30, 2023 March 31, 2024. The Company's actual amortization expense in any given period may be different from the estimate in mortgage interest rates, prepayment rates and other market conditions.

(In thousands)	(In thousands)
2023	\$
2024	
2024	
2024	2024
2025	2025
2026	2026
2027	2027
2028	

During the first quarter of 2023, the Company wrote off \$25.7 million of core deposit intangible assets that were fully amortized. During the second quarter of 2023 and advisor, and the acquisition resulted in goodwill of \$7.6 million. Changes in the carrying amount of goodwill and other intangible assets for the nine three month pe

			Core Deposit	Mortgage Servicing Rights					
(In thousands)	(In thousands)	Goodwill	Easement	Premium	Rights	(In thousands)	Goodwill	Easement	Core Deposit Premi
Balance January 1, 2023	\$138,921	\$ 3,600	\$ 705	\$10,929					
Acquisition	7,618	—	—	—					
Balance January 1, 2024									
Originations, net of disposals									
Originations, net of disposals									
Originations, net of disposals									
Originations, net of disposals									
Amortization									
Balance September 30, 2023	\$146,539	\$ 3,600	\$ 511	\$10,321					
Balance March 31, 2024									
Balance March 31, 2024									
Balance March 31, 2024									

Goodwill allocated to the Company's operating segments at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 is shown below.

(In thousands)	(In thousands)	September 30, 2023	December 31, 2022	(In thousands)	March 31, 2024
Consumer segment	Consumer segment	\$ 70,721	\$ 70,721		
Commercial segment	Commercial segment	75,072	67,454		
Wealth segment	Wealth segment	746	746		
Total goodwill	Total goodwill	\$146,539	\$138,921		

5. Guarantees

The Company, as a provider of financial services, routinely issues financial guarantees in the form of financial and performance standby letters of credit. The Company generally to guarantee the payment or performance obligation of a customer to a third party. While these represent a potential outlay by the Company, a significant Company has recourse against the customer for any amount it is required to pay to a third party under a standby letter of credit. The letters of credit are subject to the made by the Company. Most of the standby letters of credit are secured, and in the event of nonperformance by customers, the Company has rights to the underlying property, inventory, receivables, cash and marketable securities.

Upon issuance of standby letters of credit, the Company recognizes a liability for the fair value of the obligation undertaken, which is estimated to be equivalent agreement. At **September 30, 2023** **March 31, 2024**, that net liability was **\$3.4 million** **\$3.9 million**, which will be accreted into income over the remaining life of the which represents the maximum potential future payments guaranteed by the Company, was **\$594.2 million** **\$634.5 million** at **September 30, 2023** **March 31, 2024**.

The Company periodically enters into credit risk participation agreements (RPA) as a guarantor to other financial institutions, in order to mitigate those institution stipulates that, in the event of default by the third party on the interest rate swap, the Company will reimburse a portion of the loss borne by the financial institution property, inventories and equipment) by the third party, which limits the credit risk associated with the Company's RPAs. The third parties usually have other borrowed collateral and at **September 30, 2023** **March 31, 2024**, believes sufficient collateral is available to cover potential swap losses. The RPAs are carried at fair value to change in the third party's creditworthiness, recorded in current earnings. The terms of the RPAs, which correspond to the terms of the underlying swaps, range from the Company's guarantee liabilities for RPAs was **\$44** **\$106** thousand, and the notional amount of the underlying swaps was **\$446.2 million** **\$464.9 million**. The maximum estimated but is dependent upon the fair value of the interest rate swaps at the time of default.

6. Leases

The Company has net investments in direct financing and sales-type leases to commercial, industrial, and tax-exempt entities. These leases are included within but primarily leases various types of equipment, trucks and trailers, and office furniture and fixtures. Lease agreements may include options for the lessee to renew or purchase elected to adopt the lease component expedient in which the lease and nonlease components are combined into the total lease receivable. The Company also leases. The leases may include options to renew or expand the leased space, and currently the leases have remaining terms of 1 month **3 months** to 15 years.

The following table provides the components of lease income.

		For the Three Months Ended September 30			
		For the Three Months Ended March 31			
		For the Three Months Ended March 31			
		For the Three Months Ended March 31			
(in thousands)					
(in thousands)					
(in thousands)	(in thousands)	2023		2022	
Direct financing and sales-type leases	Direct financing and sales-type leases	\$ 8,160	\$	5,477	\$
Direct financing and sales-type leases					
Direct financing and sales-type leases					
Operating leases ^(a)					
Operating leases ^(a)					
Operating leases ^(a)	Operating leases ^(a)	3,399		2,175	
Total lease income	Total lease income	\$ 11,559	\$	7,652	\$
Total lease income					
Total lease income					

(a) Includes rent from Tower Properties Company, a related party, of \$19 thousand for both of the three month periods ended **September 30, 2023** **March 31, 2024** and 2022 and \$58 thousand for both of the

7. Pension

The amount of net pension cost is shown in the table below:

		For the Three Months Ended September 30			
		For the Three Months Ended March 31			
		For the Three Months Ended March 31			

For the Three Months Ended March 31					
(In thousands)					
(In thousands)					
(In thousands)	(In thousands)	2023		2022	
Service cost	Service cost	\$	120	\$	128
Service cost					
Service cost					
Interest cost on projected benefit obligation					
Interest cost on projected benefit obligation					
Interest cost on projected benefit obligation	Interest cost on projected benefit obligation		1,146		713
Expected return on plan assets	Expected return on plan assets		(1,035)		(1,135)
Expected return on plan assets					
Expected return on plan assets					
Amortization of prior service cost					
Amortization of prior service cost					
Amortization of prior service cost	Amortization of prior service cost		(68)		(68)
Amortization of unrecognized net loss	Amortization of unrecognized net loss		332		470
Amortization of unrecognized net loss					
Amortization of unrecognized net loss					
Net periodic pension cost	Net periodic pension cost	\$	495	\$	108
Net periodic pension cost					
Net periodic pension cost					

All benefits accrued under the Company's defined benefit pension plan have been frozen since January 1, 2011. During the first nine three months of 2023, 2024 plan and made minimal funding contributions to a supplemental executive retirement plan (the CERP), which carries no segregated assets.

8. Common Stock *

Presented below is a summary of the components used to calculate basic and diluted income per share. The Company applies the two-class method of nonforfeitable common stock dividends are considered securities which participate in undistributed earnings with common stock. The two-class method requires the based awards and for common stock. Income per share attributable to common stock is shown in the table below. Nonvested share-based awards are further discuss

		For the Three Months Ended September 30		For the Nine Months Ended September 30	
		For the Three Months Ended March 31			
		For the Three Months Ended March 31			
		For the Three Months Ended March 31			
(In thousands, except per share data)	(In thousands, except per share data)	2023	2022	2023	2022
(In thousands, except per share data)					

Basic income per common share:	Basic income per common share:				
Net income attributable to Commerce Bancshares, Inc.	Net income attributable to Commerce Bancshares, Inc.				
Net income attributable to Commerce Bancshares, Inc.	Net income attributable to Commerce Bancshares, Inc.	\$120,596	\$122,823	\$367,837	\$356,771
Less income allocated to nonvested restricted stock	Less income allocated to nonvested restricted stock	1,073	1,119	3,257	3,241
Net income allocated to common stock	Net income allocated to common stock	\$119,523	\$121,704	\$364,580	\$353,530
Weighted average common shares outstanding	Weighted average common shares outstanding	123,718	124,840	123,868	125,600
Basic income per common share	Basic income per common share	\$.96	\$.97	\$ 2.94	\$ 2.81
Diluted income per common share:	Diluted income per common share:				
Net income attributable to Commerce Bancshares, Inc.	Net income attributable to Commerce Bancshares, Inc.	\$120,596	\$122,823	\$367,837	\$356,771
Net income attributable to Commerce Bancshares, Inc.	Net income attributable to Commerce Bancshares, Inc.				
Less income allocated to nonvested restricted stock	Less income allocated to nonvested restricted stock	1,072	1,118	3,254	3,236

Net income allocated to common stock	Net income allocated to common stock	\$119,524	\$121,705	\$364,583	\$353,535
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Weighted average common shares outstanding	Weighted average common shares outstanding	123,718	124,840	123,868	125,600
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Net effect of the assumed exercise of stock-based awards - based on the treasury stock method using the average market price for the respective periods	Net effect of the assumed exercise of stock-based awards - based on the treasury stock method using the average market price for the respective periods	100	277	158	288
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Net effect of the assumed exercise of stock-based awards - based on the treasury stock method using the average market price for the respective periods

Net effect of the assumed exercise of stock-based awards - based on the treasury stock method using the average market price for the respective periods

Weighted average diluted common shares outstanding	Weighted average diluted common shares outstanding	123,818	125,117	124,026	125,888
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Diluted income per common share	Diluted income per common share	\$.96	\$.97	\$ 2.93	\$ 2.81
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Unexercised stock appreciation rights of 539,353 thousand and 175,226 thousand for the three month periods ended September 30, 2023, March 31, 2024 and for the periods ended September 30, 2023 and 2022, respectively, were excluded from the computation of diluted income per common share because their inclusion would have resulted in a loss.

In the Annual Meeting of the Shareholders, held on April 19, 2023, a proposal to increase the shares of the Company's common stock authorized for issuance from 140,000,000 to 190,000,000.

* All prior year share and per share amounts in this note have been restated for the 5% common stock dividend distributed in December 2022, 2023.

9. Accumulated Other Comprehensive Income

The table below shows the activity and accumulated balances for components of other comprehensive income. Information about unrealized gains and losses on cash flow hedge derivatives is located in Note 11.

[illegible]

before tax	before tax				
Income tax	Income tax				
(expense)	(expense)				
benefit	benefit	24,146	(245)	11,655	35,556

Current period	Current period				
other	other				
comprehensive	comprehensive				
income (loss),	income (loss),				
net of tax	net of tax	(72,440)	738	(34,968)	(106,670)

Balance September 30, 2023 \$ (1,197,355) \$ (16,448) \$ 20,269 \$ (1,193,534)

Balance January 1, 2022 \$ 23,174 \$ (20,668) \$ 74,574 \$ 77,080

Balance March 31, 2024

Balance March 31, 2024

Balance March 31, 2024

**Balance
January 1,
2023**

Other comprehensive income
(loss) before reclassifications to
current earnings

Other comprehensive income
(loss) before reclassifications to
current earnings

Other	Other				
comprehensive	comprehensive				
income (loss)	income (loss)				
before	before				
reclassifications	reclassifications				
to current	to current				
earnings	earnings	(1,594,981)	—	(3,464)	(1,598,445)

Amounts	Amounts				
reclassified to	reclassified to				
current	current				
earnings from	earnings from				
accumulated	accumulated				
other	other				
comprehensive	comprehensive				
income	income	20,274	1,262	(18,322)	3,214

Current period	Current period				
other	other				
comprehensive	comprehensive				
income (loss),	income (loss),				
before tax	before tax	(1,574,707)	1,262	(21,786)	(1,595,231)

Income tax	Income tax				
(expense)	(expense)				
benefit	benefit	393,676	(315)	5,446	398,807

Current period	Current period				
other	other				
comprehensive	comprehensive				
income (loss),	income (loss),				
net of tax	net of tax	(1,181,031)	947	(16,340)	(1,196,424)

Balance September 30, 2022 \$ (1,157,857) \$ (19,721) \$ 58,234 \$ (1,119,344)

Balance March 31, 2023

Balance March 31, 2023

Balance March 31, 2023

(1) The pre-tax amounts reclassified from accumulated other comprehensive income to current earnings are included in "investment securities gains (losses), net" in the consolidated statements of income.
(2) The pre-tax amounts reclassified from accumulated other comprehensive income to current earnings are included in "interest and fees on loans" in the consolidated statements of income.

10. Segments

The Company segregates financial information for use in assessing its performance and allocating resources among three operating segments: Consumer, Commercial and Wealth. The Consumer segment provides consumer loan and deposit products offered through its retail branch network of approximately 140 locations. This segment also includes indirect and other consumer loan financing. In order to reflect a change in the Company's management of its portfolio of residential mortgage loans that it retains, the Company began including those loans in the Commercial segment starting in 2024. In order to reflect this change, the Company began including those loans in the Commercial segment starting in 2024. As a result of this change, approximately \$1.9 billion of loans were reclassified from the Other/Elimination column into the Commercial segment starting in 2024.

The Commercial segment provides corporate lending (including the Small Business Banking product line within the branch network), leasing, and international commercial cash management services. This segment also includes both merchant and commercial bank card products as well as the Capital Markets Group, which provides investment and accounting services to its business and correspondent bank customers. The Wealth segment provides traditional trust and estate planning, advisory and discretionary investment management services. The Wealth segment also provides various loan and deposit related services to its private banking customers.

The following table presents selected financial information by segment and reconciliations of combined segment totals to consolidated totals. There were no material changes to methods of assigning costs and income to its business segments to better reflect operating results. If appropriate, these changes are reflected in the Other/Elimination column. The Company's financial information allocated among the segments prior to 2024 has been restated to reflect a funds transfer pricing methodology change implemented on January 1, 2024 for all deposits. The new methodology more accurately reflects the profitability of affected deposits relative to current rates and removes them from the rolling pool to a profitability range methodology.

		Segment			Consolidated		
(In thousands)	(In thousands)	Consumer	Commercial	Wealth	Totals	Other/Elimination	Totals
Three Months Ended September 30, 2023							
Net interest income							
Net interest income	Net interest income	\$106,453	\$123,062	\$19,629	\$249,144	\$(597)	\$248,547
Provision for credit losses							
Provision for credit losses	Provision for credit losses	(7,048)	(2,721)	(1)	(9,770)	(1,875)	(11,645)
Non-interest income							
Non-interest income	Non-interest income	24,939	61,195	55,378	141,512	1,437	142,949
Investment securities gains (losses), net							
Investment securities gains (losses), net	Investment securities gains (losses), net	—	—	—	—	4,298	4,298
Non-interest expense							
Non-interest expense	Non-interest expense	(82,234)	(98,910)	(38,907)	(220,051)	(7,959)	(228,010)
Income before income taxes							
Income before income taxes	Income before income taxes	\$42,110	\$82,626	\$36,099	\$160,835	\$(4,696)	\$156,139

Nine Months Ended		September 30, 2023							
Three Months Ended		March 31, 2023							
Three Months Ended		March 31, 2023							
Three Months Ended		March 31, 2023							
Net	Net								
interest	interest								
income	income	\$ 304,859	\$ 355,690	\$ 54,193	\$ 714,742	\$	34,966	\$	749,708
Provision for credit									
losses		(19,784)	(3,204)	(14)	(23,002)		(6,570)		(29,572)
Non-interest income		74,773	184,288	162,835	421,896		6,270		428,166
Investment securities									
gains (losses), net		—	—	—	—		7,384		7,384
Non-interest expense		(242,991)	(290,960)	(119,015)	(652,966)		(26,762)		(679,728)
Income before income									
taxes		\$ 116,857	\$ 245,814	\$ 97,999	\$ 460,670	\$	15,288	\$	475,958
Three Months Ended		September 30, 2022							
Net interest income									
Net	Net								
interest	interest								
income	income	\$ 93,182	\$ 114,135	\$ 18,640	\$ 225,957	\$	20,416	\$	246,373
Provision	Provision								
for loan	for loan								
losses	losses	(4,314)	(506)	5	(4,815)		(10,475)		(15,290)
Non-	Non-								
interest	interest								
income	income	27,709	57,115	53,862	138,686		(172)		138,514
Investment	Investment								
securities	securities								
gains	gains								
(losses),	(losses),								
net	net	—	—	—	—		3,410		3,410
Non-	Non-								
interest	interest								
expense	expense	(79,230)	(91,397)	(36,188)	(206,815)		(6,069)		(212,884)
Income	Income								
before	before								
income	income								
taxes	taxes	\$ 37,347	\$ 79,347	\$ 36,319	\$ 153,013	\$	7,110	\$	160,123
Nine Months Ended		September 30, 2022							
Net interest income		\$ 270,561	\$ 333,270	\$ 56,731	\$ 660,562	\$	26,982	\$	687,544
Provision for credit									
losses		(12,727)	(651)	2	(13,376)		782		(12,594)
Non-interest income		82,464	167,581	161,051	411,096		(1,386)		409,710
Investment securities									
gains (losses), net		—	—	—	—		11,602		11,602
Non-interest expense		(231,683)	(272,219)	(108,967)	(612,869)		(19,168)		(632,037)
Income before income									
taxes		\$ 108,615	\$ 227,981	\$ 108,817	\$ 445,413	\$	18,812	\$	464,225

The information presented above was derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company's operating segments. The accounting procedures and methods, which have been developed to reflect the underlying economics of the businesses. The methodologies are applied in connection with the Company's operating segments. Funds transfer pricing was used in the determination of net interest income by assigning a standard cost (credit) for funds used (provided by) assets and liabilities.

The segment activity, as shown above, includes both direct and allocated items. Amounts in the "Other/Elimination" column include activity not related to the securities portfolio, and the effect of certain expense allocations to the segments. The provision for credit losses in this category contains the difference between the provision for credit loss expense. Included in this category's net interest income are earnings of the investment portfolio, which are not allocated to a segment. Additionally, this column, as the Company's brokered deposits are not allocated to a segment.

The performance measurement of the operating segments is based on the management structure of the Company and is not necessarily comparable with similar performance measurements of other companies. The results of operations are not necessarily indicative of the segments' financial condition and results of operations if they were independent entities.

11. Derivative Instruments

The notional amounts of the Company's derivative instruments are shown in the table below. These contractual amounts, along with other terms of the derivative instruments, are not a measure of loss exposure. With the exception of the interest rate floors (discussed below), the Company's derivative instruments are accounted for in the Company's earnings.

		September	December		
(In thousands)	(In thousands)	30, 2023	31, 2022	(In thousands)	March 31, 2024
Interest rate swaps	Interest rate swaps	\$2,199,242	\$1,981,821		
Interest rate floors	Interest rate floors	2,000,000	1,000,000		
Interest rate caps	Interest rate caps	172,784	152,784		
Credit risk participation agreements	Credit risk participation agreements	613,822	579,925		
Foreign exchange contracts	Foreign exchange contracts	38,234	27,991		
Mortgage loan commitments	Mortgage loan commitments	1,834	—		
Mortgage loan forward sale contracts	Mortgage loan forward sale contracts				
Forward TBA contracts	Forward TBA contracts	2,000	—		
Total notional amount	Total notional amount	\$5,027,916	\$3,742,521		

The largest group of notional amounts relate to interest rate swap contracts sold to commercial customers who wish to modify their interest rate sensitivity. These interest rate swap contracts with customers are offset by matching interest rate swap contracts with financial institutions (dealers). Contracts with dealers that require central clearing are novated to a clearing agency who becomes the Company's counterparty. Because of the central clearing, which mitigate the impact of non-performance risk, changes in fair value subsequent to initial recognition have a minimal effect on earnings.

Many of the Company's interest rate swap contracts with large financial institutions contain contingent features relating to debt ratings or capitalization levels. If the Company's debt rating is downgraded or if the Company ceases to be "well-capitalized" under risk-based capital guidelines, certain counterparties can require immediate and ongoing collateralization of the contracts. The Company maintains debt ratings and capital well above these minimum requirements.

As of September 30, 2023 and March 31, 2024, the Company held four interest rate floors indexed to 1-month SOFR to hedge the risk of declining interest rates on its investment portfolio. Each of the four interest rate floors has a six-year term and a notional amount of \$500.0 million. In the event that the interest rate falls below the notional amount of each floor is limited to the strike rate. Information about the floors is provided in the table below.

Strike Rate	Effective Date	M
3.50 %	July 1, 2024	
3.25 %	November 1, 2024	
3.00 %	March 1, 2025	
2.75 %	July 1, 2025	

The premium paid for the floors totaled \$90.2 million, which includes a \$28.5 million premium paid during the third quarter of 2023 and \$25.9 million paid during 1 which the Company is hedging its exposure to lower rates is approximately 7 years. These interest rate floors qualified and were designated as cash flow hedges an the fair value of these interest rate floors is recorded in AOCI, net of the amortization of the premiums paid, which are recorded against interest and fees on loans in t 2024, net deferred losses on the interest rate floors totaled **\$30.1 million** **\$21.9 million** (pre-tax) and were recorded in AOCI in the consolidated balance sheet. As of million (pre-tax) interest rate floor premium amortization will be reclassified from AOCI into earnings over the next 12 months for the outstanding interest rate floors.

During the year ended December 31, 2020, the Company monetized three interest rate floors that were previously classified as cash flow hedges with a combined of **March 31,**

September 30, 2023, **2024,** the total realized gains on the monetized cash flow hedges remaining in AOCI was **\$57.1 million** **\$45.7 million** (pre-tax), which will be amount of net gains related to the cash flow hedges remaining in AOCI at **September 30, 2023** **March 31, 2024** that is expected to be reclassified into income within t

The Company also contracts with other financial institutions, as a guarantor or beneficiary, to share credit risk associated with certain interest rate swaps through guarantor are further discussed in Note 5 on Guarantees. In addition, the Company enters into foreign exchange contracts, which are mainly comprised of contracts future dates.

