

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

■ CHANGES	743
■ DELETIONS	701
■ ADDITIONS	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

43-0889454

(State of incorporation)

(IRS Employer Identification No.)

1000 Walnut

64106

Kansas City, MO

(Zip Code)

(Address of principal executive offices)

(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	
				March 31, 2024	December 31, 2023
	(Unaudited)	(In thousands)			
	(Unaudited)	(In thousands)			
	(In thousands)	(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 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)			
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	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	Common stock, \$5 par value	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		
Total Commerce	Bancshares, Inc.		
Bancshares, Inc.	stockholders'		
stockholders' equity	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)							
INTEREST INCOME		INTEREST INCOME					
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		152	159	448	470		
Interest on investment securities		69,245	79,586	214,091	241,326		
Interest on federal funds sold		45	94	639	114		
Interest on securities purchased under agreements to resell		3,740	5,984	11,791	15,669		
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:					
Interest on deposits:							
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		15,499	411	27,049	755		
Certificates of deposit of \$100,000 and over		18,942	871	39,985	1,768		
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				
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 — 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		For the Nine Months		
		Ended September 30		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				
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	
Unrealized gains (losses) on cash flow hedge derivatives		Unrealized gains (losses) on cash flow hedge derivatives	(24,414)	(7,187)	(34,968)	
Other comprehensive income (loss)		Other comprehensive income (loss)	(157,239)	(352,450)	(106,670)	
Comprehensive income (loss)		Comprehensive income (loss)	(34,539)	(226,263)	267,046	
Less non-controlling interest (income) expense		Less non-controlling interest (income) expense	2,104	3,364	5,879	
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

		Accumulated						
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Other Income (Loss)	Comprehensive Income (Loss)	Non-Controlling Interest
(In thousands, except per share data)								
(In thousands, except per share data)								
(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	122,823		3,364	126,187			
Net Income	Net Income							

Other	Other						
comprehensive	comprehensive						
income (loss)	income (loss)						
		(352,450)			(352,450)		
Distributions to	Distributions to						
non-controlling	non-controlling						
interest	interest						
		(318)			(318)		
Purchases of	Purchases of						
treasury stock	treasury stock						
		(50,116)			(50,116)		
Sale of non-							
controlling							
interest of							
subsidiary							
Issuance	Issuance						
under stock	under stock						
purchase and	purchase and						
equity	equity						
compensation	compensation						
plans	plans	(2,762)		2,761		(1)	
Stock-based	Stock-based						
compensation	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						Total	
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	(Loss)	Interest		
(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							
(In thousands)		2023	2022	(In thousands)		2024	2023				
(Unaudited)				(Unaudited)							
OPERATING ACTIVITIES:											
Net income											
Net income		\$ 373,716	\$ 366,366								
Net income											
Adjustments to reconcile net income to net cash provided by operating activities:											
to reconcile net income to net cash provided by operating activities:											
net income to net cash provided by operating activities:											
net cash provided by operating activities:											
Provision for credit losses											
Provision for credit losses											
Provision for credit losses		29,572	12,594								
Provision for depreciation and amortization		36,661	35,350								
Amortization of investment security premiums, net		13,345	8,565								
Investment securities (gains) losses, net		(7,384)	(11,602)								
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:			
Cash paid in acquisition, net of cash received	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		
Distributions received from equity-method investment	Distributions received from equity-method investment	1,434	400

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

FINANCING ACTIVITIES: FINANCING ACTIVITIES:

Net increase	Net increase		
(decrease)	(decrease)		
in non-	in non-		
interest	interest		
bearing,	bearing,		
savings,	savings,		
interest	interest		
checking	checking		
and money	and money		
market	market		
deposits	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		
Purchases of treasury stock		
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	(775,399) (3,510,501)
Increase (decrease) in cash, cash equivalents and restricted cash	Increase (decrease) in cash, cash equivalents and restricted cash
cash Cash, cash equivalents and restricted cash at beginning of year	cash Cash, cash equivalents and restricted cash at beginning of year
	1,310,715 (3,287,878)
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 (In thousands)	December 31, 30, 2023 (In thousands)	December 31, 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	Personal				
Banking:	Banking:				

Real estate – personal	Real estate – personal		
Real estate – personal	Real estate – personal		
personal	personal	3,024,639	2,918,078
Consumer	Consumer	2,125,804	2,059,088
Revolving	Revolving		
home equity	home equity	305,237	297,207
Consumer	Consumer		
credit card	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)% 4.6% 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	<p>Commercial loans</p> <ul style="list-style-type: none"> pools ranging from 0% to 5% for most loan pools <p>Personal banking loans</p> <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% 	<p>Commercial loans</p> <ul style="list-style-type: none"> 5% for most loan pools <p>Personal banking loans</p> <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	<p>Added qualitative factors related to:</p> <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 	<p>Added qualitative factors related to:</p> <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. 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**, 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)									
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	beginning of period \$	108,024	\$ 50,661	\$ 158,685	\$ 103,293	\$ 46,843	\$ 150,136		
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:									
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	LIABILITY FOR UNFUNDED LENDING COMMITMENTS								
Balance at beginning of period	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											
For the Three Months Ended September 30, 2022											
For the Nine Months Ended September 30, 2022											
(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	\$ 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:											
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						
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							
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 Days Past Due		
		Current or Less Than 30 Days Past Due	30 – 89 Days Past Due	90 Days Past Due
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 **\$0.5 million** **\$0.7 million** in non-accrual business loans that had no allowance for credit loss at **December 31, 2022** **December 31, 2023**. The Company did not record any interest income on non-accrual loans during the **nineteen** **thirty** **months** 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 comprising of nine 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 risk profile. 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 monitored through the various grade levels in the "pass" category. The "special mention" rating is a transitional grade that is closely monitored for improvement or deterioration. The "substandard" rating is applied to loans where the borrower exhibits well-defined weaknesses and the distinct possibility of default exists. Loans are placed on "non-accrual" when management does not expect to collect payments consistent with acceptable and agreed upon terms.