Under its program to sell residential mortgage loans in the secondary market, the Company designates certain newly-originated residential mortgage loans as he loan commitments and forward loan sale contracts. Changes in the fair values of the loan commitments and funded loans prior to sale that are due to changes in inte mortgage-backed securities in the to-be-announced (TBA) market. These forward TBA contracts are also considered to be derivatives and are settled in cash at the s of these loans and halted entering into the forward contracts, as lower demand for mortgage loans coupled with volatility in the TBA market made it difficult to effective sales during the first quarter of 2023.

The fair values of the Company's derivative instruments, whose notional amounts are listed above, are shown in the table below. Information about the valuation Measurements.

The Company's policy is to present its derivative assets and derivative liabilities on a gross basis on its consolidated balance sheets, and these are reported in oth to and from the Company's clearing counterparty has been applied to the fair values of the cleared swaps, such that in the table below, the positive fair values of f There was no reduction to positive or negative fair values of cleared swaps at September 30, 2023 **March 31, 2024** and **December 31, 2023.**

		Asset Derivatives		Liability Derivatives		Asset Derivatives			
		Sept. 30, 2023	Dec. 31, 2022	Sept. 30, 2023	Dec. 31, 2022				
		Mar. 31, 2024				Mar. 31, 2024		Dec. 31, 2023	
(In thousands)	(In thousands)	Fair Value		Fair Value		(In thousands)	Fair Value		
Derivatives designated as hedging instruments:	Derivatives designated as hedging instruments:								
Interest rate floors	Interest rate floors	\$ 53,289	\$ 33,371	\$ —	\$ —				
Interest rate floors									
Interest rate floors									
Total derivatives designated as hedging instruments	Total derivatives designated as hedging instruments	\$ 53,289	\$ 33,371	\$ —	\$ —				

Derivative instruments not designated as hedging instruments:	Derivative instruments not designated as hedging instruments:				
Interest rate swaps	Interest rate swaps				
Interest rate swaps	Interest rate swaps	\$ 56,635	\$23,894	\$(56,635)	\$(51,742)
Interest rate caps	Interest rate caps	1,752	2,705	(1,752)	(2,705)
Credit risk participation agreements	Credit risk participation agreements	11	34	(44)	(119)
Foreign exchange contracts	Foreign exchange contracts	449	488	(287)	(418)
Mortgage loan commitments	Mortgage loan commitments	35	—	—	—
Mortgage loan forward sale contracts	Mortgage loan forward sale contracts				
Forward TBA contracts	Forward TBA contracts	11	—	—	—
Total derivatives not designated as hedging instruments	Total derivatives not designated as hedging instruments	\$ 58,893	\$27,121	\$(58,718)	\$(54,984)
Total	Total	\$112,182	\$60,492	\$(58,718)	\$(54,984)

The Company made an election to exclude the initial premiums paid on the interest rate floors from the hedge effectiveness measurement. Those initial premium the contract maturity month. The pre-tax effects of the gains and losses (both the included and excluded amounts for hedge effectiveness assessment) recognized and the amounts reclassified from accumulated other comprehensive income into income (both included and excluded amounts for hedge effectiveness measurement).

		Location of Gain (Loss)		Amount of Gain (Loss)		Amount of Gain or (Loss) Recognized in OCI		Location of Gain (Loss) Reclassified from AOC	
		Reclassified from AOCI into Income		Reclassified from AOCI into Income					
(In thousands)	(In thousands)	Total	Included Component	Excluded Component	Total	Included Component	Excluded Component	Total	Included Component
For the Three Months Ended September 30, 2023									
(In thousands)									
(In thousands)									
(In thousands)									
(In thousands)									
(In thousands)									
(In thousands)									
(In thousands)									

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

(In thousands)

For the

Three

Months

Ended

March

31, 2024

Included
Total Component Excluded
Component

For the Three Months Ended March 31, 2024

Derivatives in cash flow hedging relationships:

Interest rate floors	Interest rate floors			Interest and fees on loans				
		\$ (29,007)	\$ —	\$ (29,007)	\$ 3,543	\$ 7,459	\$ (3,916)	
Total	Total	\$ (29,007)	\$ —	\$ (29,007)	Total	\$ 3,543	\$ 7,459	\$ (3,916)

For the Nine Months Ended September 30, 2023

For the Three Months Ended March 31, 2023

For the Three Months Ended March 31, 2023

For the Three Months Ended March 31, 2023

Derivatives in cash flow hedging relationships:

Interest rate floors	Interest rate floors			Interest and fees on loans				
		\$ (34,530)	\$ —	\$ (34,530)	\$ 12,093	\$ 22,358	\$ (10,265)	
Total	Total	\$ (34,530)	\$ —	\$ (34,530)	Total	\$ 12,093	\$ 22,358	\$ (10,265)

For the Three Months Ended September 30, 2022

Derivatives in cash flow hedging relationships:

Interest rate floors	Interest rate floors			Interest and fees on loans				
		\$ (3,464)	\$ —	\$ (3,464)	\$ 6,118	\$ 7,745	\$ (1,627)	
Total		\$ (3,464)	\$ —	\$ (3,464)	Total	\$ 6,118	\$ 7,745	\$ (1,627)

For the Nine Months Ended September 30, 2022

Derivatives in cash flow hedging relationships:

Interest rate floors	Interest rate floors			Interest and fees on loans				
		\$ (3,464)	\$ —	\$ (3,464)	\$ 18,322	\$ 22,998	\$ (4,676)	
Total		\$ (3,464)	\$ —	\$ (3,464)	Total	\$ 18,322	\$ 22,998	\$ (4,676)

The gain and loss recognized through various derivative instruments on the consolidated statements of income are shown in the table below.

		Location of Gain or (Loss) Recognized in Consolidated Statements of Income		Amount of Gain or (Loss) Recognized in Income on Derivatives		Location of Gain or (Loss) Recognized in Consolidated Statements of Income		Amount of Gain or (Loss) Recognized in Income on Derivatives	
				For the Three Months Ended September 30				For the Nine Months Ended September 30	
(In thousands)	(In thousands)			2023	2022	2023	2022	(In thousands)	(In thousands)
Derivative instruments:	Derivative instruments:								
Derivative instruments:	Derivative instruments:								
Derivative instruments:	Derivative instruments:								
Interest rate swaps	Interest rate swaps	Other non-interest income		\$365	\$88	\$2,861	\$1,770		
Interest rate caps	Interest rate caps	Other non-interest income		23	—	23	16		
Interest rate swaps	Interest rate swaps								
Credit risk participation agreements	Credit risk participation agreements								
Credit risk participation agreements	Credit risk participation agreements								
Credit risk participation agreements	Credit risk participation agreements	Other non-interest income		123	122	107	30		
Foreign exchange contracts	Foreign exchange contracts	Other non-interest income		122	3	93	3		
Mortgage loan commitments	Mortgage loan commitments	Loan fees and sales		(23)	(230)	35	(764)		
Mortgage loan forward sale contracts	Mortgage loan forward sale contracts	Loan fees and sales		—	5	—	1		
Forward TBA contracts	Forward TBA contracts	Loan fees and sales		63	117	113	1,783		
Total	Total			\$673	\$105	\$3,232	\$2,839		

The following table shows the extent to which assets and liabilities relating to derivative instruments have been offset in the consolidated balance sheets. It also shows the extent to which the instruments could potentially be offset. Also shown is the extent to which the instruments are collateralized by cash or marketable securities. The collateral amounts in this table are limited to the outstanding balances of the related asset or liability (after netting derivatives in the following table were transacted under master netting arrangements that contain a conditional right of offset, such as close-out netting, upon default).

While the Company is party to master netting arrangements with most of its swap derivative counterparties, the Company does not offset derivative assets and liabilities. Collateral exchanged between the Company and dealer bank counterparties is generally subject to thresholds and transfer minimums, and usually consists of marketable securities or cash. For those swap transactions requiring central clearing, the Company posts cash or securities to the central clearinghouse.

[illegible]

Derivatives not subject to master netting agreements	Derivatives not subject to master netting agreements	227	—	227
Total derivatives	Total derivatives	\$ 58,718	\$ —	\$ 58,718
December 31, 2022				
Total derivatives				
Total derivatives				
December 31, 2023				
December 31, 2023				
December 31, 2023				
Assets:	Assets:			
Assets:				
Assets:				
Derivatives subject to master netting agreements				
Derivatives subject to master netting agreements				
Derivatives subject to master netting agreements	Derivatives subject to master netting agreements	\$ 60,270	\$ —	\$ 60,270
			\$ (1,007)	\$ (56,816)
				\$ 2,447
Derivatives not subject to master netting agreements	Derivatives not subject to master netting agreements	222	—	222
Total derivatives	Total derivatives	\$ 60,492	\$ —	\$ 60,492
Total derivatives				
Total derivatives				
Liabilities:	Liabilities:			
Liabilities:				
Liabilities:				
Derivatives subject to master netting agreements				
Derivatives subject to master netting agreements				
Derivatives subject to master netting agreements	Derivatives subject to master netting agreements	\$ 54,609	\$ —	\$ 54,609
			\$ (1,007)	\$ —
				\$ 53,602
Derivatives not subject to master netting agreements	Derivatives not subject to master netting agreements	375	—	375
Total derivatives	Total derivatives	\$ 54,984	\$ —	\$ 54,984
Total derivatives				
Total derivatives				

12. Resale and Repurchase Agreements

The following table shows the extent to which resale agreement assets and repurchase agreement liabilities with the same counterparty have been offset on the balance sheet. Also shown is collateral received or pledged, which consists of marketable securities. The collateral amounts in the table are limited to the outstanding amounts of excess collateral are not shown.

Gross Amounts Not Offset in the Balance Sheet									
Gross Amounts Not Offset in the Balance Sheet									
Net									
		Gross Amounts	Offset in the Balance Sheet	Presented in the Balance Sheet	Financial Instruments Available for Offset	Securities Collateral Received/Pledged	Unsecured Amount		
(In thousands)	(In thousands)	Recognized	Sheet	Sheet	for Offset	Received/Pledged	Amount		
September 30, 2023									
(In thousands)									
(In thousands)									
March 31, 2024									
Total resale agreements, subject to master netting arrangements									
Total resale agreements, subject to master netting arrangements									
Total resale agreements, subject to master netting arrangements	Total resale agreements, subject to master netting arrangements	\$ 650,000	\$(200,000)	\$ 450,000	\$ —	\$ (450,000)	\$ —		
Total repurchase agreements, subject to master netting arrangements	Total repurchase agreements, subject to master netting arrangements	2,438,826	(200,000)	2,238,826	—	(2,238,826)	—		
December 31, 2022									
December 31, 2023									
Total resale agreements, subject to master netting arrangements									
Total resale agreements, subject to master netting arrangements									

The table below shows the remaining contractual maturities of repurchase agreements outstanding at September 30, 2023, March 31, 2024 and December 31, 2023 for securities that have been pledged by the Company as collateral for these borrowings.

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Asset-backed securities	Asset-backed securities	572,135	—	—	572,135
Other debt securities	Other debt securities	35,808	—	—	35,808
Total repurchase agreements, gross amount recognized	Total repurchase agreements, gross amount recognized	\$2,181,007	\$234,619	\$ 23,200	\$2,438,826
December 31, 2022					
December 31, 2023					
Repurchase agreements, secured by:					
Repurchase agreements, secured by:					
Repurchase agreements, secured by:	Repurchase agreements, secured by:				
U.S. government and federal agency obligations	U.S. government and federal agency obligations	\$ 488,053	\$ 26,928	\$ 12,460	\$ 527,441
U.S. government and federal agency obligations					
U.S. government and federal agency obligations					
Government-sponsored enterprise obligations					
Agency mortgage-backed securities					
Agency mortgage-backed securities					
Agency mortgage-backed securities	Agency mortgage-backed securities	1,792,314	21,744	204,500	2,018,558
Non-agency mortgage-backed securities	Non-agency mortgage-backed securities	40,950	—	—	40,950
Asset-backed securities	Asset-backed securities	293,001	—	—	293,001
Other debt securities	Other debt securities	1,924	—	—	1,924
Total repurchase agreements, gross amount recognized	Total repurchase agreements, gross amount recognized	\$2,616,242	\$ 48,672	\$216,960	\$2,881,874

13. Stock-Based Compensation

The Company issues stock-based compensation in the form of nonvested restricted stock and stock appreciation rights (SARs). Historically, most of the award compensation expense charged against income was \$4.3 million and \$4.2 million \$4.4 million in the three months ended September 30, 2023 March 31, 2024 and 2023 and 2022, 2023 respectively.

Nonvested stock awards granted generally vest in 4 to 7 years and contain restrictions as to transferability, sale, pledging, or assigning, among others, prior to the grant. A summary of the status of the Company's nonvested share awards as of September 30, 2023 March 31, 2024, and changes during the nine three month period

				Weighted Average Grant Date Fair		
Shares				Value	Shares	
Nonvested at						
January 1, 2023	1,148,873	\$58.20				
Nonvested						
at January						
1, 2024				Nonvested at January 1, 2024		
				1,166,335		
Granted	Granted	311,275	62.29	Granted	314,602	
Vested	Vested	(315,761)	50.67	Vested	(235,194)	
Forfeited	Forfeited	(25,539)	60.44	Forfeited	(11,342)	
Nonvested at						
September 30, 2023	1,118,848	\$61.41				
Nonvested at						
March 31, 2024						
Nonvested at						
March 31, 2024						
Nonvested at						
March 31, 2024				1,234,401		

SARs are granted with exercise prices equal to the market price of the Company's stock at the date of grant. SARs vest ratably over 4 years of continuous service under provisions of the plan. In determining compensation cost, the Black-Scholes option-pricing model is used to estimate the fair value of SARs on date of grant. The assumptions used are shown in the table below.

Weighted per share average fair value at grant date
Assumptions:
Dividend yield
Volatility
Risk-free interest rate
Expected term

A summary of SAR activity during the first nine three months of 2023 2024 is presented below.

(Dollars in thousands, except per share data)	(Dollars in thousands, except per share data)	Weighted Average Exercise	Weighted Average Contractual	Weighted Average Intrinsic				
		Rights	Price	Term	Value	(Dollars in thousands, except per share data)	Rights	Weighted Average Exercise Price
Outstanding at								
January 1, 2023	948,727		\$46.82					
Outstanding at January 1, 2024								

Granted				
Granted				
Granted	Granted	89,829	65.64	
Forfeited	Forfeited	(4,337)	63.62	
Forfeited				
Forfeited				
Expired				
Expired				
Expired	Expired	(5,781)	52.13	
Exercised	Exercised	(49,866)	26.83	
Outstanding at				
September 30, 2023				
		978,572	\$49.46	5.1 years \$4,468
Exercised				
Exercised				
Outstanding at March				
31, 2024				
Outstanding at March				
31, 2024				
Outstanding at March				
31, 2024				

14. Revenue from Contracts with Customers

Revenue from contracts with customers, Accounting Standard Codification 606 ("ASC 606"), requires revenue recognition for the transfer of promised goods or services that the entity expects to be entitled in exchange for those goods or services. For the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, approximately **64%** **63%** is not within the scope of this guidance. Of the remaining revenue, those items that were subject to this guidance mainly included fees for bank card, trust, deposit acc

The following table disaggregates revenue from contracts with customers by major product line.

		Three Months Ended September 30			
		Three Months Ended March 31			
		Three Months Ended March 31			
		Three Months Ended March 31			
(In thousands)					
(In thousands)					
(In thousands)	(In thousands)	2023		2022	
Bank card transaction fees	Bank card transaction fees	\$ 46,899	\$	45,638	\$
Bank card transaction fees					
Bank card transaction fees					
Trust fees					
Trust fees					
Trust fees	Trust fees	49,207		45,406	
Deposit account charges and other fees	Deposit account charges and other fees	23,090		24,521	
Deposit account charges and other fees					
Deposit account charges and other fees					
Consumer brokerage services					
Consumer brokerage services					
Consumer brokerage services	Consumer brokerage services	3,820		5,085	

Other non-interest income	Other non-interest income	11,912	9,360
Other non-interest income			
Other non-interest income			
Total non-interest income from contracts with customers			
Total non-interest income from contracts with customers			
Total non-interest income from contracts with customers	Total non-interest income from contracts with customers	134,928	130,010
Other non-interest income ⁽¹⁾	Other non-interest income ⁽¹⁾	8,021	8,504
Other non-interest income ⁽¹⁾			
Other non-interest income ⁽¹⁾			
Total non-interest income	Total non-interest income	\$ 142,949	\$ 138,514
Total non-interest income			
Total non-interest income			

(1) This revenue is not within the scope of ASC 606, and includes fees relating to capital market **bond trading** activities, loan fees and sales, derivative instruments, standby letters of credit and various other tr

For bank card transaction fees, nearly all of debit and credit card fees are earned in the Consumer segment, while corporate card and merchant fees are earned contributed approximately **33% 31%** and **67% 69%**, respectively, of the Company's deposit account charge revenue. All trust fees and nearly all consumer brokerage s

The following table presents the opening and closing receivable balances for the **nine** three month periods ended **September 30, 2023** **March 31, 2024** and **2022 20**

(In thousands)	(In thousands)	September 30, 2023	December 31, 2022	September 30, 2022	December 31, 2021	(In thousands)	March 31, 2024	December 31, 2023
Bank card transaction fees	Bank card transaction fees	\$ 15,160	\$ 17,254	\$ 14,167	\$ 16,424			
Trust fees	Trust fees	1,886	2,038	2,073	2,222			
Deposit account charges and other fees	Deposit account charges and other fees	5,762	6,631	5,658	6,702			
Consumer brokerage services	Consumer brokerage services	74	949	632	391			

For these revenue categories, none of the transaction price has been allocated to performance obligations that are unsatisfied as of the end of a reporting period.

15. Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain financial and nonfinancial assets and liabilities and to determine fair value securities, equity securities, trading debt securities, certain investments relating to private equity activities, and derivatives are recorded at fair value on a recurring b at fair value other assets and liabilities on a nonrecurring basis, such as mortgage servicing rights and certain other investment securities. These nonrecurring fair write-downs of individual assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measureme various valuation techniques and assumptions when estimating fair value. For accounting disclosure purposes, a three-level valuation hierarchy of fair value meas transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities, either directly or indirectly (such as interest rates, yield curves, and prepayment speeds).
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value. These may be internally developed, using the Company's assumptions, and may consider.

The valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis are described in the Fair Value Measurements section of the Company's Annual Report on Form 10-K. There have been no significant changes in these methodologies since then.

Instruments Measured at Fair Value on a Recurring Basis

The table below presents the fair value measurements of the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2023, March 31, 2024, and December 31, 2022, and December 31, 2023, carrying values of assets and liabilities measured at fair value during the first nine months of 2023 or 2024 or the year ended December 31, 2022 or December 31, 2023.