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 annually. Smaller 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 processes. In addition to the regular monitoring performed by the lending personnel and credit committees, loans are subject to review by a 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

(In thousands)	2023	2022	2021	2020	2019	Prior	Cost Basis	Total	Revolving Loans Amortized
(In thousands)	2024	2023	2022	2021	2020	Prior			
September 30, 2023									
(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-	Total Real estate-								
construction:	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- Real estate-business 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			
(In thousands)		2022	2021	2020	2019	2018	Prior	Cost Basis	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 mention	Special 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- 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 mention	Special mention	352	—	—	—	—	—	—	352		
Substandard	—	19,494	—	—	14,766	13,140	—	—	47,400		
Total Real estate- construction:	Total Real estate- 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											

Real estate- Real estate-
business business

Risk Rating: Risk Rating:

Risk Rating:

Risk Rating:

Pass

Pass

Pass	Pass	\$1,085,379	\$ 616,516	\$ 555,648	\$ 424,641	\$ 163,628	\$ 271,579	\$ 90,799	\$ 3,208,190
Special mention	Special mention	4,608	—	618	9,737	976	279	—	16,218
Substandard	Substandard	2,795	30,944	61,141	10,490	30,782	46,232	—	182,384
Non-accrual	Non-accrual	14	45	—	—	124	6	—	189

Total Real-
estate

business: business: \$1,092,796 \$ 647,505 \$ 617,407 \$ 444,868 \$ 195,510 \$ 318,096 \$ 90,799 \$ 3,406,981

Gross write-
offs for the
year ended
December
31, 2023

Commercial loans

Risk Rating: Risk Rating:

Risk Rating:

Risk Rating:

Pass

Pass

Pass	Pass	\$3,079,877	\$1,995,390	\$1,149,481	\$812,816	\$345,308	\$492,661	\$2,255,738	\$10,131,271
Special mention	Special mention	8,073	2,548	8,375	10,800	1,043	279	1,319	32,437
Substandard	Substandard	8,547	60,442	61,826	10,527	46,358	69,714	1,739	259,153
Non-accrual	Non-accrual	209	2,032	—	1	916	3,782	—	6,940

Total
Commercial
loans:

loans: \$3,096,706 \$ 2,060,412 \$ 1,219,682 \$ 834,144 \$ 393,625 \$ 566,436 \$ 2,258,796 \$ 10,429,801

Gross write-
offs for the
year ended
December
31, 2023

The credit quality of Personal Banking loans is monitored primarily on the basis of aging/delinquency, and this information is provided as of September 30, 2023. Ma

Term Loans Amortized Cost Basis by Origination Year

Term Loans Amortized Cost Basis by Origination Year

(In thousands)	(In thousands)	2023	2022	2021	2020	2019	Prior	Amortized Cost Basis	Total
----------------	----------------	------	------	------	------	------	-------	----------------------	-------

September 30, 2023

(In thousands)

(In thousands)

2024 2023 2022 2021 2020 Prior

March 31, 2024																	
Real	Real																
estate-	estate-																
personal	personal																
Real estate-personal																	
Real estate-personal																	
Current to 90 days																	
past due																	
Current to 90 days																	
past due																	
Current to 90 days																	
90 days	90 days																
past due	past due	\$384,542	\$462,127	\$546,460	\$728,286	\$266,678	\$619,916	\$ 8,663	\$3,016,672								
Over 90	Over 90																
days past	days past																
due	due	49	1,299	1,499	1,071	—	2,518	—	6,436								
Non-	Non-																
accrual	accrual	—	161	—	—	160	1,210	—	1,531								
Total Real	Total Real																
estate-	estate-																
personal:	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																	
90 days	90 days																
past due	past due	\$452,731	\$368,897	\$279,652	\$143,995	\$ 66,217	\$ 59,466	\$ 752,781	\$2,123,739								
Over 90	Over 90																
days past	days past																
due	due	293	392	200	28	66	378	708	2,065								
Total	Total																
Consumer:	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																	
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	Revolving										
home	home										
equity	equity										
Current to	Current to										
90 days	90 days										
past due	past due	\$	— \$	— \$	— \$	— \$	— \$	— \$	302,557	\$	302,557
Current to 90 days											
past due											
Current to 90 days											
past due											
Over 90	Over 90										
days past	days past										
due	due	—	—	—	—	—	—	—	2,680		2,680
Non- accrual											
Total	Total										
Revolving	Revolving										
home	home										
equity:	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	Consumer										
credit card	credit card										
Current to 90 days											
past due											
Current to 90 days											
past due											
Current to	Current to										
90 days	90 days										
past due	past due	\$	— \$	— \$	— \$	— \$	— \$	— \$	568,129	\$	568,129
Over 90	Over 90										
days past	days past										
due	due	—	—	—	—	—	—	—	6,700		6,700
Total	Total										
Consumer	Consumer										
credit card:	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										

Term Loans Amortized Cost Basis by Origination Year

Term Loans Amortized Cost Basis by Origination Year

(In thousands)	(In thousands)	2022	2021	2020	2019	2018	Prior	Cost Basis	Revolving Loans Amortized Total	2023	2022	2021	2020	2019	Prior	
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																
90 days past due	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																
90 days past due	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	Total															
Consumer:	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	Revolving										
home	home										
equity	equity										
Current to	Current to										
90 days	90 days										
past due	past due	\$	— \$	— \$	— \$	— \$	— \$	— \$	296,504	\$	296,504
Current to 90 days											
past due											
Current to 90 days											
past due											
Over 90	Over 90										
days past	days past										
due	due	—	—	—	—	—	—	—	703		703
Non-accrual											
Total	Total										
Revolving	Revolving										
home	home										
equity:	equity:	\$	— \$	— \$	— \$	— \$	— \$	— \$	297,207	\$	297,207
Gross											
write-offs											
for the											
year ended											
December											
31, 2023											
Consumer	Consumer										
credit card	credit card										
Current to 90 days											
past due											
Current to 90 days											
past due											
Current to	Current to										
90 days	90 days										
past due	past due	\$	— \$	— \$	— \$	— \$	— \$	— \$	578,451	\$	578,451
Over 90	Over 90										
days past	days past										
due	due	—	—	—	—	—	—	—	5,549		5,549
Total	Total										
Consumer	Consumer										
credit card:	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	Current to										
90 days	90 days										
past due	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	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 held in a separate portfolio or included in the Company's non-accrual loans. 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, 2023**.