		Fair Value Measurements Using							
		Fair Value Measurements Using							
		Quoted Prices in Active Markets for Identical Assets				Significant Other Observable Inputs			
		Significant Unobservable Inputs							
(In thousands)	(In thousands)	Total Fair Value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	(In thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other (Level 2)
September 30, 2023									
March 31, 2024									
Assets:									
Assets:									
Assets:									
Residential mortgage loans held for sale	Residential mortgage loans held for sale	\$ 366	\$ —	\$ 366	\$ —				
Residential mortgage loans held for sale	Residential mortgage loans held for sale								
Residential mortgage loans held for sale	Residential mortgage loans held for sale								
Available for sale debt securities:	Available for sale debt securities:								
U.S. government and federal agency obligations	U.S. government and federal agency obligations								
U.S. government and federal agency obligations	U.S. government and federal agency obligations								
U.S. government and federal agency obligations	U.S. government and federal agency obligations	947,976	947,976	—	—				
Government-sponsored enterprise obligations	Government-sponsored enterprise obligations	40,593	—	40,593	—				
State and municipal obligations	State and municipal obligations	1,178,414	—	1,177,476	938				

Agency mortgage-backed securities	Agency mortgage-backed securities	3,792,567	—	3,792,567	—
Non-agency mortgage-backed securities	Non-agency mortgage-backed securities	1,137,448	—	1,137,448	—
Asset-backed securities	Asset-backed securities	2,313,545	—	2,313,545	—
Other debt securities	Other debt securities	450,285	—	450,285	—
Trading debt securities	Trading debt securities	35,564	—	35,564	—
Equity securities	Equity securities	5,453	5,453	—	—
Private equity investments	Private equity investments	165,322	—	—	165,322
Derivatives *	Derivatives *	112,182	—	112,136	46
Assets held in trust for deferred compensation plan	Assets held in trust for deferred compensation plan	18,859	18,859	—	—
Total assets	Total assets	10,198,574	972,288	9,059,980	166,306
Liabilities:	Liabilities:				
Derivatives *	Derivatives *	58,718	—	58,674	44
Derivatives *					
Derivatives *					
Liabilities held in trust for deferred compensation plan	Liabilities held in trust for deferred compensation plan	18,859	18,859	—	—
Total liabilities	Total liabilities \$	77,577 \$	18,859 \$	58,674 \$	44
December 31, 2022					
December 31, 2023					
Assets:					
Assets:					
Assets:	Assets:				
Residential mortgage loans held for sale	Residential mortgage loans held for sale	\$ —	\$ —	\$ —	\$ —
Residential mortgage loans held for sale					
Residential mortgage loans held for sale					
Available for sale debt securities:	Available for sale debt securities:				
U.S. government and federal agency obligations					
U.S. government and federal agency obligations					

U.S. government and federal agency obligations	U.S. government and federal agency obligations	1,035,406	1,035,406	—	—
Government-sponsored enterprise obligations	Government-sponsored enterprise obligations	43,108	—	43,108	—
State and municipal obligations	State and municipal obligations	1,767,109	—	1,765,268	1,841
Agency mortgage-backed securities	Agency mortgage-backed securities	4,308,427	—	4,308,427	—
Non-agency mortgage-backed securities	Non-agency mortgage-backed securities	1,211,607	—	1,211,607	—
Asset-backed securities	Asset-backed securities	3,397,801	—	3,397,801	—
Other debt securities	Other debt securities	474,858	—	474,858	—
Trading debt securities	Trading debt securities	43,523	—	43,523	—
Equity securities	Equity securities	6,210	6,210	—	—
Private equity investments	Private equity investments	178,127	—	—	178,127
Derivatives *	Derivatives *	60,492	—	60,458	34
Assets held in trust for deferred compensation plan	Assets held in trust for deferred compensation plan	17,856	17,856	—	—
Total assets	Total assets	12,544,524	1,059,472	11,305,050	180,002
Liabilities:	Liabilities:				
Derivatives *	Derivatives *	54,984	—	54,865	119
Derivatives *					
Derivatives *					
Liabilities held in trust for deferred compensation plan	Liabilities held in trust for deferred compensation plan	17,856	17,856	—	—
Total liabilities	Total liabilities \$	72,840 \$	17,856 \$	54,865 \$	119

* The fair value of each class of derivative is shown in Note 11.

The changes in the Company's significant Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

(In thousands)

For the three months ended September 30, 2023

Balance June 30, 2023

Total gains or losses (realized/unrealized):

Included in earnings

Included in other comprehensive income *

Sale/pay down of private equity investments

Capitalized interest/dividends

Balance September 30, 2023

Total gains or losses for the three months included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2023

*Total gains or losses for the three months included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets still held at September 30,

For the nine months ended September 30, 2023

Balance January 1, 2023

Total gains or losses (realized/unrealized):

Included in earnings

Included in other comprehensive income *

Investment securities called

Discount accretion

Purchases of private equity investments

Sale/pay down of private equity investments

Capitalized interest/dividends

Balance September 30, 2023

Total gains or losses for the nine months included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2023

*Total gains or losses for the nine months included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets still held at September 30,

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	State and Municipal Obligations	Private Equity Investments
(In thousands)	(In thousands)	(In thousands)

For the three months ended September 30, 2022

Balance June 30, 2022 \$ 1,816 \$ 161,771 \$163,587

For the three months ended March 31, 2024

Balance January 1, 2024

Balance January 1, 2024

Balance January 1, 2024

Total gains or losses (realized/unrealized):

Included in earnings

Included in earnings				
Included in earnings	Included in earnings	—	14,050	14,050
Included in other comprehensive income *	Included in other comprehensive income *	40	—	40
Discount accretion		2	—	2
Purchases of private equity investments				
Purchases of private equity investments				
Purchases of private equity investments	Purchases of private equity investments	—	899	899
Sale/pay down of private equity investments	Sale/pay down of private equity investments	—	(423)	(423)
Capitalized interest/dividends	Capitalized interest/dividends	—	44	44
Balance September 30, 2022		\$ 1,858	\$ 176,341	\$ 178,199
Total gains or losses for the three months included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2022				
		\$ —	\$ 14,050	\$ 14,050
*Total gains or losses for the three months included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2022				
		\$ 40	\$ —	\$ 40
For the nine months ended September 30, 2022				
Balance January 1, 2022		\$ 1,984	\$ 147,406	\$ 149,390
Balance at March 31, 2024				
Balance at March 31, 2024				
Balance at March 31, 2024				
Total gains or losses for the three months included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2024				
*Total gains or losses for the three months included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2024				
For the three months ended March 31, 2023				
Balance January 1, 2023				
Balance January 1, 2023				
Balance January 1, 2023				

Total gains or losses (realized/unrealized):	Total gains or losses (realized/unrealized):			
Included in earnings	Included in earnings	—	37,133	37,133
Included in earnings				
Included in earnings				
Included in other comprehensive income *	Included in other comprehensive income *	(130)	—	(130)
Investment securities called				
Discount accretion	Discount accretion	4	—	4
Purchases of private equity investments	Purchases of private equity investments	—	2,021	2,021
Sale/pay down of private equity investments	Sale/pay down of private equity investments	—	(10,263)	(10,263)
Capitalized interest/dividends		—	44	44
Balance September 30, 2022		\$ 1,858	\$ 176,341	\$ 178,199
Total gains or losses for the nine months included in earnings attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2022		\$ —	\$ 37,083	\$ 37,083
*Total gains or losses for the nine months included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets still held at September 30, 2022		\$ (130)	\$ —	\$ (130)

Balance at March 31, 2023

Balance at March 31, 2023

Balance at March 31, 2023

Total gains or
losses for the three
months included in
earnings
attributable to the
change in
unrealized gains or
losses relating to
assets still held at
March 31, 2023

*Total gains or
losses for the three
months included in
other
comprehensive
income attributable
to the change in
unrealized gains or
losses relating to
assets still held at
March 31, 2023

* Included in "net unrealized gains (losses) on available for sale debt securities" in the consolidated statements of comprehensive income.

Gains and losses included in earnings for the Company's significant Level 3 assets and liabilities in the previous table are reported in the following line items in the

(In thousands)

For the three months ended September 30, 2023 March 31, 2024

Total gains or losses included in earnings

Change in unrealized gains or losses relating to assets still held at September 30, 2023 March 31, 2024

For the nine three months ended September 30, 2023 March 31, 2023

Total gains or losses included in earnings

Change in unrealized gains or losses relating to assets still held at September 30, 2023 March 31, 2023

For the nine months ended September 30, 2022

Total gains or losses included in earnings

Change in unrealized gains or losses relating to assets still held at September 30, 2022

Level 3 Inputs

The Company's significant Level 3 measurements at September 30, 2023 March 31, 2024, which employ unobservable inputs that are readily quantifiable, pertain to subsidiaries. Information about these inputs is presented in the table below.

Quantitative Information about Level 3 Fair Value Measurements					
Measurements	Value Measurements		Weighted	Quantitative Information about Level 3 Fair Value Measurements	
	Valuation Technique	Unobservable Input		Valuation Technique	
		Range			
Private equity investments	Private equity investments	Market comparable EBITDA multiple	4.0 - 6.0	5.1	
Private equity investments					
Private equity investments					
Market comparable companies EBITDA multiple					

* Unobservable inputs were weighted by the relative fair value of the instruments.

Instruments Measured at Fair Value on a Nonrecurring Basis

For assets measured at fair value on a nonrecurring basis during the first nine three months of 2023 2024 and 2022, 2023, and still held as of September 30, 2023, the level of valuation inputs used to determine each adjustment, and the carrying value of the related individual

		Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
(In thousands)		Fair Value	
September 30, 2023			
Collateral dependent loans	\$	4,029	\$
Long-lived assets		1,894	
September 30, 2022			
Collateral dependent loans	\$	200	\$
Mortgage servicing rights		11,228	
Long-lived assets		480	
		Fair Value Measurements Using	

(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical		Significant Other Observable Inputs (Level 2)
		Assets		
		(Level 1)		
March 31, 2024				
Collateral dependent loans	\$	63	\$	—
March 31, 2023				
Collateral dependent loans	\$	1,819	\$	—

16. Fair Value of Financial Instruments

The carrying amounts and estimated fair values of financial instruments held by the Company are set forth below. Fair value estimates are made at a specific premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exist based on judgments regarding future expected loss experience, risk characteristics and economic conditions. These estimates are subjective, involve uncertainties significantly affect the estimates.

The estimated fair values of the Company's financial instruments and the classification of their fair value measurement within the valuation hierarchy are as follows: 31, 2023:

		Carrying Amount	Estimated Fair Value at September 30, 2023						
(In thousands)	Carrying Amount	(In thousands)	Level 1	Level 2	Level 3	Total	(In thousands)	Carrying Amount	Level 1
Financial Assets	Financial Assets	Carrying Amount							
Loans:	Loans:								
Loans:	Loans:								
Business	Business								
Business	Business								
Business	Business	\$ 5,908,330	\$ —	\$ —	\$ 5,733,548	\$ 5,733,548			
Real estate - construction and land	Real estate - construction and land	1,539,566	—	—	1,520,702	1,520,702			
Real estate - business	Real estate - business	3,647,168	—	—	3,486,455	3,486,455			
Real estate - personal	Real estate - personal	3,024,639	—	—	2,652,514	2,652,514			
Consumer	Consumer	2,125,804	—	—	2,059,484	2,059,484			
Revolving home equity	Revolving home equity	305,237	—	—	302,428	302,428			
Consumer credit card	Consumer credit card	574,829	—	—	540,766	540,766			
Overdrafts	Overdrafts	3,753	—	—	3,667	3,667			
Total loans	Total loans	17,129,326	—	—	16,299,564	16,299,564			
Loans held for sale	Loans held for sale	5,120	—	5,120	—	5,120			
Investment securities	Investment securities	10,132,637	953,429	8,947,478	231,730	10,132,637			
Federal funds sold		2,735	2,735	—	—	2,735			
Investment securities									
Investment securities									

Securities purchased under agreements to resell						
Securities purchased under agreements to resell						
Securities purchased under agreements to resell	Securities purchased under agreements to resell	450,000	—	—	439,056	439,056
Interest earning deposits with banks	Interest earning deposits with banks	1,847,641	1,847,641	—	—	1,847,641
Cash and due from banks	Cash and due from banks	358,010	358,010	—	—	358,010
Derivative instruments	Derivative instruments	112,182	—	112,136	46	112,182
Assets held in trust for deferred compensation plan	Assets held in trust for deferred compensation plan	18,859	18,859	—	—	18,859
Total	Total	\$30,056,510	\$ 3,180,674	\$9,064,734	\$16,970,396	\$29,215,804
Financial Liabilities						
Financial Liabilities						
Non-interest bearing deposits						
Non-interest bearing deposits						
Non-interest bearing deposits	Non-interest bearing deposits	\$ 7,961,402	\$ 7,961,402	\$ —	\$ —	\$ 7,961,402
Savings, interest checking and money market deposits	Savings, interest checking and money market deposits	14,154,275	14,154,275	—	—	14,154,275
Certificates of deposit	Certificates of deposit	2,974,780	—	—	3,003,240	3,003,240
Federal funds purchased	Federal funds purchased	506,355	506,355	—	—	506,355
Securities sold under agreements to repurchase	Securities sold under agreements to repurchase	2,238,826	—	—	2,241,706	2,241,706
Other borrowings	Other borrowings	503,547	—	3,547	500,000	503,547
Derivative instruments	Derivative instruments	58,718	—	58,674	44	58,718
Liabilities held in trust for deferred compensation plan	Liabilities held in trust for deferred compensation plan	18,859	18,859	—	—	18,859
Total	Total	\$28,416,762	\$22,640,891	\$ 62,221	\$ 5,744,990	\$28,448,102

		Carrying Amount	Estimated Fair Value at December 31, 2022						
(In thousands)	Carrying Amount	(In thousands)	Level 1	Level 2	Level 3	Total	(In thousands)	Carrying Amount	Level 1
Financial Assets	Financial Assets	Carrying Amount							
Loans:	Loans:								
Loans:	Loans:								
Business	Business								
Business	Business								
Business	Business	\$ 5,661,725	\$ —	\$ —	\$ 5,506,128	\$ 5,506,128			
Real estate - construction and land	Real estate - construction and land	1,361,095	—	—	1,347,328	1,347,328			
Real estate - business	Real estate - business	3,406,981	—	—	3,289,655	3,289,655			
Real estate - personal	Real estate - personal	2,918,078	—	—	2,654,423	2,654,423			
Consumer	Consumer	2,059,088	—	—	1,999,788	1,999,788			
Revolving home equity	Revolving home equity	297,207	—	—	295,005	295,005			
Consumer credit card	Consumer credit card	584,000	—	—	538,268	538,268			
Overdrafts	Overdrafts	14,957	—	—	14,666	14,666			
Total loans	Total loans	16,303,131	—	—	15,645,261	15,645,261			
Loans held for sale	Loans held for sale	4,964	—	4,964	—	4,964			
Investment securities	Investment securities	12,511,649	1,041,616	11,244,592	225,441	12,511,649			
Investment securities	Investment securities								
Federal funds sold	Federal funds sold	49,505	49,505	—	—	49,505			
Securities purchased under agreements to resell	Securities purchased under agreements to resell	825,000	—	—	795,574	795,574			
Interest earning deposits with banks	Interest earning deposits with banks	389,140	389,140	—	—	389,140			
Cash and due from banks	Cash and due from banks	452,496	452,496	—	—	452,496			
Derivative instruments	Derivative instruments	60,492	—	60,458	34	60,492			
Assets held in trust for deferred compensation plan	Assets held in trust for deferred compensation plan	17,856	17,856	—	—	17,856			
Total	Total	\$30,614,233	\$ 1,950,613	\$11,310,014	\$16,666,310	\$29,926,937			

Critical Accounting Estimates and Related Policies

The Company has identified certain policies as being critical because they require management to make particularly difficult, subjective and/or complex judgments that materially different amounts would be reported under different conditions or using different assumptions. These estimates and related policies are the Company's discussion of these estimates and related policies can be found in the sections captioned "Critical Accounting Policies" and "Allowance for Credit Losses on Loans" in the Discussion and Analysis of Financial Condition and Results of Operations included in the Company's 2022 2023 Annual Report on Form 10-K. There have been no changes to these critical accounting estimates and related policies during the period ended December 31, 2022 December 31, 2023.

Selected Financial Data

	Three Months		Nine Months	
	Ended September		Ended September	
	30		30	
Three Months				
Ended March 31				
Three Months				
Ended March 31				
Three Months				
Ended March 31				
	2023	2022	2023	2022

Per
Share
Data

Net income per
common share —
basic

Net income per
common share —
basic

Net
income
per
common
share —
basic

Net
income
per
common
share —
diluted

Cash
dividends
on
common
stock

Book
value per
common
share

Market
price

Selected
Ratios

		\$.96	\$.97	*	\$2.94	\$2.81	* \$
		.96	.97	*	2.93	2.81	* Net income per common share — diluted
		.270	.252	*	.810	.757	* Cash dividends on common stock
					20.90	18.91	* Book value per common share
					47.98	63.01	* Market price

(Based on average balance sheets) (Based on average balance sheets)

(Based on average balance sheets)

(Based on average balance sheets)

Loans to deposits

(1)

Loans to deposits

(1)

Loans to deposits Loans to deposits

(1) (1) 66.39 % 56.40 % 65.85 % 54.05 %

Non-interest bearing deposits to total deposits

Non-interest bearing deposits to total deposits 31.05 38.76 33.23 39.04

Equity to loans (1)

Equity to loans (1) 15.90 17.45 16.00 19.19

Equity to deposits deposits

Equity to deposits deposits 10.55 9.84 10.53 10.37

Equity to total assets

Equity to total assets 8.40 8.31 8.31 8.66

Return on total assets

Return on total assets 1.49 1.48 1.53 1.39

Return on equity

Return on equity 17.73 17.84 18.42 16.08

Return on equity

Return on equity

(Based on end-of-period data) (Based on end-of-period data)

Non-interest income to revenue

(2)

Non-interest income to revenue

(2)

Non-interest income to revenue

(2) (2) 36.51 35.99 36.35 37.34

Efficiency ratio (3)

Efficiency ratio (3) 58.15 55.19 57.62 57.48

69

Tier I common risk- based capital ratio	Tier I common risk- based capital ratio	15.11	13.97
Tier I risk- based capital ratio	Tier I risk- based capital ratio	15.11	13.97
Total risk- based capital ratio	Total risk- based capital ratio	15.90	14.69
Tangible common equity to tangible assets ratio ⁽⁴⁾	Tangible common equity to tangible assets ratio ⁽⁴⁾	7.78	6.80
Tier I leverage ratio	Tier I leverage ratio	10.87	9.87

* Restated for the 5% stock dividend distributed in December 2022, 2023.

(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 common equity to tangible assets ratio is a measurement which management believes is a useful indicator of capital adequacy and utilization.

It provides a meaningful basis for period to period and company to company comparisons, and also assists regulators, investors and analysts in analyzing the financial position of the Company. Tangible substitutes for, or superior to, data prepared in accordance with GAAP.

The following table is a reconciliation of the GAAP financial measures of total equity and total assets to the non-GAAP measures of total tangible common equity a

September 30			
March 31			
(Dollars in thousands)	(Dollars in thousands)	2023	2022
(Dollars in thousands)			
Total equity	Total equity	\$ 2,599,266	\$ 2,371,107
Less non-controlling interest	Less non-controlling interest	17,861	19,513
Less goodwill	Less goodwill		
Less goodwill	Less goodwill		
Less goodwill	Less goodwill	146,539	138,921
Less intangible assets*	Less intangible assets*	4,111	4,371
Total tangible common equity (a)	Total tangible common equity (a)	\$ 2,430,755	\$ 2,208,302
Total assets	Total assets	\$31,376,692	\$32,602,596
Less goodwill	Less goodwill	146,539	138,921

Less	Less		
intangible	intangible		
assets*	assets*	4,111	4,371

Total	Total		
tangible	tangible		
assets	assets		
(b)	(b)	\$31,226,042	\$32,459,304

Tangible	Tangible		
common	common		
equity to	equity to		
tangible	tangible		
assets	assets		
ratio	ratio		
(a)/(b)	(a)/(b)	7.78 %	6.80 %
		Tangible common equity to tangible assets ratio (a)/(b)	

* Intangible assets other than mortgage servicing rights.

Results of Operations

Summary

		Three Months Ended September 30			
(Dollars in thousands)	(Dollars in thousands)	2023	2022	% change	2021
(Dollars in thousands)					
(Dollars in thousands)					
Net interest income (expense)					
Net interest income (expense)					
Net interest income	Net interest income				
(expense)	(expense)	\$ 248,547	\$ 246,373	.9 %	\$ 246,373
Provision for credit losses	Provision for credit losses	(11,645)	(15,290)	23.8	(15,290)
Provision for credit losses					
Provision for credit losses					
Non-interest income					
Non-interest income					
Non-interest income	Non-interest income	142,949	138,514	3.2	138,514
Investment securities gains (losses), net	Investment securities gains (losses), net	4,298	3,410	26.0	3,410
Investment securities gains (losses), net					
Investment securities gains (losses), net					
Non-interest expense					
Non-interest expense					
Non-interest expense	Non-interest expense	(228,010)	(212,884)	7.1	(212,884)
Income taxes	Income taxes	(33,439)	(33,936)	(1.5)	(33,936)
Income taxes					
Income taxes					
Non-controlling interest income (expense)	Non-controlling interest income (expense)	(2,104)	(3,364)	(37.5)	(3,364)
Non-controlling interest income (expense)					
Non-controlling interest income (expense)					
Net income attributable to Commerce Bancshares, Inc.					

Net income attributable to Commerce Bancshares, Inc.					
Net income attributable to Commerce Bancshares, Inc.	Net income attributable to Commerce Bancshares, Inc.				
		\$	120,596	\$	122,823
				(1.8 %)	

For the quarter ended September 30, 2023 March 31, 2024, net income attributable to Commerce Bancshares, Inc. (net income) amounted to \$120.6 million \$112. the third first quarter of the previous year. For the current quarter, the annualized return on average assets was 1.49% 1.48%, the annualized return on average equ earnings per common share was \$.96 \$.86 per share in the current quarter, a decrease of 1.0% 5.5% compared to \$0.97 \$.91 per share in the third first quarter of 2 share in the previous quarter.

Compared to the third first quarter of last year, net interest income increased \$2.2 million decreased \$2.6 million, or .9% 1.0%, mainly due to increases an incre decrease was mainly offset by an increase in interest income on loans of \$40.9 million, and interest income on an increase in deposits with banks of \$85.0 millio increase in deposits and borrowings interest expense of \$96.3 million \$17.1 million. The provision for credit losses decreased \$3.6 million \$6.7 million, or 23.8% 5 increased \$4.4 million \$11.2 million, or 3.2% 8.2%, compared to the third first quarter of 2022, 2023, mainly due to an increase in trust fees and bank card deposit i brokerage services fees. Net gains losses on investment securities totaled \$4.3 million \$259 thousand in the current quarter compared to net gains losses of \$ gains losses in the current quarter primarily resulted from gains losses of \$5.6 million \$8.5 million related to the sales of available for sale debt securities, partly offset offset by \$1.2 million of net losses realized and \$969 thousand in gains on the sales of private equity investments. Non-interest expense increased \$15.1 \$21.6 millio employee benefits expense, higher data processing and software expense and higher FDIC insurance expense.

Net income for the first nine months of 2023 was \$367.8 million, an increase of \$11.1 million, or 3.1%, from the same period last year. Diluted earnings per comm same period last year. For the first nine months of 2023, the annualized return on average assets was 1.53%, the annualized return on average equity was 18.42% million, or 9.0%, over the same period last year. This growth was largely due to an increase of \$275.5 million in interest income on loans and an increase in interest partly offset by increases in interest expense on deposits and borrowings of \$243.9 million. The provision for credit losses was \$29.6 million for the first nine months i income increased \$18.5 million, or 4.5%, from the first nine months of last year mainly due to higher bank card fees, letters of credit fees, and cash sweep commi increased \$47.7 million, or 7.5% 9.6%, over the first nine months quarter of last year 2023, mainly due to increases in salaries and employee benefits expense, hig ("FDIC") insurance expense and higher data processing and software litigation settlement expense.

Net Interest Income

The following table summarizes the changes in net interest income on a fully taxable-equivalent basis, by major category of interest earning assets and interest b not solely due to volume or rate changes are allocated to rate.

Analysis of Changes in Net Interest Income

		Three Months Ended March 31, 2024 vs. 2023			
		Three Months Ended March 31, 2024 vs. 2023			
		Three Months Ended March 31, 2024 vs. 2023			
		Three Months Ended September 30, 2023 vs. 2022			
		Change due to			
(In thousands)	(In thousands)	Average Volume	Average Rate	Total	Average Volume
(In thousands)					
(In thousands)					
Interest income, fully taxable equivalent basis:					
Interest income, fully taxable equivalent basis:					
Interest income, fully taxable equivalent basis:	Interest income, fully taxable equivalent basis:				
Loans:	Loans:				
Loans:					
Loans:					
Business					

	Business								
Business	Business	\$	5,165	\$	27,126	\$	32,291	\$	10,5
Real estate - construction and land	Real estate - construction and land		2,924		11,013		13,937		7,9
Real estate - construction and land									
Real estate - construction and land									
Real estate - business									
Real estate - business									
Real estate - business	Real estate - business		4,257		15,858		20,115		10,9
Real estate - personal	Real estate - personal		1,254		2,807		4,061		3,3
Real estate - personal									
Real estate - personal									
Consumer									
Consumer									
Consumer	Consumer		7		9,513		9,520		5
Revolving home equity	Revolving home equity		281		2,253		2,534		7
Revolving home equity									
Revolving home equity									
Consumer credit card									
Consumer credit card									
Consumer credit card	Consumer credit card		425		2,434		2,859		1,3
Overdrafts	Overdrafts		—		—		—		
Overdrafts									
Overdrafts									
Total interest on loans									
Total interest on loans									
Total interest on loans	Total interest on loans		14,313		71,004		85,317		35,4
Loans held for sale	Loans held for sale		(33)		26		(7)		(
Loans held for sale									
Loans held for sale									
Investment securities:									
Investment securities:									
Investment securities: Investment securities:									
U.S. government and federal agency securities	U.S. government and federal agency securities		(1,445)		(5,469)		(6,914)		(2,3
U.S. government and federal agency securities									
U.S. government and federal agency securities									
Government-sponsored enterprise obligations									
Government-sponsored enterprise obligations									
Government-sponsored enterprise obligations	Government-sponsored enterprise obligations		—		(1)		(1)		2
State and municipal obligations	State and municipal obligations		(3,788)		(1,147)		(4,935)		(8,7

State and municipal obligations					
State and municipal obligations					
Mortgage-backed securities					
Mortgage-backed securities					
Mortgage-backed securities	Mortgage-backed securities	(3,340)	1,959	(1,381)	(11.7)
Asset-backed securities	Asset-backed securities	(5,379)	3,726	(1,653)	(11.0)
Asset-backed securities					
Asset-backed securities					
Other securities					
Other securities					
Other securities	Other securities	391	3,467	3,858	3.4
Total interest on investment securities	Total interest on investment securities	(13,561)	2,535	(11,026)	(30.2)
Total interest on investment securities					
Total interest on investment securities					
Federal funds sold					
Federal funds sold					
Federal funds sold	Federal funds sold	(75)	26	(49)	1
Securities purchased under agreements to resell	Securities purchased under agreements to resell	(2,891)	647	(2,244)	(8.0)
Securities purchased under agreements to resell					
Securities purchased under agreements to resell					
Interest earning deposits with banks					
Interest earning deposits with banks					
Interest earning deposits with banks	Interest earning deposits with banks	7,699	18,468	26,167	1.1
Total interest income	Total interest income	5,452	92,706	98,158	(1.5)
Total interest income					
Total interest income					
Interest expense:					
Interest expense:					
Interest expense:					
Interest expense:					
Deposits:	Deposits:				
Deposits:					
Deposits:					
Savings					
Savings					
Savings	Savings	(16)	33	17	(
Interest checking and money market	Interest checking and money market	(2,054)	38,287	36,233	(2.8)
Interest checking and money market					
Interest checking and money market					
Certificates of deposit of less than \$100,000					
Certificates of deposit of less than \$100,000					
Certificates of deposit of less than \$100,000	Certificates of deposit of less than \$100,000	196	14,892	15,088	2

Certificates of deposit of \$100,000 and over	Certificates of deposit of \$100,000 and over	2,153	15,918	18,071	1,2
Certificates of deposit of \$100,000 and over	Certificates of deposit of \$100,000 and over				
Certificates of deposit of \$100,000 and over	Certificates of deposit of \$100,000 and over				
Total interest on deposits	Total interest on deposits				
Total interest on deposits	Total interest on deposits				
Total interest on deposits	Total interest on deposits	279	69,130	69,409	(1,3
Federal funds purchased	Federal funds purchased	2,776	3,742	6,518	3,8
Federal funds purchased	Federal funds purchased				
Federal funds purchased	Federal funds purchased				
Securities sold under agreements to repurchase	Securities sold under agreements to repurchase				
Securities sold under agreements to repurchase	Securities sold under agreements to repurchase				
Securities sold under agreements to repurchase	Securities sold under agreements to repurchase				
Other borrowings	Other borrowings	4,490	4,661	9,151	18,5
Other borrowings	Other borrowings				
Other borrowings	Other borrowings				
Total interest expense	Total interest expense				
Total interest expense	Total interest expense				
Total interest expense	Total interest expense	7,832	88,101	95,933	20,5
Net interest income, tax equivalent basis	Net interest income, tax equivalent basis	(2,380)	\$ 4,605	\$ 2,225	\$ (22,1
Net interest income, tax equivalent basis	Net interest income, tax equivalent basis				
Net interest income, tax equivalent basis	Net interest income, tax equivalent basis				

Net interest income in the **third** first quarter of **2023** **2024** was **\$248.5 million** **\$249.0 million**, an increase a decrease of \$2.2 million over \$2.6 million from the **third** interest income totaled **\$251.0 million** **\$251.3 million** in the **third** first quarter of 2023, up \$2.2 million over 2024, down \$2.1 million from the same period last year. The increase in net interest income compared to the **third** first quarter of **2022** **2023** was mainly due to higher deposit interest expense of \$55.7 million and lower interest income earned on loans (FTE) of **\$85.3 million** **\$41.2 million** and balances at the Federal Reserve of \$26.2 million, partly offset by higher **\$17.7 million** rates paid, while interest earned on deposits and borrowings of \$95.9 million. Investment securities (FTE) declined mainly due to lower average balances. The increase in interest income on all loan products, especially commercial loans, many of which have variable rates, coupled with higher average balances. The increase in interest earned on balances was primarily due to higher rates paid on deposits and borrowings. The Company's net yield on earning assets (FTE) was **3.1%** in the third quarter of **2022**, **2023**.

Total interest income (FTE) increased **\$98.2 million** **\$49.6 million** over the **third** first quarter of **2022**, **2023**. Interest income on loans (FTE) was **\$257.7 million** **\$249.0 million** **\$41.2 million**, or **49.5%** **18.3%**, over the same quarter last year. The increase in interest income over the same quarter of last year was primarily due to an increase in interest income earned on loans (FTE) of **\$85.3 million** **\$41.2 million**, in average loan balances. Most of the increase in interest income occurred in the business, business real estate and construction in business loan interest, which grew **\$32.3 million** **\$14.6 million** due to a **183** **76** basis point increase in the average rate earned, coupled with growth in average balances. Total interest income increased **\$20.1 million** **\$9.6 million** due to an increase of **173** **61** basis points in the average rate earned and higher average balances of **\$383.3 million**. Interest income grew **\$6.1 million** due to a 109 basis point increase in the average rate earned. In addition, construction and land loan interest income increased \$5.3 million (FTE) due to higher average loan balances of \$61.7 million, or 4.4%. Personal real estate loan interest income grew **\$13.9 million** **\$3.7 million** due to a **290** **34** basis point increase in the average loan balances. In addition, consumer loan interest increased \$9.5 million due to an increase of 180 basis points in the average rate earned, while consumer loan interest income increased \$4.1 million due to a 37 basis point increase in the average rate earned and growth in average balances.

Interest income on investment securities (FTE) was **\$70.3 million** **\$66.7 million** during the **third** first quarter of **2023**, **2024**, which was a decrease of **\$11.0 million** **\$11.0 million** from the third quarter of 2023. The decrease occurred mainly in interest earned on asset-backed securities and state and municipal securities. Interest income earned on asset-backed securities declined \$3.6 million (FTE) due to a decline in the average rate earned, offset by an increase of 38 basis points in the average rate earned. Interest income earned on state and municipal securities declined \$3.5 million due to lower average balances. Interest income earned on U.S. government and federal agency obligations which declined \$6.9 million **\$736 thousand** due to a **\$247.4 million**, or **18** **18** basis points in the average rate earned. Interest income on related to the Company's U.S. Treasury inflation-protected securities, (TIPS). Interest income related to TIPS declined \$6.0 million **\$584 thousand** from the same quarter last year. Interest income earned on state and municipal securities declined \$4.9 million due to a decline in the average rate earned. Interest income earned on mortgage-backed securities decreased \$1.4 million **\$742 thousand** mainly due to a decline in the average rate earned. In addition, a **\$1.3 million** **\$2.0 million** increase in premium amortization, reflecting slower forward prepayment speed estimates was recorded in the current quarter. Interest income earned on asset-backed securities decreased \$1.7 million due to lower average balances of \$1.3 billion, or 34.0%, from the third quarter of 2023.

These decreases to interest income were partly offset by growth in interest income on other securities of ~~\$3.9 million~~ \$3.2 million, mainly driven by a \$2.3 million investment investments in the third first quarter of 2023, 2024. Additionally, the average rate earned on investment securities during the three months ended September period in the prior year. The average balance of the total investment portfolio (excluding unrealized fair value adjustments on available for sale debt securities) was ~~\$14.8 billion~~ \$13.5 billion in the third first quarter of 2022, 2023.

Interest income on securities purchased under agreements to resell decreased ~~\$2.2 million~~ \$2.3 million from the same quarter last year, due to a decline of ~~\$666.9~~ 36 basis points in the average rate earned. balance. Interest income on balances at the Federal Reserve grew ~~\$26.2 million~~ \$17.1 million due to an increase of ~~314.8~~ billion in the average balance invested.

The average fully taxable-equivalent yield on total interest earning assets was ~~4.51%~~ 4.78% in the third first quarter of 2023, 2024, up from ~~3.21%~~ 4.00% in the third

Total interest expense increased ~~\$95.9 million~~ \$51.7 million compared to the third first quarter of 2022 2023 due to increases an increase of ~~\$69.4 million~~ \$55.7 million offset by a ~~\$3.9 million decrease in interest expense~~ on borrowings. The increase in deposit interest expense resulted mainly from an increase of ~~\$36.2 million~~ \$35.4 accounts due to a ~~113~~ 108 basis point increase in the average rate paid, slightly offset by lower average balances of \$1.4 billion, or 9.5%. paid. In addition, interest expense due to an increase of ~~383~~ 194 basis points in the average rate paid and an increase in average balances of ~~\$2.2 billion~~ \$1.3 billion. A portion of this increase was due basis points over the Company during the second same quarter of 2023. The brokered deposits consist of short-term certificates of deposit less than \$100 thousand. Interest expense on borrowings was higher due to an increase of \$10.9 million in interest expense on customer repurchase agreements resulting from an increase of purchased increased \$6.5 million mainly ~~\$3.9 million~~ due to a ~~292~~ 50 basis point increase in the average rate paid and a ~~\$456.9 million~~ \$93.2 million increase in the offset by lower interest expense on other borrowings of \$6.7 million due to a decrease of \$550.0 million in average Federal Home Loan Bank (FHLB) borrowings. In million mainly due to a \$165.5 million decrease in the average balance, partly offset by an increase in the average rate paid of 83 basis points. The

FHLB borrowings increased \$684.2 million and resulted in an increase of \$9.2 million in interest expense. The overall average rate incurred on all interest bearing liabilities and 2023, and 2022, respectively.

Net interest income (FTE) for the first nine months of 2023 was \$756.1 million compared to \$695.1 million for the same period in 2022. For the first nine months of period in 2022.

Total interest income (FTE) for the first nine months of 2023 increased \$61.0 million over the same period last year mainly due to higher interest income on loans expense on deposit and borrowings and lower interest income on investment securities (FTE). Loan interest income (FTE) increased \$276.5 million, or 61.6%, due to 8.0%, increase in average loan balances. Most of the increase occurred in the business, business real estate and construction loan categories, but interest income average loan balances. Interest income on investment securities (FTE) decreased \$29.1 million due to a \$2.5 billion decrease in average balances, slightly offset by a government and federal agency obligations decreased \$16.0 million, mainly due to lower TIPS interest income. Interest income earned on state and municipal securities rates earned. Interest earned on mortgage-backed securities decreased \$7.0 million due to lower average balances, partly offset by higher average rates earned, while average rates earned, partly offset by lower average balances. Interest income on securities purchased under agreements to resell decreased \$3.9 million due to income on balances at the Federal Reserve increased \$61.2 million mainly due to higher average rates earned.

Total interest expense for the first nine months of 2023 increased \$244.2 million compared to the same period last year. Interest expense on deposits increased Interest expense on borrowings increased \$97.3 million, mainly due to higher rates paid on federal funds purchased and customer repurchase agreements, as well as The overall cost of total interest bearing liabilities increased to 1.74% compared to .17% in the same period last year.

Summaries of average assets and liabilities and the corresponding average rates earned/paid appear on the last page of this discussion.

Non-Interest Income

		Three Months Ended September 30		Increase (Decrease)		Nine Months
(Dollars in thousands)	(Dollars in thousands)	2023	2022	Amount	% change	2023
(Dollars in thousands)						
(Dollars in thousands)						
Trust fees						
Trust fees						
Trust fees						
Bank card	Bank card					
transaction fees	transaction fees	\$ 46,899	\$ 45,638	\$ 1,261	2.8 %	\$ 143,2
Trust fees		49,207	45,406	3,801	8.4	141,8
Bank card transaction fees						

Bank card transaction fees							
Deposit account charges and other fees							
Deposit account charges and other fees							
Deposit account charges and other fees	Deposit account charges and other fees	23,090		24,521	(1,431)	(5.8)	67,4
Consumer brokerage services							
Consumer brokerage services	Consumer brokerage services	3,820		5,085	(1,265)	(24.9)	13,5
Consumer brokerage services							
Consumer brokerage services							
Capital market fees							
Capital market fees							
Capital market fees	Capital market fees	2,410		3,393	(983)	(29.0)	8,3
Loan fees and sales							
Loan fees and sales	Loan fees and sales	2,966		3,094	(128)	(4.1)	8,2
Loan fees and sales							
Loan fees and sales							
Other							
Other							
Other	Other	14,557		11,377	3,180	28.0	45,4
Total non-interest income	Total non-interest income \$	142,949	\$	138,514	\$	4,435	3.2 % \$ 428,1
Total non-interest income							
Total non-interest income							
Non-interest income as a % of total revenue*	Non-interest income as a % of total revenue*	36.5 %		36.0 %			36.4 %
Non-interest income as a % of total revenue*							
Non-interest income as a % of total revenue*							

* Total revenue includes net interest income and non-interest income.

The table below is a summary of net bank card transaction fees for the three and nine month periods ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**.

Three Months Ended September 30							
Three Months Ended March 31							
Three Months Ended March 31							
Three Months Ended March 31							
(Dollars in thousands)							
(Dollars in thousands)							
(Dollars in thousands)	(Dollars in thousands)	2023		2022	\$ change	% change	2023
Net debit card fees	Net debit card fees \$	11,089	\$	10,508	\$	581	5.5 % \$ 32,716
Net debit card fees							
Net debit card fees							
Net credit card fees							
Net credit card fees							

Net credit card fees	Net credit card fees	3,430	3,597	(167)	(4.6)	10,916
Net merchant fees	Net merchant fees	5,859	5,232	627	12.0	16,569
Net merchant fees						
Net merchant fees						
Net corporate card fees						
Net corporate card fees						
Net corporate card fees	Net corporate card fees	26,521	26,301	220	.8	83,077
Total bank card transaction fees	Total bank card transaction fees	\$ 46,899	\$ 45,638	\$ 1,261	2.8 %	\$ 143,278
Total bank card transaction fees						
Total bank card transaction fees						

For the **third** first quarter of **2023**, **2024**, total non-interest income amounted to **\$142.9 million** **\$148.8 million** compared to **\$138.5 million** **\$137.6 million** in the same period, or **3.2%** **8.2%**. The increase was mainly due to higher trust fees, and net bank card fees, partly offset by lower deposit account fees consumer brokerage services and **12.7%**, mainly due to growth of \$4.9 million in private client trust fees and \$714 thousand in institutional trust fees. Bank card transaction fees for the current quarter year, mainly due to growth of \$627 thousand in net merchant corporate card fees and \$581 thousand in net debit card fees. The growth of \$164 thousand in net merchant fees, partly offset by higher rewards expense. Net debit card fees increased \$118 thousand mainly due to lower network expense. Net corporate card fees increase interchange fees, while net credit card fees decreased due to lower interchange fees. Trust fees increased \$3.8 million, or 8.4%, mainly due to higher private client trust fees. Net interest income decreased \$1.4 million increased \$2.4 million, or **5.8%** **11.0%**, mainly due to lower overdraft and return item fees, partly offset by higher corporate cash management fees. Net interest income decreased \$677 thousand mainly due to lower variable annuity and advisory fees, while capital market fees decreased \$983 increased \$530 thousand, or **29.0%** **18.5%**, mainly due to growth of \$942 **\$1.5 million** in tax credit sales income and **\$731** thousand in bond underwriting fees and gains on the sale of real estate of

Non-interest income for the first nine months of 2023 was \$428.2 million compared to \$409.7 million in the first nine months of 2022, which was an increase of \$18.5 million, or 4.5%, mainly due to higher trust fees, and net bank card fees, partly offset by lower deposit account fees, capital market fees and loan fees and sales. Bank card transaction fees for the current quarter year, mainly due to growth of \$8.3 million in net corporate card fees and \$2.1 million in net debit card fees. Trust fees increased \$1.8 million, or 1.3%, mainly due to higher private client trust fees. Net interest income decreased \$1.4 million increased \$2.4 million, or 5.8%, 11.0%, mainly due to lower overdraft and return item fees, partly offset by higher corporate cash management fees and personal deposit account fees. Capital market fees decreased \$983 thousand, or 29.0%, mainly due to lower variable annuity and advisory fees, while capital market fees decreased \$983 increased \$530 thousand, or 29.0%, 18.5%, mainly due to growth of \$942 \$1.5 million in tax credit sales income and \$731 thousand in bond underwriting fees and gains on the sale of real estate of

Investment Securities Gains (Losses), Net

		Three Months Ended September 30	
		Three Months Ended March 31	
		Three Months Ended March 31	
		Three Months Ended March 31	
(In thousands)	(In thousands)	2023	2022
(In thousands)			
(In thousands)			
Net gains (losses) on sales of available for sale debt securities			
Net gains (losses) on sales of available for sale debt securities			
Net gains (losses) on sales of available for sale debt securities			
Net gains (losses) on sales of available for sale debt securities			
Fair value adjustments on equity securities, net	Fair value adjustments on equity securities, net	(67)	(25)
Fair value adjustments on equity securities, net			
Fair value adjustments on equity securities, net			

Equipment							
Equipment							
Equipment	Equipment	4,697	5,036	(339)	(6.7)		14,411
Supplies and communication	Supplies and communication	4,963	4,581	382	8.3		14,178
Supplies and communication							
Supplies and communication							
Marketing							
Marketing							
Marketing							
Other							
Other							
Other	Other	20,686	19,052	1,634	8.6		69,207
Total non-interest expense	Total non-interest expense	\$ 228,010	\$ 212,884	\$ 15,126	7.1 %	\$	679,728
Total non-interest expense							
Total non-interest expense							

Non-interest expense for the third first quarter of 2023 2024 amounted to \$228.0 million \$245.7 million, an increase of \$15.1 million \$21.6 million, or 7.1% 9.6%, compared to last year. The increase in expense over the same period last year was mainly due to litigation settlement expense as well as higher salaries and employee benefits expense, FDIC insurance expense and occupancy partly offset by lower marketing expense. Salaries and employees benefits expense increased \$6.8 million \$7.4 million \$5.8 million, or 6.9%. Employee 6.2%, and higher employee benefits expense totaled \$21.5 million, reflecting growth of \$2.6 million \$1.3 million, or 13.6%, mainly due to increased costs for service providers. Occupancy expense increased \$1.4 million, \$815 thousand, or 11.2% 6.4%, mainly due to higher depreciation expense. Equipment income, while marketing expense decreased \$339 thousand, declined \$1.4 million, or 6.7% 26.2%. Deposit insurance increased \$3.4 million, due to assessment by the FDIC to replenish the Deposit Insurance Fund. Other non-interest expense increased \$8.1 million, or 42.0%, mainly due to lower equipment depreciation expense of \$382 thousand, or 8.3%, mainly due to higher postage, statement, and plastic expense. Other non-interest expense increased \$1.6 million, or 8.6%, mainly due to \$1.3 million and \$982 thousand, respectively.