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

(In thousands)	Business Assets	Real Estate
March 31, 2024		
Commercial:		
Real estate - business	\$	— \$ 1,203 \$
Personal Banking:		
Revolving home equity	—	1,977
Total	\$	— \$ 3,180 \$
December 31, 2023		
Commercial:		
Business	\$	1,183 \$ — \$
Personal Banking:		
Revolving home equity	—	1,977
Total	\$	1,183 \$ 1,977 \$

Other Personal Banking loan information

As noted above, the credit quality of Personal Banking loans is monitored primarily on the basis of aging/delinquency, and this information is provided in the table are obtained and updated on a quarterly basis for most of the loans in the Personal Banking portfolio. This is a published credit score designed to measure the risk history and is considered supplementary information utilized by the Company, as management does not consider this information in evaluating the allowance for cr origination and

renewal dates, and updates are obtained on a quarterly basis. Excluded from the table below are certain personal real estate loans for which FICO scores are not ob and are often underwritten with other collateral considerations. These loans totaled \$170.2 million \$168.8 million at September 30, 2023 March 31, 2024 and \$179.2 also excludes consumer loans related to the Company's patient healthcare loan program, which totaled \$210.0 million \$210.4 million at September 30, 2023 March 31, 2023. As the healthcare loans are guaranteed by the hospital, customer FICO scores are not obtained for these loans. The personal real estate loans and cor portfolio. For the remainder of loans in the Personal Banking portfolio, the table below shows the percentage of balances outstanding at September 30, 2023 March 31, 2023



720 -	720 - 779	779	22.2	26.2	23.2	27.6				
780										
780 and										
over	over		65.4	53.3	62.0	26.4				
Total	Total		100.0 %							
December 31,										
2022										
December										
31, 2023										
FICO	FICO									
score:	score:									
FICO score:										
FICO score:										
Under 600										
Under 600										
Under										
Under 600	600		1.4 %	2.2 %	1.5 %	3.4 %	2.0 %	2.5 %	1.9 %	4.7 %
600 -	659	659	2.2	4.2	2.8	11.4				
660 -										
660 - 719	719		8.1	14.5	9.7	30.8				
720 -										
720 - 779	779		23.7	26.7	21.4	27.1				
780										
780 and										
over	over		64.6	52.4	64.6	27.3				
Total	Total		100.0 %							

Modifications for borrowers experiencing financial difficulty

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 borro

The Company's modifications of loans to borrowers experiencing financial difficulty are generally in the form of term extensions, repayment plans, payment deferrals and/or fees, or any combination thereof. Commercial loans modified to borrowers experiencing financial difficulty are primarily loans that are substandard or non-accrual. Residential real estate loans are primarily those placed on forbearance plans, repayment plans, or deferral plans where monthly payments are suspended for a period of time or past due as a balloon payment at maturity. Modifications to certain credit card and other small consumer loans are often modified under debt counseling programs that can reduce interest charges. Other consumer loans modified to borrowers experiencing financial difficulty consist of various other workout arrangements with consumer customer

The following tables present the amortized cost at **September 30, 2023** **March 31, 2024** of loans that were modified during the three and nine months ended September 30, 2023 of loans that were modified during the three months ended March 31, 2023.

For the Three Months Ended September 30, 2023										
For the Three Months Ended March 31, 2024										
(Dollars thousands)	(Dollars thousands)	in	Term Extension	Payment Delay	Interest Reduction	Rate Forgiven	Interest/Fees Other	Total	Loan Category	% of Total
September 30, 2023										
March 31,										
2024										

For the Three Months Ended March 31, 2023

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

The following tables summarize the financial impact of loan modifications and payment deferrals during the three and nine months ended September 30, 2023

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.	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% to 6%.	Reduced weighted-average
Consumer credit card	Reduced weighted-average contractual interest rate from weighted average 21% 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 thousand of interest and fees forgiven.
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The Company had commitments of \$9.1 million and \$2.4 million and \$28.4 million at September 30, 2023 March 31, 2024 and December 31, 2023, respectively, to lend additional funds. The Company has modified the terms of loans in the form of principal forgiveness, an interest rate reduction, reduction; an other-than-insignificant payment delay, delay, and reduction in fees during the current reporting period.

The following table provides the amortized cost basis at March 31, 2024 of loans to borrowers experiencing financial difficulty that had a payment due on or before March 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 and consumer loans at September 30, 2023 that were modified during the period.

For the Three Months Ended September 30, 2023

(Dollars in thousands)	Payment Delay	Interest Rate Reduction	Interest/Fees Forgiven	Total	Payment Delay	Interest Rate Reduction	Interest/Fees Forgiven
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	\$ 1,007

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 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 planned amounts due under the contractual terms will be collected. Commercial performing restructured loans are primarily comprised of certain business, construction and 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 on 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 management plans. Troubled debt restructurings involve removing the available line of credit, placing loans on amortizing status, and lowering the contractual interest rate. Certain personal real estate, revolving and other consumer loans are being restructured 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)	Current
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 they were 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 restructurings. The CARES Act was due to expire on December 31, 2020. During January 2021, the Consolidated Appropriations Act, 2021 was enacted and extended through the end of 2021. The Company elected to extend its application of this guidance through December 31, 2021. The Company's application of this guidance through December 31, 2021, did not include the 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, because 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 restructuring. The Company's application of this guidance through December 31, 2021, 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 as of December 31, 2022, and the amounts outstanding 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 modifications to loans under various debt management and assistance programs at December 31, 2022 were estimated to decrease interest income by approximately owed. Other modifications to consumer loans mainly involve extensions and other small modifications that did not include the forgiveness of principal or

The allowance for credit losses related following tables present the amortized cost basis at March 31, 2024 of 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 restructuring contractual terms. Performing commercial loans having no other concessions granted other than being renewed at non-market interest rates are judged to have been collectively evaluated based on internal risk rating, loan type, delinquency, historical experience and current economic factors. Performing personal banking loans are 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 pursuing non-troubled debt personal banking loans and are evaluated collectively based on loan type, delinquency, historical experience and current economic factors. after January 1, 2024

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 evaluation, 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 and fair value. The fair value of these loans was \$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/reposessed 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 December 31, 2023, respectively. 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 December 31, 2023, respectively, of foreclosed residential and commercial properties. 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 December 31, 2023, 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 and fair value.

3. Investment Securities

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

(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	Federal		
Reserve	Reserve		
Bank stock	Bank stock	35,070	34,795
Federal Reserve Bank stock			
Federal Reserve Bank stock			
Federal	Federal		
Home Loan	Home Loan		
Bank stock	Bank stock	30,400	10,678
Equity method investments			—
Private equity investments			1,434
Private equity investments			
Private	Private		
equity	equity		
investments	investments	165,322	178,127
Total	Total		
investment	investment		
securities (1)	securities (1)	\$10,139,396	\$12,519,177

(2) Accrued interest receivable totaled \$29.4 million \$28.2 million and \$38.8 million \$28.9 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and was included in the accompanying financial statements.

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 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 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 and cash. 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 shares of Visa Class B-1 common stock, 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 (which will be convertible into Class A 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 or employee).

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 \$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 by market participants for similar securities issued by Visa. The Company's Visa Class B-2 common stock will continue to be carried at cost of \$0 as there are no 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, securities yielding approximately 4.6%. 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 factors.

Other investment securities include Federal Reserve Bank (FRB) stock, Federal Home Loan Bank (FHLB) stock, equity method investments, and investments in private companies. FRB stock 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 FHLB. These holdings are carried at cost. Additionally, the Company's equity method investments are carried at cost, adjusted to reflect the Company's share of earnings or losses of the investee. 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 available for sale debt securities by maturity groupings as of **September 30, 2023** **March 31, 2024** is shown below. The investment portfolio includes agency mortgage securities, FNMA, and Government National Mortgage Association (GNMA), in addition to non-agency mortgage-backed securities, which have no guarantee but are collateralized by asset-backed securities, which are primarily collateralized by credit cards, automobiles, student loans, and commercial loans. These securities differ from traditional bonds 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:

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

Investments in U.S. government and federal agency obligations include U.S. Treasury inflation-protected securities, which totaled **\$391.7 million** **\$396.2 million**, at securities increases with inflation and decreases with deflation, as measured by the non-seasonally adjusted Consumer Price Index (CPI-U). At maturity, the principal

Allowance for credit losses on available for sale debt securities

Securities for which fair value is less than amortized cost are reviewed for impairment. Special emphasis is placed on securities whose credit rating has fallen to fallen more than 20% below purchase price, or those which have been identified based on management's judgment. These securities are placed on a watch list and securities are analyzed using a projected cash flow model, discounted to present value, and compared to the current amortized cost bases of the securities. The most required, expected delinquency rates, credit support from other tranches, prepayment speeds, collateral loss severity rates (including loan to values), and various cash flows using the cash flow model are analyzed by reviewing risk credit ratings, credit support agreements, and industry knowledge to project future cash flows and any possible

At **September 30, 2023** **March 31, 2024**, the fair value of securities on this watch list was **\$2.8 billion** **\$1.7 billion** compared to **\$1.3 billion** **\$1.2 billion** at **December 31, 2022** **December 31, 2023**. Unrealized losses on these available for sale securities have not been recognized into income because after review, the securities on the Company's watch list that were not deemed to be solely related to increasing interest rates were securities backed by government-guaranteed **September 30, 2023** **March 31, 2024**, the Company did not identify any securities for which a credit loss exists, and for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, no loss expense on any available for sale debt securities.

The table below summarizes debt securities available for sale in an unrealized loss position, aggregated by length of loss period, for which an allowance for credit losses has been established. The table is as of **September 30, 2023** **December 31, 2023**. Unrealized losses on these available for sale securities have not been recognized into income because after review, the securities are primarily attributable to changes in interest rates and current market conditions. At **September 30, 2023** **March 31, 2024**, the Company does not intend to sell these securities at a loss.

	Less than 12 months		12 months or longer		Total			Less than 12 months	
	Less than 12 months		Unrealized		Unrealized			Unrealized	
	(In thousands)	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	(In thousands)	Fair Value
September 30, 2023									
March 31, 2024									
U.S. government and federal agency obligations									
U.S. government and federal agency obligations									
U.S. government obligations	U.S. government obligations	\$ 48,996	\$ 2,838	\$ 898,980	\$ 37,361	\$ 947,976	\$ 40,199		
Government- sponsored enterprise obligations	Government- sponsored enterprise obligations	—	—	40,593	15,073	40,593	15,073		
State and municipal obligations	State and municipal obligations	43,228	2,050	1,130,491	201,110	1,173,719	203,160		

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
Non-agency mortgage-backed securities	Non-agency mortgage-backed securities	809	5	1,131,284	215,658	1,132,093
Asset-backed securities	Asset-backed securities	20,020	149	2,287,893	128,061	2,307,913
Total	Total	30,591	372	7,185,662	1,273,805	7,216,253
Other debt securities	Other debt securities	864	136	449,421	63,972	450,285
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

Government- Government-sponsored enterprise obligations

State and municipal obligations

Mortgage and asset-backed securities:

Agency mortgage-backed securities

Agency mortgage-backed securities

Agency	Agency						
mortgage-	mortgage-						
backed	backed						
securities	securities	1,323,938	125,330	2,966,851	654,327	4,290,789	779,657
Non-agency	Non-agency						
mortgage-	mortgage-						
backed	backed						
securities	securities	135,984	16,736	1,069,222	195,218	1,205,206	211,954
Asset-	Asset-						
backed	backed						
securities	securities	1,331,055	50,056	2,006,188	140,424	3,337,243	190,480
Total	Total						
mortgage	mortgage						
and asset-	and asset-						
backed	backed						
securities	securities	2,790,977	192,122	6,042,261	989,969	8,833,238	1,182,091
Other debt	Other debt						
securities	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 as of **September 30, 2023** and **March 31, 2024**, and the corresponding amounts of gross unrealized gains and losses (pre-tax) in AOCI, by security type.