Non-interest expense amounted to \$679.7 million for the first nine months of 2023, an increase of \$47.7 million, or 7.5%, over the first nine months of 2022. Salaries and employee benefits expense increased \$15.1 million, or 7.1%, mainly due to higher full-time salaries expense, healthcare expense and payroll taxes, partly offset by lower incentive compensation expense, largely the result of a \$5.4 million decrease in bonus expense. Marketing expense decreased \$402 thousand, or 2.2%, while supplies and communication expense increased \$4.9 million, or 5.9%, due to increased costs for service providers and higher bank card processing fees. Occupancy expense and real estate taxes, partly offset by higher external rent income. Marketing expense decreased \$402 thousand, or 2.2%, while supplies and communication expense increased \$4.9 million, or 5.9%, due to increased costs for service providers and higher bank card processing fees. Occupancy expense and real estate taxes, partly offset by higher external rent income. Marketing expense decreased \$402 thousand, or 2.2%, while supplies and communication expense increased \$4.9 million, or 5.9%, due to increased costs for service providers and higher bank card processing fees. Other non-interest expense increased \$19.2 million, or 38.4%, mainly due to higher FDIC insurance litigation settlement expense and pension plan expense. In addition, an increase \$10.0 million, net of \$6.0 million in fair value equity adjustments were recorded on the Consolidated Statement of Income relating to the transition of Commerce Financial Advisors support to LPL Financial's Institution Services platform were recorded in the second quarter of 2023. Insurance expense increased \$1.6 million, or 8.6%, mainly due to \$1.3 million and \$982 thousand, respectively.

Provision and Allowance for Credit Losses on Loans and Liability for Unfunded Lending Commitments

		Three Months Ended		
(In thousands)	(In thousands)	Sept. 30, 2023	June 30, 2023	Sept. 30, 2022
(In thousands)				
(In thousands)				
(In thousands)				
ALLOWANCE FOR CREDIT LOSSES ON LOANS				
ALLOWANCE FOR CREDIT LOSSES ON LOANS				
ALLOWANCE FOR CREDIT LOSSES ON LOANS	ALLOWANCE FOR CREDIT LOSSES ON LOANS			
Balance at beginning of period	Balance at beginning of period	\$ 158,685	\$ 159,317	\$ 138,039
Balance at beginning of period				
Balance at beginning of period				

	Provision for credit losses on loans				
	Provision for credit losses on loans				
	Provision for credit losses on loans	Provision for credit losses on loans	13,343	5,864	10,150
	Net loan charge-offs (recoveries):	Net loan charge-offs (recoveries):			
	Net loan charge-offs (recoveries):				
	Net loan charge-offs (recoveries):				
	Commercial:				
	Commercial:				
	Commercial:	Commercial:	2,613	165	461
	Business	Business			
	Business				
	Business				
	Real estate-construction and land				
	Real estate-construction and land				
	Real estate-construction and land	Real estate-construction and land	—	(115)	—
	Real estate-business	Real estate-business	(15)	(5)	(8)
	Real estate-business				
	Real estate-business				
	Commercial net loan charge-offs (recoveries)				
	Commercial net loan charge-offs (recoveries)				
	Commercial net loan charge-offs (recoveries)	Commercial net loan charge-offs (recoveries)	2,598	45	453
	Personal Banking:	Personal Banking:			
	Personal Banking:				
	Personal Banking:				
	Real estate-personal				
	Real estate-personal				
	Real estate-personal	Real estate-personal	(9)	(6)	(15)
	Consumer	Consumer	1,797	1,273	827
	Consumer				
	Consumer				
	Revolving home equity				
	Revolving home equity				
	Revolving home equity	Revolving home equity	(1)	(20)	(38)
	Consumer credit card	Consumer credit card	4,716	4,687	2,882
	Consumer credit card				
	Consumer credit card				
	Overdrafts				
	Overdrafts				
	Overdrafts	Overdrafts	683	517	703
	Personal banking net loan charge-offs (recoveries)	Personal banking net loan charge-offs (recoveries)	7,186	6,451	4,359
	Personal banking net loan charge-offs (recoveries)				
	Personal banking net loan charge-offs (recoveries)				
	Total net loan charge-offs (recoveries)				
	Total net loan charge-offs (recoveries)				
	Total net loan charge-offs (recoveries)	Total net loan charge-offs (recoveries)	9,784	6,496	4,812
	Balance at end of period	Balance at end of period	\$ 162,244	\$ 158,685	\$ 143,377

Balance at end of period				
Balance at end of period				
LIABILITY FOR UNFUNDED LENDING COMMITMENTS				
LIABILITY FOR UNFUNDED LENDING COMMITMENTS				
LIABILITY FOR UNFUNDED LENDING COMMITMENTS	LIABILITY FOR UNFUNDED LENDING COMMITMENTS			
Balance at beginning of period	Balance at beginning of period	29,235	28,628	24,907
Balance at beginning of period				
Balance at beginning of period				
Provision for credit losses on unfunded lending commitments				
Provision for credit losses on unfunded lending commitments				
Provision for credit losses on unfunded lending commitments	Provision for credit losses on unfunded lending commitments	(1,698)	607	5,140
Balance at end of period	Balance at end of period	27,537	29,235	30,047
Balance at end of period				
Balance at end of period				
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS	ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS	\$ 189,781	\$ 187,920	\$ 173,424
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS				
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS				
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS				
		Three Months Ended		
		Sept. 30, 2023	June 30, 2023	Sept. 30, 2022
		Mar. 31, 2024		
		Mar. 31, 2024		
		Mar. 31, 2024		
Annualized net loan charge-offs (recoveries)*:				
Annualized net loan charge-offs (recoveries)*:				
Annualized net loan charge-offs (recoveries)*:	Annualized net loan charge-offs (recoveries)*:			
Commercial:	Commercial:			
Commercial:				
Commercial:				
Business				
Business				
Business	Business	.18 %	.01 %	.03 %
Real estate-construction and land	Real estate-construction and land	—	(.03)	—

Real estate-construction and land			
Real estate-construction and land			
Real estate-business			
Real estate-business			
Real estate-business	Real estate-business	—	—
Commercial net loan charge-offs (recoveries)	Commercial net loan charge-offs (recoveries)	.09	.02
Commercial net loan charge-offs (recoveries)			
Commercial net loan charge-offs (recoveries)			
Personal Banking:			
Personal Banking:			
Personal Banking:	Personal Banking:		
Real estate-personal	Real estate-personal	—	—
Real estate-personal			
Real estate-personal			
Consumer			
Consumer			
Consumer	Consumer	.34	.16
Revolving home equity	Revolving home equity	—	(.05)
Revolving home equity			
Revolving home equity			
Consumer credit card			
Consumer credit card			
Consumer credit card	Consumer credit card	3.32	2.08
Overdrafts	Overdrafts	50.73	62.85
Overdrafts			
Overdrafts			
Personal banking net loan charge-offs (recoveries)			
Personal banking net loan charge-offs (recoveries)			
Personal banking net loan charge-offs (recoveries)	Personal banking net loan charge-offs (recoveries)	.48	.30
Total annualized net loan charge-offs (recoveries)	Total annualized net loan charge-offs (recoveries)	.23 %	.12 %
Total annualized net loan charge-offs (recoveries)			
Total annualized net loan charge-offs (recoveries)			

* as a percentage of average loans (excluding loans held for sale)

To determine the amount of the allowance for credit losses on loans and the liability for unfunded lending commitments, the Company has an established process provides an allowance based on estimates of allowances for pools of loans and unfunded lending commitments, as well as a second, smaller component based on c Company's policies and processes for determining the allowance for credit losses on loans and the liability for unfunded lending commitments are discussed in Note Losses" discussion within *Critical Accounting Estimates and Related Policies* in Item 7 of the 2022 2023 Annual Report on Form 10-K.

Net loan charge-offs in the third first quarter of 2023 2024 amounted to \$9.8 million \$8.9 million, compared to \$6.5 million \$8.0 million in the prior quarter and \$4.8 n period last year, total net loan charge-offs in the third first quarter of 2023 2024 increased \$5.0 million \$2.1 million and increased \$3.3 million \$858 thousand from tl increases in net charge-offs on business, consumer credit cards and consumer loans of \$2.2 million, \$1.8 million, \$2.1 million and \$970 \$708 thousand, respectively charge-offs on business consumer credit cards and consumer loans.

For the three months ended September 30, 2023 March 31, 2024, annualized net charge-offs on average consumer credit card loans were 3.32% 4.60%, comp period last year. Consumer loan annualized net charge-offs in the current quarter amounted to .34% .38%, compared to .24% .36% in the prior quarter and .16% .2 annualized net loan charge-offs were .23% .21%, compared to .16% .19% in the previous quarter and .12% .17% in the same period last year.

Non-performing assets as a percentage of total assets	Non-performing assets as a percentage of total assets			Non-performing assets as a percentage of total assets
		.03 %	.03 %	

Total loans past due 90 days and still accruing interest	Total loans past due 90 days and still accruing interest		
		\$ 18,580	\$ 15,830

Total loans past due 90 days and still accruing interest

Total loans past due 90 days and still accruing interest

Non-accrual loans totaled **\$8.2 million** **\$5.8 million** at **September 30, 2023** **March 31, 2024**, a decrease of \$97 thousand **\$1.5 million** from the balance at **December 31, 2023** and business personal real estate non-accrual loans, which decreased \$149 thousand **\$2.6 million** and **\$113** **\$130** thousand, respectively. These decreases were partially offset by an increase in non-accrual loans. At **September 30, 2023** **March 31, 2024**, non-accrual loans were comprised of business (80.4% revolving home equity (34.2%), personal real estate (0.9%) (17.9%) loans. Foreclosed real estate totaled **\$114** **\$206** thousand at **September 30, 2023** **March 31, 2024**, a slight increase decrease compared to **December 31, 2023** and still accruing interest were **\$18.6 million** **\$20.3 million** as of **September 30, 2023** **March 31, 2024**, an increase a decrease of **\$2.8 million** **\$1.6 million** from **December 31, 2023** and loans past due 90 days and still accruing interest are shown in the "Delinquent and non-accrual loans" section in Note 2 to the consolidated financial statements.

In addition to the non-performing and past due loans mentioned above, the Company also has identified loans for which management has concerns about the ability to collect on the loans under the Company's internal rating system. The loans are generally secured by either real estate or other borrower assets, reducing the potential for loss. Such loans totaled **\$219.4 million** **\$267.0 million** at **September 30, 2023** **March 31, 2024**, resulting in a decrease an increase of **\$40.4 million** **\$50.6 million**, or **15.5%** **23.4%**.

(In thousands)	(In thousands)	September 30, 2023	December 31, 2022	(In thousands)	March 31, 2024
Potential problem loans:	Potential problem loans:				
Business	Business				
Business	Business	\$ 52,642	\$ 29,455		
Real estate	Real estate				
–	–				
construction and land	construction and land	4,027	47,493		
Real estate – business	Real estate – business	162,134	182,526		
Real estate – personal	Real estate – personal	569	250		
Total potential problem loans	Total potential problem loans	\$ 219,372	\$ 259,724		
Total potential problem loans	Total potential problem loans				
Total potential problem loans	Total potential problem loans				

When borrowers are experiencing financial difficulty, the Company may agree to modify the contractual terms of a loan to a borrower in order to assist the borrower. At September 30, 2023, the Company held \$129.0 million of loans that had been modified during the nine months ended September 30, 2023. At March 31, 2024, the Company held \$32.9 million of loans that had been modified during the nine months ended March 31, 2024.

are further discussed in the "Modifications for borrowers experiencing financial difficulty" section in Note 2 to the consolidated financial statements.

Loans with Special Risk Characteristics

Management relies primarily on an internal risk rating system, in addition to delinquency status, to assess risk in the loan portfolio, and these statistics are presented for loans considered at high risk of loss due to their terms, location, or special conditions. Additional information about the major types of loans in these categories and their LTV ratios was generally calculated with valuations at loan origination date. The Company normally obtains an updated appraisal or valuation at the time a loan is in the process of being foreclosed upon.

Real Estate – Construction and Land Loans

The Company's portfolio of construction and land loans, as shown in the table below, amounted to 9.0% of total loans outstanding at September 30, 2023 and 8.7% of total loans outstanding at March 31, 2024. Commercial construction, which increased \$183.3 million during the nine months ended September 30, 2023, amounted to \$376.0 million at September 30, 2023, or 28.8% of the commercial construction loan portfolio, compared to \$303.5 million at March 31, 2023, or 27.0% of the commercial construction loan portfolio.

		September		% of Total Loans	December		% of Total Loans	March 31,	
(Dollars in thousands)	(Dollars in thousands)	30, 2023	% of Total		31, 2022	% of Total		2024	(Dollars in thousands)
Commercial construction	Commercial construction	\$1,305,397	84.8 %	7.6 %	\$1,122,105	82.4 %	6.9 %		Commercial construction
Residential construction	Residential construction	126,941	8.2	.8	138,311	10.2	.8		
Residential land and land development	Residential land and land development	67,279	4.4	.4	50,012	3.7	.3		
Commercial land and land development	Commercial land and land development	39,949	2.6	.2	50,667	3.7	.3		
Total real estate - construction and land loans	Total real estate - construction and land loans	\$1,539,566	100.0 %	9.0 %	\$1,361,095	100.0 %	8.3 %	\$1,497,647	100.0 %

Real Estate – Business Loans

Total business real estate loans were \$3.6 billion at September 30, 2023 and \$3.7 billion at March 31, 2024 and comprised 21.3% of the Company's total loan portfolio at September 30, 2023 and 21.5% at March 31, 2024. These loans are primarily for commercial buildings, small office and medical buildings, churches, hotels and motels, shopping centers, and other commercial properties. At September 30, 2023, 20% of these loans were for owner-occupied commercial real estate properties, which have historically resulted in lower net charge-off rates than non-owner-occupied commercial real estate loans.

		September		% of Total Loans	December		% of Total Loans	March 31,	
(Dollars in thousands)	(Dollars in thousands)	30, 2023	% of Total		31, 2022	% of Total		2024	% of Total
Owner-occupied	Owner-occupied	\$1,130,922	31.0 %	6.6 %	\$1,136,189	33.3 %	7.0 %	\$1,190,591	32.1 %
Industrial	Industrial	585,716	16.1	3.4	478,534	14.0	2.9		
Office	Office	509,493	14.0	3.0	497,601	14.6	3.1		
Retail	Retail	352,477	9.7	2.1	322,971	9.5	2.0		
Multi-family	Multi-family								
Hotels	Hotels	293,420	8.0	1.7	230,972	6.8	1.4		
Multi-family	Multi-family	281,542	7.7	1.6	308,156	9.0	1.9		

Farm	Farm	202,050	5.5	1.2	195,920	5.8	1.2
Senior living	Senior living	165,073	4.5	1.0	131,217	3.9	.8
Other	Other	126,475	3.5	.7	105,421	3.1	.6
Total real estate - business loans							
Total real estate - business loans							
loans	loans	\$3,647,168	100.0 %	21.3 %	\$3,406,981	100.0 %	20.9 %
Total real estate - business loans		\$ 3,711,602 100.0 100.0 %					

Information about the credit quality of the Company's business real estate loan portfolio as of **September 30, 2023** March 31, 2024 and **December 31, 2022** Decem

(Dollars in thousands)	(Dollars in thousands)	Pass	Special Mention	Non-Substandard	Accrual	Total	(Dollars in thousands)	Pass	Special Mention
September 30, 2023									
March 31, 2024									
Owner-occupied									
Owner-occupied									
Owner-occupied									
Industrial									
Office									
Retail									
Multi-family									
Hotels									
Farm									
Senior living									
Other									
Total									
December 31, 2023									
Owner-occupied									
Owner-occupied									
Owner-occupied									
Industrial									
Office									
Retail									
Hotels									
Multi-family									
Farm									
Senior living									
Other									
Total									
Owner-occupied	Owner-occupied	\$1,110,769	\$ 7,510	\$ 12,567	\$ 76	\$1,130,922			
Industrial	Industrial	585,634	82	—	—	585,716			
Office	Office	506,196	—	3,297	—	509,493			
Retail	Retail	335,143	15,501	1,833	—	352,477			
Hotels	Hotels	282,404	9,373	1,643	—	293,420			
Multi-family	Multi-family	280,384	1,158	—	—	281,542			
Farm	Farm	202,050	—	—	—	202,050			
Senior living	Senior living	22,464	—	142,609	—	165,073			
Other	Other	126,224	251	—	—	126,475			
Total	Total	\$3,451,268	\$33,875	\$ 161,949	\$ 76	\$3,647,168			
December 31, 2022									
Owner-occupied		\$1,129,343	\$ 632	\$ 6,084	\$ 130	\$1,136,189			
Industrial		478,534	—	—	—	478,534			
Office		494,169	3,432	—	—	497,601			

Retail	321,041	—	1,930	—	322,971
Hotels	174,558	9,725	46,689	—	230,972
Multi-family	286,202	1,975	19,979	—	308,156
Farm	195,685	177	—	58	195,920
Senior living	23,514	—	107,702	1	131,217
Other	105,144	277	—	—	105,421
Total	\$3,208,190	\$16,218	\$ 182,384	\$ 189	\$3,406,981

Revolving Home Equity Loans

The Company had ~~\$305.2 million~~ ~~\$322.5 million~~ in revolving home equity loans at ~~September 30, 2023~~ ~~March 31, 2024~~ that were collateralized by residential real interest-only monthly payments. These loans are offered in three main product lines: LTV up to 80%, 80% to 90%, and 90% to 100%. As of ~~September 30, 2023~~ ~~March 31, 2024~~, more than 80% was \$32.2 million, or ~~10.5%~~ ~~10.0%~~ of the portfolio, compared to ~~\$32.4 million~~ ~~\$32.3 million~~ as of ~~December 31, 2022~~ ~~December 31, 2023~~. Total revolving home equity loans at ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~\$1.9 million~~ ~~\$4.4 million~~ at ~~December 31, 2022~~ ~~December 31, 2023~~, and there were no the outstanding balance of revolving home equity loans at ~~September 30, 2023~~ or ~~December 31, 2022~~ ~~both March 31, 2024 and December 31, 2023~~. The weighted average FICO score for the total portfolio balance at ~~September 30, 2023~~ ~~March 31, 2024~~ and if they qualify under the Company's credit, collateral and capacity policies, the borrower is given the option to renew the line of credit or convert the outstanding balance to a term loan or the borrower may pay off the loan. During the remainder of ~~2023~~ ~~2024~~ through ~~2025~~ ~~2026~~, approximately ~~13%~~ ~~16%~~ of the Company's current outstanding balances have a FICO score of 700 or higher. The Company does not expect a significant increase in losses as these loans mature, due to their high FICO scores, low LTVs, and low loss rates.