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

Agency	Agency					
mortgage- backed	mortgage- backed					
securities	securities	4,722,758	113	(930,304)	—	3,792,567
Non-agency	Non-agency					
mortgage- backed	mortgage- backed					
securities	securities	1,353,003	108	(215,663)	—	1,137,448
Asset- backed	Asset- backed					
securities	securities	2,441,736	19	(128,210)	—	2,313,545
Total	Total					
mortgage and asset- backed	mortgage and asset- backed					
securities	securities	8,517,497	240	(1,274,177)	—	7,243,560
Other debt	Other debt					
securities	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. U.S.
government government
and federal and federal
agency agency
obligations obligations \$ 1,078,807 \$ 29 \$ (43,430) \$ — \$ 1,035,406

Government- Government-
sponsored sponsored
enterprise enterprise
obligations obligations 55,729 — (12,621) — 43,108

State and State and
municipal municipal
obligations obligations 1,965,028 174 (198,093) — 1,767,109

Mortgage Mortgage
and asset- and asset-
backed backed
securities: securities:

Agency mortgage-backed
securities

Agency mortgage-backed
securities

Agency Agency
mortgage- mortgage-
backed backed
securities securities 5,087,893 191 (779,657) — 4,308,427

Non-agency Non-agency
mortgage- mortgage-
backed backed
securities securities 1,423,469 92 (211,954) — 1,211,607

Asset-backed securities	Asset-backed securities	3,588,025	256	(190,480)	—	3,397,801
Total mortgage and asset-backed securities	Total mortgage and asset-backed securities					
		10,099,387	539	(1,182,091)	—	8,917,835
Other debt securities	Other debt securities	539,255	—	(64,397)	—	474,858
Total	Total	\$13,738,206	\$ 742	\$(1,500,632)	\$ —	\$12,238,316

The following table presents proceeds from sales of securities and the components of investment securities gains and losses which have been recognized in earnings.

Equity securities:	Equity securities:
Equity securities:	
Fair value adjustments, net	
Fair value adjustments, net	
Fair value adjustments, net	
net	
net	
(757)	(1,048)
Other:	Other:
Gains realized on sales	Gains realized on sales
sales	sales
884	104
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	
net	
net	
16,946	37,133
Total investment securities:	Total investment securities:
gains	gains
(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 **\$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 agreements 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 or 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			
(In thousands)	(In thousands)	Gross	Gross	(In thousands)	(In thousands)	Gross	Gross	(In thousands)	(In thousands)	Accumulated Amortization	Valuation Allowance
		Carrying Amount	Accumulated Amortization	Valuation Allowance	Net	Carrying Amount	Accumulated Amortization	Valuation Allowance	Net	Carrying Amount	Accumulated Amortization
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 thousand and \$456 thousand for the three month periods ended **September 30, 2023** for 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 period ended **September 30, 2023** are as follows:

	Core	Mortgage							
	Deposit	Deposit	Servicing						
(In thousands)	(In thousands)	Goodwill	Easement	Premium	Rights	(In thousands)	Goodwill	Easement	Core Deposit Premium
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									
Amortization									
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. Standby letters of credit generally guarantee the payment or performance obligation of a customer to a third party. While these represent a potential outlay by the Company, a significant portion of the guarantee is 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 terms and conditions of the underlying agreements. 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 to the maximum potential future payments guaranteed by the Company. At **September 30, 2023** **March 31, 2024**, the net liability was **\$3.4 million** **\$3.9 million**, which will be accreted into income over the remaining life of the agreement. At **September 30, 2023** **March 31, 2024**, 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 (RPAs) as a guarantor to other financial institutions, in order to mitigate those institutions' risk. The RPA 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 (e.g., 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 borrowing 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 until the 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 1 to 10 years. The Company's guarantee liabilities for RPAs was **\$44.1 million** **\$106 thousand**, and the notional amount of the underlying swaps was **\$446.2 million** **\$464.9 million**. The maximum potential future payments guaranteed by the Company is 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 business segments 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 the leased property. The Company has 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 office space. The leases may include options to renew or expand the leased space, and currently the leases have remaining terms of 1 month 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						
(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)	3,399	2,175			
Operating leases ^(a)	Operating leases ^(a)					
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 three month periods ended **September 30, 2023** **March 31, 2024** and 2022.

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 calculating basic and diluted income per share. Under this method, nonvested share-based awards are considered common stock equivalents for the purpose of calculating basic income per share, while nonvested share-based awards are considered common stock equivalents for the purpose of calculating diluted income per share. The two-class method requires the Company to calculate basic income per share based on the weighted-average number of shares outstanding and the number of shares underlying nonvested share-based awards. The Company also calculates diluted income per share based on the weighted-average number of shares outstanding and the number of shares underlying nonvested share-based awards.

For the Three Months		For the Nine Months			
Ended September 30		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		

(In thousands, except per share data) (In thousands, except per share data)

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

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

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	Weighted
average	average
diluted	diluted
common	common
shares	shares
outstanding	outstanding
	123,818
	125,117
	124,026
	125,888
Diluted	Diluted
income per	income per
common	common
share	share
	\$.96
	\$.97
	\$ 2.93
	\$ 2.81

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 **1** periods ended September 30, 2023 and 2022, 2023, respectively, were excluded from the computation of diluted income per common share because their inclusion w

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 u authorized shares 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 and 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.