Consumer Loans

Within the consumer loan portfolio are several direct and indirect product lines, which include loans for the purchase of automobiles, motorcycles, marine and ~~September 30, 2023~~ ~~March 31, 2024~~, and outstanding balances for auto loans were ~~\$824.7 million~~ ~~\$826.8 million~~ and ~~\$798.6 million~~ ~~\$820.3 million~~ at ~~September 30, 2023~~ ~~March 31, 2024~~ respectively. The balances over 30 days past due amounted to ~~\$8.6 million~~ ~~\$8.5 million~~ at ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~\$9.9 million~~ ~~\$9.5 million~~ at ~~December 31, 2022~~ ~~December 31, 2023~~. The outstanding balances of these loans at ~~September 30, 2023~~ ~~March 31, 2024~~ and 1.2% at ~~December 31, 2022~~ ~~December 31, 2023~~, respectively. For the ~~nine~~ ~~three~~ million of new auto loans were originated, compared to ~~\$257.5 million~~ ~~\$120.0 million~~ during the first ~~nine~~ ~~three~~ months of ~~2022~~ ~~2023~~. At ~~September 30, 2023~~ ~~March 31, 2024~~ ~~755,756~~, and net charge-offs on auto loans were .5% ~~.47%~~ of average auto loans.

The Company's consumer loan portfolio also includes fixed rate home equity loans, typically for home repair or remodeling, and these loans comprised 11.0% of the portfolio. The net charge-offs on these loans have historically been low, and the Company saw net recoveries of ~~\$55~~ ~~\$14~~ thousand for the first ~~nine~~ ~~three~~ months of ~~2023~~ ~~2024~~. Private banking loans at ~~September 30, 2023~~ ~~March 31, 2024~~ were secured primarily by a first lien on real estate. The Company's private banking loans are generally well-collateralized, and at ~~September 30, 2023~~ ~~March 31, 2024~~ were secured primarily by a first lien on real estate. The Company's consumer loan portfolio is comprised of health services financing, motorcycles, marine and RV loans. Net charge-offs on private banking, health services financing, motorcycles, marine and RV loans were ~~.2%~~ ~~.43%~~ of the average balances of these loans at ~~September 30, 2023~~ ~~March 31, 2024~~.

Consumer Credit Card Loans

The Company offers low promotional rates on selected consumer credit card products. Out of a portfolio at ~~September 30, 2023~~ ~~March 31, 2024~~ of ~~\$574.8 million~~ ~~\$111.7 million~~ ~~\$113.9 million~~, or ~~19.4%~~ ~~20.2%~~, carried a low promotional rate. Within the next six months, ~~\$41.9 million~~ ~~\$51.0 million~~ of these loans are scheduled to mature. If the borrower is not involved with this credit card product, the Company performs credit checks and detailed analysis of the customer borrowing profile before approving the loan application. The Company's credit card loans are generally well-collateralized, and at ~~September 30, 2023~~ ~~March 31, 2024~~ were secured primarily by a first lien on real estate. The Company's consumer credit card loans are generally well-collateralized, and at ~~September 30, 2023~~ ~~March 31, 2024~~ were secured primarily by a first lien on real estate. The Company's consumer credit card loans are generally well-collateralized, and at ~~September 30, 2023~~ ~~March 31, 2024~~ were secured primarily by a first lien on real estate. The Company's consumer credit card loans are generally well-collateralized, and at ~~September 30, 2023~~ ~~March 31, 2024~~ were secured primarily by a first lien on real estate.

Oil and Gas Energy Lending

The Company's energy lending portfolio is comprised of lending to the petroleum and natural gas sectors and totaled ~~\$257.2 million~~ ~~\$296.0 million~~, or ~~1.5%~~ ~~1.7%~~ of the Company's total assets as of ~~September 30, 2023~~ ~~March 31, 2024~~ of ~~\$39.3~~ ~~\$24.0~~ million from ~~December 31, 2022~~ ~~December 31, 2023~~, as shown in the table below.

(In thousands)					
(In thousands)					
		September 30, 2023	December 31, 2022	Unfunded commitments at September 30, 2023	March 31, 2024
(In thousands)	(In thousands)	30, 2023	31, 2022	30, 2023	2024
Extraction	Extraction	\$204,372	\$235,933	\$ 118,941	
Mid-stream	Mid-stream				
shipping and storage	shipping and storage	35,357	43,432	99,375	
Downstream	Downstream				
distribution and refining	distribution and refining	9,718	7,675	12,590	
Support activities	Support activities	7,726	9,387	5,032	

Total energy lending portfolio	Total energy lending portfolio	\$257,173	\$296,427	\$ 235,938
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Shared National Credits

The Company participates in credits of large, publicly traded companies which are defined by regulation as shared national credits, or SNCs. Regulations define financial institutions. The Company typically participates in these loans when business operations are maintained in the local communities or regional markets and SNC loans totaled \$1.5 billion at September 30, 2023, compared to \$1.4 billion at December 31, 2022 both March 31, 2024 and December 31, 2023. Additional u billion \$2.3 billion.

Income Taxes

Income tax expense was \$33.4 million \$31.7 million in the third first quarter of 2023, 2024, compared to \$36.0 million \$32.3 million in the second fourth quarter of 20 Company's effective tax rate, including the effect of non-controlling interest, was 21.7% 21.9% in the third first quarter of 2023, 2024, compared to 22.0% 22.8% in th 2022, 2023.

Financial Condition

Balance Sheet

Total assets of the Company were \$31.4 billion \$30.4 billion at September 30, 2023 March 31, 2024 and \$31.9 billion \$31.7 billion at December 31, 2022 Decem loans and fair value adjustments on debt securities) amounted to \$31.2 billion \$29.8 billion at September 30, 2023 March 31, 2024 and \$31.6 billion \$31.1 billion at D and 38% 36% in investment securities at September 30, 2023 March 31, 2024.

At September 30, 2023 During the first quarter of 2024, average loans totaled \$17.1 billion, total an increase of \$22.0 million over the prior quarter, and increased previous quarter, average balances of business real estate loans increased \$826.2 million or 5.1% grew \$83.1 million, while construction and consumer loans declined Company sold certain fixed rate personal real estate loans totaling \$7.4 million, compared to balances at December 31, 2022. The increase was mainly due to gro \$246.6 million, \$240.2 million, and \$178.5 million, respectively. The growth in business loans was mainly the result of increased commercial and industrial lending increased \$106.6 million, and consumer loans, which include automobile, marine and RV, fixed rate home equity and other consumer loans, increased \$66.7 millio were partially offset by declines in overdrafts and consumer credit card loans of \$11.2 million and \$9.2 million, respectively. prior quarter.

Total average available for sale debt securities excluding fair value adjustments, decreased \$2.3 billion at September 30, 2023 \$116.6 million compared to De million the previous quarter to \$9.5 billion, offset by sales, maturities and pay downs of \$2.4 billion. at fair value. The decline decrease in investment debt securities v During the first quarter of 2024, the unrealized loss on available for sale securities state and municipal increased \$27.2 million to \$1.2 billion, at period end. Also du backed securities, which decreased \$1.1 billion, \$583.5 million totaled \$145.7 million with a weighted average yield of approximately 4.65%, and \$365.1 million, re maturities and pay downs were \$655.0 million. At September 30, 2023 March 31, 2024, the duration of the available for sale investment portfolio was 3.9 4.2 years, expected to occur during the next 12 months. The Company does not have any investment securities classified as held-to-maturity.

Total average deposits at September 30, 2023 amounted to \$25.1 billion, a decrease of \$1.1 billion decreased \$759.5 million this quarter compared to De largely mostly resulted from a decrease in lower average demand deposits mainly in business demand deposits (decrease of \$1.9 billion). Additionally, money marke \$157.3 million, respectively, while certificate lower average certificates of deposit balances grew \$2.0 billion of \$364.2 million, which included lower brokered de commercial deposits declined \$743.8 million, while consumer and interest checking balances wealth deposits increased \$116.0 million over balances at December 3 deposits ratio was 69.9% in the current quarter and 67.7% in the prior quarter. The Company's average borrowings, totaled \$3.2 billion at September 30, 2023 w increase decreased \$280.0 million to \$2.8 billion in the first quarter of \$397.4 million over balances at December 31, 2022, mainly 2024, mostly due to a decline of during the nine months ended September 30, 2023. Additionally, federal funds purchased were \$346.5 million higher at September 30, 2023 than at December 31, 2 same period. borrowings.

Liquidity and Capital Resources

Liquidity Management

The Company's most liquid assets are comprised of include balances at the Federal Reserve Bank, federal funds sold, available for sale debt securities, feder agreements), and depositas follows:

(In thousands)	March 31, 2024	
Liquid assets:		
Balances at the Federal Reserve Bank	\$	1,609,614
Federal funds sold		—
Available for sale debt securities		9,141,695
Securities purchased under agreements to resell		225,000
Total	\$	10,976,309

Interest earning balances at the Federal Reserve Bank, as follows:

(In thousands)	September 30, 2023	
Liquid assets:		
Available for sale debt securities	\$	9,860,828
Federal funds sold		2,735
Securities purchased under agreements to resell		450,000
Balances at the Federal Reserve Bank		1,847,641
Total	\$	12,161,204

The fair value which have overnight maturities and are used for general liquidity purposes, totaled \$1.6 billion at March 31, 2024 and decreased \$629.4 million from the balance of the available for sale debt portfolio was \$9.9 billion at September 30, 2023 and included an unrealized net loss of \$1.6 billion. Federal funds with overnight maturities, totaled \$2.7 million as maturities. The fair value of September 30, 2023 the available for sale debt portfolio was \$9.1 billion at March 31, 2023 loss included net losses of \$1.0 billion on mortgage-backed and asset-backed securities and \$147.5 million on state and municipal obligations.

Resale agreements, maturing through 2025, 2028, totaled \$450.0 million \$225.0 million at September 30, 2023 March 31, 2024. Under these agreements, the Company's securities, safe-kept by a third-party custodian, as collateral, and this collateral. This collateral totaled \$479.7 million \$239.2 million in fair value at September 30, 2023 agreements will mature in the next 12 months. Interest earning balances at the Federal Reserve Bank, which have overnight maturities and are used for general liquidity purposes, totaled \$1.6 billion over December 31, 2022 balances.

The Company's available for sale debt securities portfolio has a diverse mix of high quality and liquid investment securities with a duration of 4.2 years at March 31, 2024. The available for sale debt portfolio is expected to mature or pay down during the next 12 months, and at September 30, 2023, the duration of these funds offer substantial resources. The Company's available for sale debt securities portfolio was 3.9 years. deposit funding base. The Company pledges portions of its investment securities portfolio to secure trust funds, letters of credit issued by the FHLB, and borrowing capacity at the FHLB and the Federal Reserve Bank. Total investment securities pledged for these purposes

(In thousands)	(In thousands)	September 30, 2023	September 30, 2022	December 31, 2022
(In thousands)				
(In thousands)				
Investment securities pledged for the purpose of securing:	Investment securities pledged for the purpose of securing:			
Federal Reserve Bank borrowings	Federal Reserve Bank borrowings			
Federal Reserve Bank borrowings	Federal Reserve Bank borrowings			
Federal Reserve Bank borrowings	Federal Reserve Bank borrowings			
FHLB and letters of credit	FHLB and letters of credit			
Securities sold under agreements to repurchase *	Securities sold under agreements to repurchase *			
		\$2,700,426	\$ 13,446	\$ 11,469
		301,406	2,033	1,817
		2,500,400	2,275,924	2,950,240

Other deposits and swaps	Other deposits and swaps	2,082,807	2,483,636	1,772,974
Total pledged securities	Total pledged securities	7,585,039	4,775,039	4,736,500
Unpledged and available for pledging	Unpledged and available for pledging	2,264,732	6,905,006	6,545,695
Ineligible for pledging	Ineligible for pledging	11,057	952,465	956,121
Total available for sale debt securities, at fair value	Total available for sale debt securities, at fair value	\$9,860,828	\$12,632,510	\$12,238,316

* Includes securities pledged for collateral swaps, as discussed in Note 12 to the consolidated financial statements.

Liquidity The average loans to deposits ratio is also available from a measure of a bank's liquidity, and the Company's large base of core Company's average loan Core customer deposits, defined as non-interest bearing, interest checking, savings, and money market deposit accounts. At September 30, 2023, such deposits account for 7.0% of total deposits. These core deposits are normally less volatile, as they are often with customer relationships tied to other productive funding sources. Core deposits decreased \$511.5 million at March 31, 2024 compared to December 31, 2023, primarily due to decreases in commercial and wealth management deposits. While the Company considers core consumer and wealth management deposits less volatile, corporate deposits are more volatile. Corporate deposits are used by customers to increase investing activities, or if the economy deteriorates and companies experience lower cash inflows, reducing deposit balances. If these corporate deposits are not replaced, the Company's liquidity position could be impacted. The Company has a committed credit facility with a capacity of \$6.6 billion through advances from the FHLB and the Federal Reserve.

Certificates of deposit of \$100,000 and over or greater totaled \$1.8 billion \$1.5 billion at September 30, 2023 March 31, 2024. These accounts deposits are non-interest bearing and represent 6.0% of total deposits at September 30, 2023 March 31, 2024.

(In thousands)	(In thousands)	September 30, 2023	September 30, 2022	December 31, 2022
Core deposit base:				
Non-interest bearing				
Non-interest bearing				
Non-interest bearing	Non-interest bearing	\$ 7,961,402	\$10,468,591	\$10,066,356
Interest checking	Interest checking	6,656,356	3,236,160	1,854,336
Savings and money market	Savings and money market	7,497,919	12,778,327	13,272,645
Total	Total	\$22,115,677	\$26,483,078	\$25,193,337

During the second quarter of 2023, the Company added brokered deposits in the form of several transactions and \$401.3 million were outstanding at September 30, 2023 totaling \$1.2 billion, which all matured by December 31, 2023. At September 30, 2023, While it is not clear, the Company's uninsured deposits were \$25.1 billion, compared to \$26.2 billion at December 31, 2022. The Company's uninsured deposits are not a reliable source of total deposits at September 30, 2023. The Company's uninsured deposits include \$2.1 billion of deposits from the banking industry. The Company's uninsured deposits at September 30, 2023 were \$8.1 billion, or 32.3% of total deposits.

Other important components of liquidity are the level of borrowings from third party sources and the availability of future credit. The During 2024, the Company purchased and repurchase agreements, and FHLB advances, as follows:

(In thousands)		September 30, 2023
Borrowings:		
Federal funds purchased	\$	506,355 \$
Securities sold under agreements to repurchase		2,238,826
FHLB advances		500,000
Other debt		3,589
Total	\$	3,248,770 \$

(In thousands)		March 31, 2024
Borrowings:		
Federal funds purchased	\$	264,470 \$
Securities sold under agreements to repurchase		2,241,106
FHLB advances		—
Other debt		2,359
Total	\$	2,507,935 \$

Federal funds purchased, which totaled \$264.5 million at March 31, 2024, are unsecured overnight borrowings obtained mainly from upstream correspondent banks. The amount accessed as of September 30, 2023. At March 31, 2024, the Company had access to an additional \$3.8 billion approved lines of overnight, approved federal funds lines, and limited by market trading activity, their availability may be less certain than collateralized sources of that date. Repurchase borrowings. Retail repurchase agreements are used by the Company from its customers as a funding source considered to be stable, but short-term in the form of securities sold under natural

repurchase agreements, which generally mature overnight, are comprised of non-insured customer funds totaling \$2.2 billion at September 30, 2023 and are collateralized. At September 30, 2023, the value of total repurchase agreements at March 31, 2024 were comprised of the non-insured customer funds totaling \$2.2 billion at March 31, 2024 and securities totaling \$2.3 billion at March 31, 2024. The Company also borrows on a secured basis through advances from the FHLB. The advances from the FHLB at September 30, 2023 and March 31, 2024.

The Company pledges certain assets, including loans and investment securities, to both the Federal Reserve Bank (FRB) and the FHLB as security to establish lines of credit. If collateral pledged, the FHLB establishes a collateral value from which the Company may draw advances against the collateral. Additionally, this collateral and other assets are pledged to the FRB. The FRB also establishes a collateral value of assets pledged and permits borrowings from the discount window. The following table summarizes the credit outstanding, in addition to the estimated future funding capacity available to the Company at September 30, 2023 and March 31, 2024.

September 30, 2023					March 31, 2024		
(In thousands)	(In thousands)	FHLB	Federal Reserve	Total	(In thousands)	FHLB	Federal Reserve
Total collateral value established by FHLB and FRB	Total collateral value established by FHLB and FRB						
		\$2,501,198	\$4,950,839	\$7,452,037			
Advances outstanding		(500,000)	—	(500,000)			
Letters of credit issued	Letters of credit issued						
		(399,541)	—	(399,541)			

Available for future advances	Available for future advances	\$1,601,657	\$4,950,839	\$6,552,496
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In addition The Company receives outside ratings from both Standard & Poor's and Moody's on both the consolidated company and its subsidiary bank, Commerce Bancshares, Inc.

Commerce Bancshares, Inc.

Issuer rating

Rating outlook

Commerce Bank

Issuer rating

Baseline credit assessment

Short-term rating

Rating outlook

The Company considers these ratings to those mentioned above, several other sources be indications of a sound capital base and strong liquidity are available. an commercial paper, should the need arise. No commercial paper has been issued or outstanding during the past ten years. The Company has no subordinated debt or Because of its lack of significant long-term debt, the Company believes that through its Capital Markets Group or in other public debt markets, it could generate addit placed corporate notes or other forms of debt. The Company receives strong outside ratings from both Standard & Poor's and Moody's on both the consolidated co future financing efforts, should the need arise. These ratings are as follows:

	Standard & Poor's
Commerce Bancshares, Inc.	
Issuer rating	
Rating outlook	St
Commerce Bank	
Issuer rating	
Baseline credit assessment	
Short-term rating	
Rating outlook	St

The cash flows from the operating, investing and financing activities of the Company resulted in a net increase decrease in cash, cash equivalents and restric 2023, 2024, as reported in the consolidated statements of cash flows in this report. Operating activities, consisting mainly of net income adjusted for certain non-c historically been a stable source of funds. Investing activities, which occur mainly in the loan and investment securities portfolios, provided cash of \$1.7 billion \$540. billion \$426.5 million from sales, maturities, and pay downs (net of purchases), but this increase in investing cash flows was partially offset by growth in the lo repayments of securities purchased under agreements to resell (net of purchases) provided cash of \$375.0 million \$225.0 million. Investing activities are somewh normally used to fund growth in investment securities, loans, or other bank assets, they are normally dependent on the financing activities described below. Financin decreases in deposits of \$1.0 billion \$983.5 million and \$1.8 billion \$403.2 million in repayments of FHLB advances, partially offset by FHLB advance borrowings of \$ repurchase during the first nine three months of 2023, 2024.

Capital Management

The Company met all capital adequacy requirements and had regulatory capital ratios in excess of the levels established for well-capitalized institutions at Septer as shown in the following table.

							Minimum Ratios for Well-Capitalized Banks *					
(Dollars in thousands)	(Dollars in thousands)	September 30, 2023	December 31, 2022	Minimum Capital Requirement	Capital Conservation Buffer	Minimum Ratios Requirement including Capital Conservation Buffer	Capitalized	(Dollars in thousands)	March 31, 2024	December 31, 2023	Minimum Capital Requirement	Capital

2,170,168 951,030 shares remained available for purchase under the current Board authorization. On April 17, 2024, the share repurchase authorization was increase

The Company's common stock dividend policy reflects its earnings outlook, desired payout ratios, the need to maintain adequate capital and liquidity levels and dividend on its common stock in the third first quarter of 2023, 2024, which was a 7.1% 5.1% increase compared to its 2022 2023 quarterly dividend.

Material Cash Requirements, Commitments, Off-Balance Sheet Arrangements and Contingencies

The Company's material cash requirements include commitments for contractual obligations (both short-term and long-term), commitments to extend credit, and c for the next 12 months are primarily to fund loan commitments, growth. Additionally, the Company will utilize cash to fund deposit maturities and deposit withdrawals t months. Other contractual obligations, purchase commitments, lease obligations, and unfunded commitments may require cash payments by the Company with 2022 2023 Annual Report on Form 10-K. Further discussion of the Company's longer-term material cash obligations and sources for fulfilling those obligations is below

Events impacting the banking industry during the first few months of 2023, including the failure of Silicon Valley Bank and Signature Bank, have resulted in de investors, and other counterparties. Additionally, rapidly rising interest rates have resulted in unrealized losses in the Company's available for sale debt securities po borrowings of \$1.3 billion during the first quarter of 2023, and as a result, the Company had outstanding borrowings of \$1.5 billion from the FHLB as of March 31, 2 additional \$500.0 million but subsequently repaid \$1.0 billion of its FHLB borrowings, resulting in \$1.0 billion of FHLB borrowings outstanding as of June 30, 2023. Du borrowings, resulting in \$500.00

million of FHLB borrowings outstanding as of September 30, 2023. Additionally, the Company added short-term brokered certificates of deposit during the second q Company had \$401.3 million of brokered deposits that are scheduled to mature prior to December 31, 2023. Other than the repayment of these additional borrowings significantly since December 31, 2022. Further discussion of the Company's longer-term material cash obligations and sources for fulfilling those obligations is below.