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

**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 Deposit. The Consumer segment includes loans for personal consumption, home equity, auto, and credit card purposes. The Commercial segment includes loans for business purposes, such as working capital, equipment, and real estate. The Deposit segment includes checking, savings, and money market accounts. The Company also offers a variety of financial products and services, including investment products, insurance, and trust services. The Company's financial performance is evaluated based on these three segments.

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 accounting services to its business and correspondent bank customers. The Wealth segment provides traditional trust and estate planning, advisory and discretionary services, and provides various loan and deposit related services to its private banking customers.

Nine Months Ended						
September 30, 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
Provision for credit						
losses		(19,784)	(3,204)	(14)	(23,002)	(6,570)
Non-interest income		74,773	184,288	162,835	421,896	6,270
Investment securities						
gains (losses), net		—	—	—	—	7,384
Non-interest expense		(242,991)	(290,960)	(119,015)	(652,966)	(26,762)
Income before income						
taxes		\$ 116,857	\$ 245,814	\$ 97,999	\$ 460,670	\$ 15,288
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
Provision for loan	Provision for loan					
losses	losses	(4,314)	(506)	5	(4,815)	(10,475)
Non-interest income	Non-interest income	27,709	57,115	53,862	138,686	(172)
Investment securities	Investment securities					
gains	gains					
(losses), net	(losses), net	—	—	—	—	3,410
Non-interest expense	Non-interest expense	(79,230)	(91,397)	(36,188)	(206,815)	(6,069)
Income before income						
taxes	taxes	\$ 37,347	\$ 79,347	\$ 36,319	\$ 153,013	\$ 7,110
Nine Months Ended						
September 30, 2022						
Net interest income		\$ 270,561	\$ 333,270	\$ 56,731	\$ 660,562	\$ 26,982
Provision for credit						
losses		(12,727)	(651)	2	(13,376)	782
Non-interest income		82,464	167,581	161,051	411,096	(1,386)
Investment securities						
gains (losses), net		—	—	—	—	11,602
Non-interest expense		(231,683)	(272,219)	(108,967)	(612,869)	(19,168)
Income before income						
taxes		\$ 108,615	\$ 227,981	\$ 108,817	\$ 445,413	\$ 18,812

The information presented above was derived from the internal profitability reporting system used by management to monitor and manage the financial performance procedures and methods, which have been developed to reflect the underlying economics of the businesses. The methodologies are applied in connection with 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 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 companies. The results of operations of the segments 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 derivatives, 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 current earnings.

		September (In thousands)	December (In thousands)	
		30, 2023	31, 2022	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	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 contracts are with large financial institutions, manufacturing, retail product distribution, education, and retirement communities. These interest rate swap contracts with customers are offset by matching interest rate swap contracts with dealers. Contracts with dealers that require central clearing are novated to a clearing agency who becomes the Company's counterparty. Because of the nature of these contracts, 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. Under certain circumstances, 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 these contracts. The Company maintains debt ratings and capital well above these minimum requirements.

As of **September 30, 2023** **March 31, 2024**, the Company held four interest rate floors indexed to 1-month SOFR to hedge the risk of declining interest rates on a notional amount of \$500.0 million. The four interest rate floors have a six-year term and a notional amount of \$500.0 million. In the event that the interest rates decline, 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 as 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 1 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 the

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 held 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 interest rates of 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 settlement 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 effectively 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 other 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 the cleared swaps. 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	Dec. 31, 2023
	(In thousands)		(In thousands)		(In thousands)	
Derivatives	Derivatives					
designated	designated					
as hedging	as hedging					
instruments:	instruments:					
Interest rate	Interest rate					
floors	floors	\$ 53,289	\$ 33,371	\$ —	\$ —	
Interest rate floors						
Interest rate floors						
Total	Total					
derivatives	derivatives					
designated	designated					
as hedging	as hedging					
instruments	instruments	\$ 53,289	\$ 33,371	\$ —	\$ —	

Derivative instruments not designated as hedging instruments:	Derivative instruments not designated as hedging instruments: 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
Credit risk participation agreements	Credit risk participation agreements
Foreign exchange contracts	Foreign exchange contracts
Mortgage loan commitments	Mortgage loan commitments
Mortgage loan forward sale contracts	Mortgage loan forward sale contracts
Forward TBA contracts	Forward TBA contracts
Total derivatives not designated as hedging instruments	Total derivatives 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 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) Rec	
		For the Three Months Ended September 30		For the Nine Months Ended September 30							
(In thousands)		2023		2023		(In thousands)					
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				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			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 contracts	Mortgage loan forward 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 shows the enforceable master netting arrangement, irrespective of whether they are offset, and the extent to which the instruments could potentially be offset. Also shown is collateral in the form of generally 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 held by the pledging party until recalled at a subsequent valuation date by the pledging party. For those swap transactions requiring central clearing, the Company posts cash or securities as collateral.

to amounts received and pledged by the Company are made as appropriate to maintain proper collateralization for these transactions. Swap derivative transaction such as real and personal property, which is not shown in the table below.

		Gross Amounts Not Offset in the Balance Sheet			
		Gross Amounts Not Offset in the Balance Sheet			
		Gross Amounts Offset in the Amount			
		Gross Amount (In thousands)	Net Amounts Presented in the Instruments Available for Offset	Financial Collateral Received/ Pledged	Net Amount Amount
		Recognized (In thousands)	Sheet (In thousands)	Sheet	
September 30, 2023					
(In thousands)					
(In thousands)					
March 31, 2024					
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	\$ 112,028	\$ — 112,028	\$ (93) \$(111,060)	\$ 875
Derivatives not subject to master netting agreements	Derivatives not subject to master netting agreements	154	—	154	
Total derivatives	Total derivatives	\$ 112,182	\$ — 112,182		
Total derivatives					
Total derivatives					
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	\$ 58,491	\$ — 58,491	\$ (93) \$	\$ 58,398

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

12. Resale and Repurchase Agreements

The Company regularly enters into resale and repurchase agreement transactions with other financial institutions and with its own customers. Resale and repurchase obligation to resell/repurchase the same or similar securities. They are accounted for as secured lending and collateralized borrowing (e.g. financing transactions), no the resale and repurchase agreements were transacted under master netting arrangements that contain a conditional right of offset, such as close-out netting, upon the agreements with other financial institutions may be sold or re-pledged by the secured party, but is usually delivered to and held by third party trustees. The Company with its customers.

The Company is party to agreements commonly known as collateral swaps. These agreements involve the exchange of collateral under simultaneous repurchase. These repurchase and resale agreements have the same principal amounts, inception dates, and maturity dates and have been offset against each other in the cor 210-20-45. The collateral swaps totaled \$200.0 million at September 30, 2023 and December 31, 2022. At September 30, 2023, the Company had posted collateral backed bonds, and had accepted \$209.8 million in agency mortgage-backed bonds.

The following table shows the extent to which resale agreement assets and repurchase agreement liabilities with the same counterparty have been offset on the potentially be offset. Also shown is collateral received or pledged, which consists of marketable securities. The collateral amounts in the table are limited to the out thus 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	Presented in the Balance Sheet	Financial Instruments	Securities		
		Gross Amount	Offset in the Balance Sheet	In the Balance Sheet	Available for Offset	Collateral Received/Pledged	Unsecured Amount
(In thousands)		(In thousands)	Recognized	Sheet	for Offset	Received/Pledged	Amount
September 30, 2023							
(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							

Total resale agreements, subject to master netting arrangements	Total resale agreements, subject to master netting arrangements	\$1,025,000	\$(200,000)	\$ 825,000	\$ —	\$ (825,000)	\$ —
Total repurchase agreements, subject to master netting arrangements	Total repurchase agreements, subject to master netting arrangements	2,881,874	(200,000)	2,681,874	—	(2,681,874)	—

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

Remaining Contractual Maturity of the Agreements							
Remaining Contractual Maturity of the Agreements							
		Overnight	Greater				
(In thousands)		and continuous	Up to 90 days	days	than 90 days	Total	
September 30, 2023							
(In thousands)							
(In thousands)							
March 31, 2024							
Repurchase agreements, secured by:							
Repurchase agreements, secured by:							
Repurchase agreements, secured by:	Repurchase agreements, secured by:	Overnight and continuous	Up to 90 days				
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						
Government-sponsored enterprise obligations	Government-sponsored enterprise obligations						
Agency mortgage-backed securities	Agency mortgage-backed securities						
Agency mortgage-backed securities	Agency mortgage-backed securities						
Agency mortgage-backed securities	Agency mortgage-backed securities						
Non-agency mortgage-backed securities	Non-agency mortgage-backed securities	1,426,015	221,604	18,700	1,666,319		
Non-agency mortgage-backed securities	Non-agency mortgage-backed securities	9,100	—	—	9,100		

Asset-backed securities	Asset-backed securities	572,135	—	—	572,135
Other debt securities	Other debt securities	35,808	—	—	35,808

Total	Total				
repurchase agreements, gross amount	repurchase agreements, gross amount	\$2,181,007	\$234,619	\$ 23,200	\$ 2,438,826
recognized	recognized				

December 31, 2022

December 31, 2023

Repurchase agreements, secured by:

Repurchase agreements, secured by:

Repurchase agreements, secured by: secured by:

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

Non-agency mortgage-backed securities

Non-agency mortgage-backed securities

Asset-backed securities

Other debt securities

Total	Total				
repurchase agreements, gross amount	repurchase agreements, gross amount	\$2,616,242	\$ 48,672	\$ 216,960	\$ 2,881,874
recognized	recognized				

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				Shares
		Average				
		Grant				
		Date Fair				
		Shares			Value	
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 following table shows the assumptions used in the model.

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)	Weighted Rights	Average Price	Remaining Term	Aggregate Intrinsic 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				
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 when 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						
(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			
<hr/>			
Total non-interest income from contracts with customers			
<hr/>			
Total non-interest income from contracts with customers			
<hr/>			
Total non-interest income from contracts with customers	Total non-interest income from contracts with customers	134,928	130,010
with customers	with customers		
Other non-interest income ⁽¹⁾	Other non-interest income ⁽¹⁾	8,021	8,504
<hr/>			
Other non-interest income ⁽¹⁾			
<hr/>			
Total non-interest income	Total non-interest income	\$ 142,949	\$ 138,514
income	income		
<hr/>			
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 transaction fees.

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 fees are earned in the Consumer segment.

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

(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	Bank card transaction							
fees	fees	\$ 15,160	\$ 17,254	\$ 14,167	\$ 16,424			
Trust fees	Trust fees	1,886	2,038	2,073	2,222			
Deposit account	Deposit account							
charges	charges							
and other	and other							
fees	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 basis 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 measurement date. Various valuation techniques and assumptions are used when estimating fair value. For accounting disclosure purposes, a three-level valuation hierarchy of fair value measures is used to increase 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 observable for the 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 knowledge and experience to 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. 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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** carrying values of assets and liabilities measured at fair value on a recurring basis during the first **nine** **three** months of **2023** **2024** or the year ended **December 31, 2022** **December 31, 2023**.