In the normal course of business, various commitments and contingent liabilities arise which that are not required to be recorded on the balance sheet. The 2023 March 31, 2024 totaled \$14.3 billion \$14.8 billion (including \$5.2 billion \$5.5 billion in unused, approved credit card lines). In addition, the Company enters into s and commercial letters of credit totaled \$583.1 million \$622.7 million and \$5.1 million \$9.6 million, respectively, at September 30, 2023 March 31, 2024. As many comm reflect future cash requirements. The carrying value of the guarantee obligations associated with the standby letters of credit, which has been recorded as a liability 30, 2023. The allowance for these commitments is recorded in the Company's liability for unfunded lending commitments within other liabilities on its consolidate unfunded lending commitments totaled \$27.5 million \$23.1 million. See further discussion of the liability for unfunded lending commitments in Note 2 to the consolidate

The Company regularly purchases various state tax credits arising from third party property redevelopment. These credits are either resold to third parties at a pr 2023, 2024, purchases and sales of tax credits amounted to \$89.3 million \$32.2 million and \$52.4 million \$45.6 million, respectively. Fees from sales of tax credits w 2023 March 31, 2024, compared to \$4.4 million \$560.7 thousand in the same period last year. At September 30, 2023 March 31, 2024, the Company expected to fur the remainder of 2023 2024 and had purchase commitments of \$524.7 million \$420.2 million that it expects to fund from 2024 2025 through 2029, 2030.

The Company continued to maintain a strong liquidity position throughout the first nine three months of 2023, 2024. Through the various sources of liquidity desc adequately satisfy its financial obligations.

Segment Results

The table below is a summary of segment pre-tax income results for the first nine three months of 2023 2024 and 2022, 2023.

(Dollars in thousands)	Consumer		Commercial		Wealth	
Nine Months Ended September 30, 2023						
Net interest income	\$	304,859	\$	355,690	\$	54,193
Provision for credit losses		(19,784)		(3,204)		(14)
Non-interest income		74,773		184,288		162,835
Investment securities gains (losses), net		—		—		—
Non-interest expense		(242,991)		(290,960)		(119,015)
Income before income taxes	\$	116,857	\$	245,814	\$	97,999
Nine Months Ended September 30, 2022						
Net interest income	\$	270,561	\$	333,270	\$	56,731
Provision for credit losses		(12,727)		(651)		2
Non-interest income		82,464		167,581		161,051
Investment securities gains (losses), net		—		—		—
Non-interest expense		(231,683)		(272,219)		(108,967)
Income before income taxes	\$	108,615	\$	227,981	\$	108,817
Increase (decrease) in income before income taxes:						
Amount	\$	8,242	\$	17,833	\$	(10,818)

Percent	7.6 %		7.8 %		(9.9 %)	
(Dollars in thousands)	Consumer		Commercial		Wealth	
Three Months Ended March 31, 2024						
Net interest income	\$	129,676	\$	126,687	\$	24,155
Provision for credit losses		(8,888)		(41)		1
Non-interest income		24,335		63,802		58,399
Investment securities gains (losses), net		—		—		—
Non-interest expense		(80,644)		(100,356)		(39,551)
Income before income taxes	\$	64,479	\$	90,092	\$	43,004
Three Months Ended March 31, 2023						
Net interest income	\$	144,460	\$	137,127	\$	28,025
Provision for credit losses		(6,306)		(393)		(13)
Non-interest income		24,303		58,324		52,944
Investment securities gains (losses), net		—		—		—
Non-interest expense		(77,370)		(93,685)		(39,585)
Income before income taxes	\$	85,087	\$	101,373	\$	41,371
Increase (decrease) in income before income taxes:						
Amount	\$	(20,608)	\$	(11,281)	\$	1,633
Percent		(24.2)%		(11.1)%		3.9 %

Consumer

For the nine three months ended September 30, 2023 March 31, 2024, income before income taxes for the Consumer segment increased \$8.2 million decrease 2022, 2023. The increase decrease in income before income taxes was mainly due to an increase a decrease in net interest income of \$34.3 million \$14.8 million, or 9.3% 10.2%, and increases in non-interest expense of \$11.3 million \$3.3 million, or 4.9% 4.2%, and the provision for credit losses of \$7.1 million, or 55.4% \$2.6 million increase in deposit interest

expense. This decrease was partly offset by a \$3.4 million increase in net allocated funding credits assigned to the Consumer segment's loan and deposit portfolios were partly offset by higher deposit interest expense income of \$30.3 million \$7.8 million. Non-interest income decreased mainly due to lower deposit account fees (r offset by growth in net debit card fees. Non-interest expense increased over the same period in the previous year mainly due to higher salaries allocated support information technology and online banking. These increases were partly offset by lower marketing expense and allocated support costs for consumer administration a The increase in the provision for credit losses totaled \$19.8 million, and increased over the first nine three months of 2022, 2023, was mainly due to higher consumer i loan net charge-offs.

Commercial

For the nine three months ended September 30, 2023 March 31, 2024, income before income taxes for the Commercial segment increased \$17.8 million decrease year. This increase decrease was mainly due to growth in lower net interest income and higher non-interest income, expense, partly offset by higher an incr million decreased \$10.4 million, or 6.7% 7.6%, mainly due to higher loan interest income of \$223.5 million. This increase was partly offset by lower net allocated fund expense and \$41.9 million in \$16.8 million, coupled with higher interest expense on deposits and customer repurchase agreements, agreements of \$21.0 million and : of \$31.9 million in loan interest income. Non-interest income increased \$16.7 million \$5.5 million, or 10.0% 9.4%, over the previous year mainly due to growth in net fees (mainly corporate cash management fees), letters of tax credit sales fees, capital market fees and cash sweep commissions, partly offset by a decline in c million \$6.7 million, or 6.9% 7.1%, mainly due to higher salaries and benefits expense, FDIC insurance expense and allocated service and support costs (m administration) management expense). These increases were partly offset by lower allocated support costs for information technology. The provision for credit losses last year, mainly due to higher lower business and business real estate loan net charge-offs.

Wealth

Wealth segment pre-tax profitability for the nine three months ended September 30, 2023 decreased \$10.8 million March 31, 2024 increased \$1.6 million, or 9.9% decreased \$2.5 million \$3.9 million, or 4.5% 13.8%, mainly due to an \$8.9 million increase in deposit interest expense. This increase was partly offset by a \$12.3 mill million increase in deposit interest expense, partly offset by a \$27.0 million \$3.0 million increase in loan interest income. Non-interest income increased \$1.8 million : client and institutional trust fees and cash sweep commissions, partly offset by lower brokerage fees. Non-interest expense increased \$10.0 million, or 9.2%, decreas higher salaries and benefits expense and the deconversion costs previously mentioned. expense. The provision for credit losses increased \$16 decreased \$14 thous charge-offs.

The Other/Elimination category in the preceding table includes the activity of various support and overhead operating units of the Company, in addition to the investments of the segments. In accordance with the Company's transfer pricing procedures, the difference between the total provision for credit losses and total net charge-off category. The pre-tax profitability of this category was \$3.5 million lower \$24.0 million higher than in the same period last year. Unallocated securities gains losses compared to gains losses of \$11.6 million \$306 thousand in 2022, 2023. Also, the unallocated provision for credit losses increased \$7.4 million decreased \$8.9 million on loans partly offset by a decrease in and the liability for unfunded lending commitments, which are both not allocated to the segments for management reporting management reporting purposes. The provision for credit losses on loans in the first nine three months of 2023 2024 was \$35.2 million \$6.9 million, or \$12.1 million higher the allowance for credit losses on loans. In the comparable period last year, the provision for credit losses on loans was \$6.8 million \$15.9 million, or \$6.7 million lower the allowance for credit losses on loans. For the nine three months ended September 30, 2023 March 31, 2024, the Company's provision on unfunded lending commitments income increased \$26.5 million and non-interest expense income increased \$7.6 million. \$271 thousand. These decreases increases to pre-tax profitability were partially offset by non-interest income of \$7.7 million \$11.7 million.

Regulatory Changes

During the second quarter of 2023, the Deposit Insurance

On November 16, 2023, Federal Deposit Insurance Corporation ("FDIC") issued a proposed final rule to impose a special assessment to recover losses to the FDIC. The proposed rule applies to all insured depository institutions. Under institutions and stated that the proposed rule, the assessment base for would be equal to a December 31, 2022, adjusted to exclude the first \$5 billion of uninsured deposits. The proposed special assessment would apply be collected at an annual rate of 0.01 percent proposed, points for an anticipated total of eight quarterly assessment periods. Because the estimated impact of loss pursuant to the systemic risk determination will be

- Cease collection early, if it has collected enough to recover actual or estimated losses;
- Extend the special assessment collection period one or more quarters beyond the initial eight-quarter collection period, if actual or estimated losses exceed the amount collected;
- Impose a final shortfall special assessment on a one-time basis after the Company is approximately \$14.9 million to be recognized at receiverships for certain institutions and paid in eight quarterly installments beginning in amounts collected.

During the first quarter of 2024, 2024, the FDIC increased its estimate of losses to the Deposit Insurance Fund and in turn increased its estimated special assessment for the June 2024 invoice based on its March 31, 2024 estimate loss in the Deposit Insurance Fund. The Company has accrued \$20.1 million FDIC special assessment liability as of March 31, 2024.

SEC Climate Disclosure Rule

On March 6, 2024, the Securities and Exchange Commission adopted rules to enhance and standardize climate-related disclosures by public companies and the disclosure impact to the public companies affected, including the Company. Among many other items, this rule requires companies to disclose:

- Climate-related risks that have had or are reasonably likely to have a material impact on the registrant's business strategy, results of operations, or financial condition;
- The actual assessment may vary and potential material impacts of any identified climate-related risks on the registrant's strategy, business model, and outlook;
- If, as part of its strategy, a registrant has undertaken activities to mitigate or adapt to a material climate-related risk, a quantitative and qualitative description of such activities and assumptions that directly result from such mitigation or adaptation activities;
- Specified disclosures regarding a registrant's activities, if any, to mitigate or adapt to a material climate-related risk including the use, if any, of transition plans;
- Scope 1 and Scope 2 greenhouse gas (GHG) emissions, when material; and
- Capitalized costs, expenditures, charges, and losses incurred as a result of the final rule. severe weather events or other natural conditions.

In July 2023, However, in April 2024, the SEC adopted a final rule requiring registrants provide enhanced disclosures regarding cybersecurity incidents as well as the final rule requires registrants issued an order to disclose on Form 8-K material cybersecurity incidents within four business days after stay the company determines required rules pending judicial review, due to disclose annually on Form 10-K information the Company's processes for assessing, identifying, and managing material risks from cybersecurity threats, and the board of directors' oversight of cybersecurity risks. Companies are required legal challenges to comply with the rule. 2023. The annual disclosures in Form 10-K are required for fiscal years ending on or after December 15, 2023. this mandate.

Impact of Recently Issued Accounting Standards

Reference Rate Reform The Financial Accounting Standards Board ("FASB") issued ASU 2020-04, "Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance has been followed by additional clarifying guidance related to derivatives that are modified as a result of reference rate reform. The guidance provides optional expedients and exceptions for other transactions affected by reference rate reform if they reference LIBOR or another reference rate expected to be discontinued because of reference rate reform for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. The expedients and exceptions provided by the amendments are for relationships entered into or evaluated for effectiveness after December 31, 2022, except for certain hedging relationships existing as of December 31, 2022. In December 2023, the FASB issued ASU 2023-08, "Codification Amendments in Response to the SEC's Disclosure Update and Simplification Project," under Topic 848 to December 31, 2024. The change is to align the temporary accounting relief guidance with the expected cessation date of LIBOR, which was postponed to December 31, 2024. The Company's LIBOR Transition Steering Committee completed the Company's transition from LIBOR during the first half of 2023.

Disclosure Improvements The FASB issued ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Project," which modify the disclosure or presentation requirements of a variety of topics in the Codification. Certain of the amendments represent clarifications to or technical corrections to the existing requirements.

be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The consolidated financial statements.

Segment Reporting The FASB issued ASU 2023-07, "Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures", in November 2023. The segment items on an annual and interim basis. Public entities are required to disclose significant expense categories and amounts for each reportable segment, as items. Significant expense categories are derived from expenses that are regularly provided to an entity's chief operating decision-maker ("CODM"), and included required to disclose the title and position of the CODM and explain how the CODM uses the reported measures of profit or loss in assessing segment performance disclosures of certain segment-related disclosures that previously were only required annually. This Update requires annual disclosures for fiscal years beginning January 1, 2025. Early adoption is permitted. The Company is required to apply the amendments in this Update retrospectively to all prior periods presented in the financial statements. This ASU is not expected to have a significant effect on the Company's consolidated financial statements.

Income Taxes The FASB issued ASU 2023-09, "Income Taxes (Topic 740) - Improvements to Income Tax Disclosures", in December 2023. The amendments in this income taxes paid. This Update also removed certain existing disclosure requirements. This Update is effective for annual periods beginning January 1, 2025. Early adoption is permitted on a prospective basis, though retrospective application is permitted. Other than the inclusion of additional disclosures, the adoption is not expected to have a significant effect on the Company's consolidated financial statements.

AVERAGE BALANCE SHEETS — AVERAGE RATES AND YIELDS

Three Months Ended **September 30, 2023** **March 31, 2024** and **2022 2023**

		Third Quarter 2023			Third Quarter 2022					First Quarter 2024			
(Dollars in thousands)	(Dollars in thousands)	in	Average Balance	Interest Income/Expense	Avg. Rates Earned/Paid	Average Balance	Interest Income/Expense	Avg. Rates Earned/Paid	(Dollars in thousands)	in	Average Balance	Interest Income/Expense	Avg. Rates Earned/Paid
ASSETS:	ASSETS:												
Loans:	Loans:												
Loans:													
Loans:													
Business(A)													
Business(A)													
Business(A)	Business(A)	\$	5,849,227	\$	85,104	5.77	%	\$	5,317,696	\$	52,813	3.94	%
Real estate	Real estate								\$5,873,525	\$	88,638	6.07	6.07
—	—		1,508,850		31,070	8.17		1,288,721		17,133	5.27		
construction and land	construction and land												
Real estate — business	Real estate — business		3,642,010		56,236	6.13		3,258,128		36,121	4.40		
Real estate — personal	Real estate — personal		2,992,500		28,126	3.73		2,844,376		24,065	3.36		
Consumer	Consumer		2,102,281		31,630	5.97		2,101,622		22,110	4.17		
Revolving home equity	Revolving home equity		304,055		5,947	7.76		280,923		3,413	4.82		
Consumer credit card	Consumer credit card		564,039		19,570	13.77		550,058		16,711	12.05		
Overdrafts	Overdrafts		5,341		—	—		4,438		—	—		
Total loans	Total loans		16,968,303		257,683	6.02		15,645,962		172,366	4.37		
Loans held for sale	Loans held for sale		5,714		152	10.55		7,170		159	8.80		
Investment securities:	Investment securities:												
U.S. government and federal agency obligations													
U.S. government and federal agency obligations													
U.S. government and federal agency obligations	U.S. government and federal agency obligations		986,284		5,750	2.31		1,113,442		12,664	4.51		

Government-sponsored enterprise obligations	Government-sponsored enterprise obligations	55,676	331	2.36	55,753	332	2.36
State and municipal obligations ^(A)	State and municipal obligations ^(A)	1,391,541	6,823	1.95	2,052,908	11,758	2.27
Mortgage-backed securities	Mortgage-backed securities	6,161,348	31,942	2.06	6,847,912	33,323	1.93
Asset-backed securities	Asset-backed securities	2,553,562	14,129	2.20	3,870,953	15,782	1.62
Other debt securities	Other debt securities	514,787	2,268	1.75	587,026	2,852	1.93
Trading debt securities ^(A)	Trading debt securities ^(A)	35,044	451	5.11	35,621	246	2.74
Equity securities ^(A)	Equity securities ^(A)	12,230	711	23.06	8,838	604	27.11
Other securities ^(A)	Other securities ^(A)	237,518	7,859	13.13	208,708	3,729	7.09
Total investment securities	Total investment securities	11,947,990	70,264	2.33	14,781,161	81,290	2.18
Federal funds sold	Federal funds sold	2,722	45	6.56	13,486	94	2.77
Securities purchased under agreements to resell	Securities purchased under agreements to resell	712,472	3,740	2.08	1,379,341	5,984	1.72
Interest earning deposits with banks	Interest earning deposits with banks	2,337,744	31,738	5.39	980,273	5,571	2.25
Total interest earning assets	Total interest earning assets	31,974,945	363,622	4.51	32,807,393	265,464	3.21
Allowance for credit losses on loans	Allowance for credit losses on loans	(158,335)			(137,833)		
Unrealized gain (loss) on debt securities	Unrealized gain (loss) on debt securities	(1,458,141)			(1,064,534)		
Unrealized gain (loss) on debt securities	Unrealized gain (loss) on debt securities						
Unrealized gain (loss) on debt securities	Unrealized gain (loss) on debt securities						
Cash and due from banks	Cash and due from banks						
Cash and due from banks	Cash and due from banks	295,711			310,713		

Premises and equipment, net	Premises and equipment, net	463,828			408,884		
Premises and equipment, net	Premises and equipment, net						
Other assets	Other assets						
Other assets	Other assets	990,683			536,901		
Total assets	Total assets	\$32,108,691			\$32,861,524		
Total assets							
Total assets							
LIABILITIES AND EQUITY:							
LIABILITIES AND EQUITY:							
LIABILITIES AND EQUITY:							
LIABILITIES AND EQUITY:							
Interest bearing deposits:	Interest bearing deposits:						
Interest bearing deposits:	Interest bearing deposits:						
Savings	Savings						
Savings	Savings	\$ 1,436,149	194	.05	\$ 1,595,857	177	.04
Interest checking and money market	Interest checking and money market	13,048,199	43,601	1.33	14,423,713	7,368	.20
Certificates of deposit of less than \$100,000	Certificates of deposit of less than \$100,000	1,423,965	15,499	4.32	397,071	411	.41
Certificates of deposit of \$100,000 and over	Certificates of deposit of \$100,000 and over	1,718,126	18,942	4.37	578,158	871	.60
Total interest bearing deposits	Total interest bearing deposits	17,626,439	78,236	1.76	16,994,799	8,827	.21
Borrowings:	Borrowings:						
Federal funds purchased	Federal funds purchased	\$ 508,851	\$ 6,833	5.33	\$ 51,929	315	2.41
Federal funds purchased	Federal funds purchased						
Federal funds purchased	Federal funds purchased						
Securities sold under agreements to repurchase	Securities sold under agreements to repurchase	2,283,020	18,431	3.20		7,576	1.37
Securities sold under agreements to repurchase	Securities sold under agreements to repurchase				2,199,866		

(A) Stated on a fully taxable-equivalent basis using a federal income tax rate of 21%.
(B) Interest expense capitalized on construction projects is not deducted from the interest expense shown above.

Nine Months Ended September 30, 2023 and 2022

(Dollars in thousands)	Nine Months 2023		
	Average Balance	Interest Income/Expense	Avg. Rates Earned/Paid
ASSETS:			
Loans:			
Business ^(A)	\$ 5,754,947	\$ 239,181	5.56
Real estate — construction and land	1,456,986	85,201	7.82
Real estate — business	3,554,347	157,306	5.92
Real estate — personal	2,962,619	81,351	3.67
Consumer	2,089,524	88,144	5.64
Revolving home equity	300,502	16,754	7.45

Consumer credit card	558,741	57,415	13.74
Overdrafts	4,810	—	—
Total loans	16,682,476	725,352	5.81
Loans held for sale	5,793	448	10.34
Investment securities:			
U.S. government and federal agency obligations	1,039,921	19,730	2.54
Government-sponsored enterprise obligations	66,056	1,352	2.74
State and municipal obligations ^(A)	1,571,132	24,626	2.10
Mortgage-backed securities	6,309,586	97,702	2.07
Asset-backed securities	2,869,252	44,836	2.09
Other debt securities	521,187	7,204	1.85
Trading debt securities ^(A)	42,392	1,494	4.71
Equity securities ^(A)	12,340	2,140	23.19
Other securities ^(A)	247,019	18,297	9.90
Total investment securities	12,678,885	217,381	2.29
Federal funds sold	16,262	639	5.25
Securities purchased under agreements to resell	787,070	11,791	2.00
Interest earning deposits with banks	1,816,210	70,328	5.18
Total interest earning assets	31,986,696	1,025,939	4.29
Allowance for credit losses on loans	(155,870)		
Unrealized gain (loss) on debt securities	(1,392,373)		
Cash and due from banks	306,441		
Premises and equipment, net	448,168		
Other assets	936,131		
Total assets	\$ 32,129,193		
LIABILITIES AND EQUITY:			
Interest bearing deposits:			
Savings	\$ 1,500,666	573	.05
Interest checking and money market	13,076,565	93,419	.96
Certificates of deposit of less than \$100,000	975,175	27,049	3.71
Certificates of deposit of \$100,000 and over	1,367,560	39,985	3.91
Total interest bearing deposits	16,919,966	161,026	1.27
Borrowings:			
Federal funds purchased	\$ 503,301	\$ 18,816	5.00
Securities sold under agreements to repurchase	2,302,289	52,940	3.07
Other borrowings ^(B)	951,971	37,027	5.20
Total borrowings	3,757,561	108,783	3.87
Total interest bearing liabilities	20,677,527	269,809	1.74
Non-interest bearing deposits	8,421,754		
Other liabilities	360,506		
Equity	2,669,406		
Total liabilities and equity	\$ 32,129,193		
Net interest margin (FTE)		\$ 756,130	
Net yield on interest earning assets			3.16

(A) Stated on a fully taxable-equivalent basis using a federal income tax rate of 21%.

(B) Interest expense capitalized on construction projects is not deducted from the interest expense shown above.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk management focuses on maintaining consistent growth in net interest income within Board-approved policy limits. The Company primarily uses movement in interest rates. The Company performs monthly simulations that model interest rate movements and risk in accordance with changes to its balance sheet. Interest Rate Sensitivity section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's 2022 2023 Annual Report.

The table below shows the effects of gradual shifts in interest rates over a twelve month period on the Company's net interest income versus the Company's net interest rate scenarios and three falling rate scenarios, and in these scenarios, rates are assumed to change evenly over 12 months, while the balance sheet remains flat.

The Company utilizes this simulation both for monitoring interest rate risk and for liquidity planning purposes. While the future effects of rising and falling rates on running multiple rate scenarios, when relevant, to better understand interest rate risk and its effect on the Company's performance.

September 30,		June 30, 2023			
2023					
March 31, 2024					
March 31, 2024					
March 31, 2024		December 31, 2023			
		\$	%	\$	%
		Change	Change	Change	Change
		in	in	in	in
		Net	Net	Net	Net
		Interest	Interest	Interest	Interest
		Income	Income	Income	Income
(Dollars in millions)	(Dollars in millions)				
300	300				
basis	basis				
points	points				
rising	rising	\$ (20.6)	(2.08)%	\$ (30.9)	(3.09)%
300 basis					
points rising					
300 basis					
points rising					
200 basis					
points rising					
200 basis					
points rising					
200	200				
basis	basis				
points	points				
rising	rising	(17.7)	(1.79)	(24.4)	(2.44)
100	100				
basis	basis				
points	points				
rising	rising	(9.1)	(.92)	(11.1)	(1.11)
100 basis					
points rising					
100 basis					
points rising					
100 basis					
points falling					
100 basis					
points falling					
100	100				
basis	basis				
points	points				
falling	falling	\$ (.6)	(.06)	(3.3)	(.33)
200	200				
basis	basis				
points	points				
falling	falling	(11.0)	(1.11)	(16.6)	(1.66)
200 basis					
points falling					

200 basis	
points falling	
300	300
basis	basis
points	points
falling	falling
(27.0)	(2.71)
(34.3)	(3.43)
300 basis	
points falling	
300 basis	
points falling	

Under the simulation, in the three rising rate scenarios, interest rate risk is mostly unchanged from the scenarios in the previous quarter and in the three falling rate scenarios compared to the scenarios in the previous quarter. This change was primarily due to a decrease in the use of a more conservative approach in wholesale funding, which is more reflective of the transition to more rate sensitive deposit sweep accounts. In addition, modeling premium money market deposit account rates increased in the flat falling interest rate scenarios in rising rate scenarios and more sensitive in falling rate scenarios when compared to the previous quarter.

The comparison above provides insight into potential effects of changes in rates and deposit levels on net interest income. The Company believes that its approach to rising and falling rates and has adopted strategies which minimize the impact of interest rate risk.

Item 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of September 30, 2023. The Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. There were no changes in the Company's internal control over financial reporting during the fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The information required by this item is set forth in Part I, Item 1 under Note 17, Legal and Regulatory Proceedings.

Item 1A. RISK FACTORS

In addition to the other information set forth in this report, the Company's business, financial condition, and results of operations may be materially impacted by the risk factors set forth in the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 2022. The risk factors set forth below update, and should be read together with, the risk factors set forth in the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 2022.

Liquidity and Capital Risks

Adverse developments affecting the banking industry, such as recent bank failures or concerns involving liquidity, may have material adverse effects on the Company's liquidity and capital resources.

Events impacting the banking industry during the first few months of 2023, including the failure of Silicon Valley Bank in March, have resulted in decreased confidence in the banking industry and its counterparties. Additionally, these events have caused significant disruption, volatility and reduced valuations of equity and other securities of banks in the capital markets, which, among other things, has resulted in unrealized losses in the Company's available for sale debt securities portfolio and increased competition for bank deposits. The market price and volatility of the Company's stock. These events could also lead to increases in the Company's interest expense, as it has raised and may continue to raise capital in an effort to replace deposits, seek borrowings which carry higher interest rates.

Recent bank failures have caused concern and uncertainty regarding the liquidity adequacy of the banking sector as a whole and resulted in some regional banks experiencing a significant reduction in the Company's deposits could materially, adversely impact the Company's liquidity, ability to fund loans, and results of operations. In addition, the Company's liquidity could be impacted by a significant reduction in the form of federal funds purchased and repurchase agreements and through lines of credit and borrowings from the FHLB and FRB. If the increase in demand from other banks or due to insufficient levels of pledgeable assets, its ability to borrow funds may be materially adversely impacted.

The Company could recognize losses on securities held in its securities portfolio, particularly if it were to sell a significant portion of its investments prior to maturity.

The Company maintains a portfolio of investments, which includes available for sale debt securities, trading securities, equity securities, and other investments. A significant portion of the Company's investments are held-to-maturity. The Company's available for sale debt securities portfolio is carried at fair value, with unrealized gains and losses carried in accumulated other comprehensive income. Investments, including available for sale debt investments, may change with changes in interest rates, credit concerns, or other economic factors. Due to the rapid changes in the market, the Company's available for sale debt securities included a net unrealized loss of \$1.6 billion at September 30, 2023. Although as of September 30, 2023, the Company has the intent to hold these investments to maturity, in the future the Company were to elect to sell or needed to sell the investments before their maturity, the Company could realize significant losses in its income statement.

Any changes to regulations, regulatory policies, laws, or supervisory or enforcement activities arising from the recent events in the banking industry could increase the Company's liquidity and capital risks.

In addition to operational impacts to the Company, the recent events in the banking industry may also result in changes to the laws and regulations governing bank Company is subject to extensive federal and state regulation and supervision. Changes to regulations, regulatory policies, laws, or supervisory or enforcement act limiting the services and products the Company may offer, restrict the Company's ability to pay dividends, result in the Company incurring higher costs, or subject funding, loss of client deposits or changes in our credit ratings could increase the cost of funding, limit access to capital markets or negatively impact the Comp concerns regarding the soundness or creditworthiness of other financial institutions, which can cause disruption within the financial markets and increased expenses increase its premiums above the recently increased levels or to issue additional special assessments, which would likely increase expenses and negatively impact ne

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information about the Company's purchases of its \$5 par value common stock, its only class of common stock registered pursuant to

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of S A
July 1 - 31, 2023	26,643	\$ 52.93	
August 1 - 31, 2023	305,314	\$ 51.24	
September 1 - 30, 2023	56,347	\$ 48.49	
Total	388,304	\$ 50.96	

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of S A
January 1 - 31, 2024	156,436	\$ 54.03	
February 1 - 29, 2024	379,435	\$ 51.32	
March 1 - 31, 2024	270,346	\$ 52.16	
Total	806,217	\$ 52.13	

The Company's stock purchases shown above were made under authorizations by the Board of Directors. Under the most recent authorization in April 2022 of 5, at **September 30, 2023** March 31, 2024. On April 17, 2024, the share repurchase authorization was increased to 5,000,000 shares.

Item 5. OTHER INFORMATION

During the three months ended **September 30, 2023** March 31, 2024, none of the officers or directors of the Company adopted or terminated any contract, in intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

Item 6. EXHIBITS

The exhibits filed as part of this report and exhibits incorporated herein by reference to other documents are listed below.

[10— Amended and restated Commerce Bancshares, Inc. Executive Incentive Compensation Plan \(EICP\) effective December 1, 2023](#)

[31.1 — Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

[31.2 — Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

[32 — Certifications of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

101 — Interactive data files in Inline XBRL pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of In Consolidated Statements of Changes in Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements, tagged as interactive data file because its XBRL tags are embedded within the Inline XBRL document.

104 — Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned there

By _____

Date: November 6, 2023 May 8, 2024

By _____

Date: November 6, 2023 May 8, 2024

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COMMERCE BANCSHARES, INC.**EXECUTIVE INCENTIVE COMPENSATION PLAN****1. PURPOSE**

The policy of Commerce Bancshares, Inc. ("Commerce") is to compensate its officers based on performance. The purpose of this Executive Incentive Compensation Plan is to provide incentives to individuals whose management efforts reflect a desire to meet commonly agreed upon objectives or to those who by their superior performance directly contribute to the success of Commerce.

This Plan document is effective as of December 1, 2023, and amends and restates the prior Plan, amended and restated effective April 19, 2023, in its entirety.

2. ADMINISTRATION

The Plan shall be administered by the Compensation and Human Resources Committee ("Committee") of the Board of Directors ("Board") of Commerce, which shall act under Rule 16b-3(b)(3) promulgated under the Securities Exchange Act of 1934, as amended, or any successor provision thereto. The Committee shall have authority thereunder, and make all determinations, including the determination of incentive compensation awards eligible to be deferred under the Plan. All determinations made by the Committee shall be final and non-appealable.

Notwithstanding the foregoing, the Retirement Committee shall administer the "Deferral Options" set forth in section 6 of this Plan in accordance with the terms of the Plan. The co-chairpersons shall appoint and remove the other members of the Retirement Committee. The Retirement Committee shall act by a majority of its members at the time in office, but such action may be taken by a vote at a meeting or in writing. The Retirement Committee shall receive no compensation for their services as such. Notwithstanding the foregoing, the Retirement Committee may choose to delegate its administrative functions to the Compensation and Human Resources Committee, provided that such delegation is reflected in the terms of administrative forms provided to participants.

3. ELIGIBLE PARTICIPANTS

All executive officers, chairmen and vice chairmen of boards, presidents, executive vice presidents, senior vice presidents and vice presidents of Commerce or any of its subsidiaries, together with such other officers or employees of Commerce and its affiliated banks and subsidiary companies as the Committee shall determine.

Directors who are not officers or employees of Commerce, an affiliated bank, or a subsidiary company, are not eligible to participate in the Plan.

4. DETERMINATION OF AWARD

a. The Board in its sole discretion shall approve the amount of the aggregate incentive compensation awards to be granted based on the recommendation of the Committee. The Committee shall be composed of the Chairman of the Board and/or the Chief Executive Officer of Commerce shall be determined by the Committee. All other awards to be made under this Plan may be determined by the Committee, consisting of the Chief Executive Officer of Commerce, a Vice Chairman designated by the Chief Executive Officer, and the Executive Director of Talent Management.

b. Individual incentive compensation awards for members of the Commerce Executive Management Committee ("EMC participants") of Commerce (and, in the discretion of the Committee, for other employees of Commerce) shall be based on the achievement of objective performance goals ("Performance Goals") based on one or more of the following criteria: revenue, pre-provision net revenue, earnings per share, costs, return on equity, efficiency ratio (non-interest expense, divided by total revenue), asset management, asset quality, asset growth, budget achievement, and such other factors as the Committee may determine.

may be subject to performance modifiers based on strategic corporate initiatives determined by the Committee. All calculations and financial accounting matters relating to the Plan shall be determined by the Committee, or otherwise directed by the Committee.

- i. Performance Goals and/or any applicable modifiers need not be uniform among all participants and may be established separately for Commerce as a whole.
- ii. Performance Goals may include or exclude specified items of an unusual, non-recurring or extraordinary nature.
- iii. No award shall be paid to any EMC participant if the applicable minimum Performance Goal(s) are not achieved.
- iv. Performance Goals shall be set by the Committee before the end of the period that constitutes the earlier of the first ninety (90) days of, or the first twelve (12) months of, the performance period, or the first twelve (12) months of the period, provided that the outcome is substantially uncertain at the time the Committee actually establishes the Performance Goal.

5. PAYMENT OF INCENTIVE AWARD

Incentive compensation awards are normally paid in the form of cash and awards will be paid as soon as practicable after the awards are determined, provided, however, that the award is not subject to a deferral election. Notwithstanding the foregoing, except for amounts deferred in accordance with Section 6, incentive compensation awards shall be paid in the calendar year during which the performance period for the incentive compensation award ends.

6. DEFERRAL OPTIONS

a. Eligible employees who are members of a select group of management or highly compensated employees may elect to defer all or a portion of an incentive compensation award to a future date, including a date of Disability or (ii) Separation from Service. Anyone who has made a deferral shall remain a "participant" until such individual has received payment of all of his or her incentive compensation award. The granting of an incentive compensation award is discretionary and neither delivery of a deferral election nor the granting of an incentive compensation award shall constitute a promise of an award. All deferral elections made under the Plan are irrevocable. It is intended that this arrangement qualify as, and shall be administered to qualify as being unfunded and unsecured for a select group of management or highly compensated employees.

b. An election to defer must be made in a manner satisfactory to the Retirement Committee and must be received by the Retirement Committee on or before the date of the performance period. Notwithstanding the foregoing, in the case of any incentive compensation award that is subject to a deferral election, the Retirement Committee may permit an election with regard to a Performance Award to be received by the Retirement Committee no later than June 30th for a performance period ending December 31), provided that the employee was employed by Commerce continuously from the date the performance period begins to the date the election is received by the Retirement Committee. An election to defer a Performance Award shall become irrevocable as of the deadline for making such election.

c. An eligible employee in electing a deferred payment shall also elect the accounts, from among the accounts that Commerce makes available to the participating employees, to which the deferred payment shall be credited. Credits to available accounts for deferral of an incentive compensation award shall be determined from time to time based upon hypothetical measuring investments in a Commerce Stock Account and the others of which shall be determined from time to time by the Retirement Committee in its discretion. Amounts credited to the Commerce Stock Account on the date of the deferral. Such accounts are bookkeeping accounts only and are maintained for the sole purpose of determining the amount payable by Commerce to the participant. Measuring Investments for each such account, determined as if the account had assets invested in the Measuring Investments of such account. No assets shall be set aside for the benefit of an eligible employee.

With the exception of the Commerce Stock Account, a participant may elect to transfer credits between accounts at such times and from time to time, and the amount of such transfers shall be determined by the Retirement Committee, which rules, procedures, and deadlines may be amended from time to time. Any election to transfer a credit to the Commerce Stock Account shall be based upon the closing price of Commerce Stock as reported by the National Association of Security Dealers National Market System on the date of the transfer. Any election to transfer a credit to any other account shall be based upon the amount credited to such account as of the date determined in accordance with the Administrative Rules.

d. The accounts made available for the deferral of incentive compensation awards are bookkeeping accounts. Separate bookkeeping accounts will be maintained for each participant. Hypothetical earnings, gains or losses, will be determined in accordance with the Administrative Rules, based on the investment performance of the Measuring Investments. The amount of the credit to each account shall be determined in accordance with the Administrative Rules.

e. Each participant shall receive a statement (not less frequently than once per calendar year) setting forth the balance to the credit of such participant in each of the accounts maintained for the participant.

f. Amounts deferred under the provisions of Section 6 of this Plan will be disbursed to participants in accordance with the following:

- (1) The default time of payment of all accounts shall be during the calendar year following the calendar year in which a participant experiences the earlier of a Separation from Service or Disability. In the event of a Separation from Service or Disability, the participant may elect in accordance with this Section to instead commence payment during the ninety (90) days following the earlier of a Separation from Service or Disability.

The default form of payment will be in a single lump sum. However, a participant may elect in accordance with this Section that payment shall be made in installments over a period of more than 10 years. For 2023 and prior calendar years only, a participant may elect to receive a specified percentage of the amount in a single lump sum within the calendar year in which the participant experiences the earlier of a Separation from Service or Disability or more than 10 years. Each installment payment will be made in an amount, less applicable withholding taxes, determined by dividing the amount of the award by the number of installments, which is 1 and the denominator of which is a number equal to the remaining unpaid annual installments (including the installment being calculated).

For purposes of application of Code Section 409A to this provision, installments shall be treated as a single payment.

Effective for any participant who first joins the Plan for 2024 or any later year, such participant's benefit shall be paid in a single lump sum, notwithstanding participant's Separation from Service if the balance of the participant's aggregate bookkeeping accounts under the Plan is \$25,000 or less.

(i) an election related to a distribution to be made upon a specified time or pursuant to a fixed schedule must be received by the Retirement Committee no later than the date on which the distribution would otherwise be distributed to the participant;

(ii) such election shall not take effect until at least twelve (12) months after the date on which the election is made; and

(iii) the new payment commencement date is at least five (5) years after the date such payment otherwise would have been made (except in the case of a lump sum distribution).

(3) If a participant dies after the commencement of payments from such participant's accounts other than the Commerce Stock Account, the designated beneficiary

(5) Each participant shall have the right at any time to designate any person or persons as beneficiary or beneficiaries (both principal as well as contingent) to complete distribution to the participant of the amounts due under this Plan. Any beneficiary designation may be changed by a participant by the filing of such a new beneficiary designation will cancel all beneficiary designations previously filed and will apply to all deferrals in the account. If a beneficiary has not been designated, then any amounts payable to the beneficiary shall be paid to the participant's spouse (if married) or estate (if not married) in one lump sum.

(7) Notwithstanding anything contained in this Plan to the contrary, if the participant is a "specified employee" (determined in accordance with 409A) as of the participant's death), then any payment, benefit or entitlement provided for in this Agreement that constitutes "deferred compensation" within the meaning of Section 409A of the Internal Revenue Code shall be paid or provided to the participant in a lump sum cash payment to be made on the earlier of (a) the par business day) of the seventh calendar month immediately following the month in which the date the participant's termination of employment occurs. Amounts payable in the manner determined by the Retirement Committee in its discretion and shall be included in the delayed payment.

(8) Notwithstanding anything herein to the contrary, participants whose entire interest under the Plan (including any interest under all agreements, methods or arrangements for the payment of benefits) is payable under a single nonqualified deferred compensation plan pursuant to Treasury Regulation section 1.409A-1(c)(2)) at any time payment of installments is due is equal to the amount payable under the Plan, the Retirement Committee may direct that the remaining amount due be paid in a single lump sum payment.

(9) The terms "Separation from Service", "termination of employment" and similar terms mean the date that the participant separates from service within the plan, or the date the participant dies, retires, or otherwise has a termination of employment with Commerce, determined in accordance with the following:

(i) **Leaves of Absence.** The employment relationship is treated as continuing intact while the participant is on military leave, sick leave, or other months, or, if longer, so long as the participant retains a right to reemployment with Commerce under an applicable statute or by contract. A reasonable expectation that the participant will return to perform services for Commerce. If the period of leave exceeds 6 months and the participant contract, the employment relationship is deemed to terminate on the first date immediately following such 6 month period. Notwithstanding the foregoing or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such or her position of employment or any substantially similar position of employment, a 29 month period of absence shall be substituted for such 6 month

(ii) **Dual Status.** Generally, if a participant performs services both as an employee and an independent contractor, such participant must separate from service under the Plan based on the facts and circumstances, and the determination of whether a participant has a separation from service is based on the standards set forth in Treasury Regulations, to be treated as having a separation from service. However, if a participant provides services to the Company, and the participant is also a director or officer of the Company, the participant's service as a director or officer of the Company, in which such person participates as a Board member is not aggregated with this Plan pursuant to Treasury Regulation section 1.409A-1(c)(2)(ii), in determining whether the participant has a separation from service as an employee for purposes of this Plan.

(iii) Termination of Employment. Whether a termination of employment has occurred is determined based on whether the facts and circumstances indicate that the participant would perform further services after a certain date or that the level of bona fide services the participant would perform after such date (whether or not such date is the date of termination) would permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or as an independent contractor) during the 36 months immediately preceding 36 month period (or the full period of services to Commerce if the participant has been providing services to Commerce less than 36 months) prior to the date of termination, leave of absence and has not otherwise terminated employment as described above, for purposes of this paragraph (iii) the participant is treated as having terminated employment if the participant has not performed bona fide services to Commerce for a period of 36 months.

CERTIFICATION

I, John W. Kemper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commerce Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition and results of operations for the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that information required to be disclosed by the registrant in its reports that it files or furnishes under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the applicable SEC rule or regulation, and that consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to ensure that information required to be disclosed by the registrant in its reports that it files or furnishes under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the applicable SEC rule or regulation, and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors or persons performing the equivalent functions:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 6, 2023 May 8, 2024

CERTIFICATION

I, Charles G. Kim, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commerce Bancshares, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition and results of operations for the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 6, 2023 May 8, 2024

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Commerce Bancshares, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 (the "Report"), we, John W. Kemper and Charles G. Kim, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, hereby certify, pursuant to the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 6, 2023 May 8, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request.



DISCLAIMER

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