Fair Value Measurements Using									
Fair Value Measurements Using									
(In thousands)	(In thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other	(In thousands)	Total Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other	(In thousands)
		Assets	Inputs	Inputs		Assets	Inputs	Inputs	
		(Level 1)	(Level 2)	(Level 3)		(Level 1)	(Level 2)	(Level 3)	
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
U.S. government and federal agency obligations	U.S. government and federal agency obligations	947,976	947,976	—	—	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
State and municipal obligations	State and municipal obligations	1,178,414	—	1,177,476	938	State and municipal obligations	State and municipal obligations	State and municipal obligations	State and municipal obligations

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 Residential

mortgage loans mortgage loans

held for sale held for sale \$ — \$ — \$ — \$ —

Residential mortgage loans

held for sale

Residential mortgage loans

held for sale

Available for Available for

sale debt sale debt

securities: 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:					
Derivatives *	Derivatives *	54,984	—	54,865	119
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)		
(In thousands)	(In thousands)	State and Municipal Obligations	Private Equity Investments	Total	(In thousands)	State and Municipal Obligations
Private Equity Investments						
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):	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	Total gains or losses
(realized/unrealized): (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

*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 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 Measurements		Quantitative Information about Level 3 Fair Value Measurements			
Value Measurements	Weighted	Valuation Technique	Input	Range	Average*
Private equity investments	Market comparable EBITDA multiple	Private equity investments	Market comparable companies	4.0 - 6.0	5.1
Private equity investments	Market comparable companies	Private equity investments	EBITDA multiple	3.0 - 5.0	3.8
Private equity investments	Market comparable companies	Private equity investments	EBITDA multiple	3.0 - 5.0	3.8

* 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 months of 2023 2024 and 2022, 2023, and still held as of September 30, 2023, to fair value recognized during the respective periods, the level of valuation inputs used to determine each adjustment, and the carrying value of the related individual

(In thousands)	Fair Value	Fair Value Measurements Using	
		Assets (Level 1)	Significant Other Observable Inputs (Level 2)
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 Assets (Level 1)		Significant Other Observable Inputs (Level 2)
		(Level 1)		
March 31, 2024				
Collateral dependent loans	\$ 63	\$ 63	—	\$ —
March 31, 2023				
Collateral dependent loans	\$ 1,819	\$ 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 exists based on judgments regarding future expected loss experience, risk characteristics and economic conditions. These estimates are subjective, involve uncertainties that 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 as of **September 30, 2023**:

		Carrying Amount (In thousands)	Estimated Fair Value at September 30, 2023						
Financial Assets	Financial Assets		Carrying Amount (In thousands)	Level 1	Level 2	Level 3	Total (In thousands)	Carrying Amount	Level 1
Loans:									
Loans:	Loans:								
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	Savings, interest					
Checking and money	Checking and money					
Market deposits	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										
Loans:	Loans:										
Loans:	Loans:										
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					

Financial Liabilities	Financial Liabilities					
Non-interest bearing deposits	Non-interest bearing deposits	\$10,066,356	\$10,066,356	\$	—	— \$10,066,356
Non-interest bearing deposits	Non-interest bearing deposits					
Savings, interest	Savings, interest					
checking and money	checking and money					
market	market					
deposits	deposits	15,126,981	15,126,981	—	—	15,126,981
Certificates of deposit	Certificates of deposit	994,103	—	—	982,613	982,613
Federal funds purchased	Federal funds purchased	159,860	159,860	—	—	159,860
Securities sold under agreements	Securities sold under agreements					
to repurchase	to repurchase	2,681,874	—	—	2,684,471	2,684,471
Other borrowings	Other borrowings	8,831	—	8,831	—	8,831
Derivative instruments	Derivative instruments	54,984	—	54,865	119	54,984
Liabilities held in trust for deferred compensation plan	Liabilities held in trust for deferred compensation plan	17,856	17,856	—	—	17,856
Total	Total	\$29,110,845	\$25,371,053	\$	63,696	\$ 3,667,203 \$29,101,952

17. Legal and Regulatory Proceedings

The Company has various legal proceedings pending at **September 30, 2023** **March 31, 2024**, arising in the normal course of business. While some matters pендир seek a specified amount of damages or are at early stages of the legal process. The Company records a loss accrual for all legal and regulatory matters for which it which are in the early stages, have not yet progressed to the point where a loss amount can be determined to be probable and estimable.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes and with the statistical information in the **2022** **2023** Annual Report on Form 10-K. Results of operations for the three and nine months ended **September 30, 2023** **March 31, 2024** are not necessarily indicative of future results.

Forward-Looking Information

This report may contain "forward-looking statements" that are subject to risks and uncertainties and include information about possible or assumed future results or results and performance of the Company. This could cause results or performance to differ materially from those expressed in the forward-looking statements. Word words and other similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks and uncertainties. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers should be aware of the risks and uncertainties discussed throughout this report. Forward-looking statements speak only as of the date they are made. The Company does not undertake to update these statements after the date the forward-looking statements are made or to reflect the occurrence of unanticipated events. Such possible events or factors include: changes in laws and regulations, including changes in tax laws and regulations, changes in accounting principles, estimates made on income taxes, competition with other entities that offer financial services, cybersecurity threats, and such other factors as discussed in the "Discussion and Analysis of Financial Condition and Results of Operations" in the Company's **2022** **2023** Annual Report on Form 10-K. During the quarter ended **September 30, 2023**, the Company disclosed factors that could affect its financial performance in the "Factors Discussed in the Company's **2022** **2023** Annual Report on Form 10-K."

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 critical accounting estimates. A discussion of these estimates and related policies can be found in the sections captioned "Critical Accounting Policies" and "Allowance for Credit Losses on Assets" in the Company's **2022** Annual Report on Form 10-K. There have been no changes to these critical accounting estimates for the year ended December 31, 2022 December 31, 2023.

Selected Financial Data

	Three Months Ended September 30	Nine Months Ended September 30		
	Three Months Ended March 31			
	Three Months Ended March 31			
	Three Months Ended March 31			
	2023	2022	2023	2022
Per Share Data	Per Share Data			
Net income per common share — basic				
Net income per common share — diluted				
Net income per common share — diluted				
Cash dividends on common stock				
Book value per common share				
Market price				
Selected Ratios	Selected Ratios			

(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						
(1)	(1)	31.05	38.76	33.23	39.04		
Equity to loans	Equity to loans						
(1)	(1)	15.90	17.45	16.00	19.19		
Equity to deposits	Equity to deposits						
(1)	(1)	10.55	9.84	10.53	10.37		
Equity to assets	Equity to assets						
(1)	(1)	8.40	8.31	8.31	8.66		
Return on assets	Return on assets						
(1)	(1)	1.49	1.48	1.53	1.39		
Return on equity	Return on equity						
(1)	(1)	17.73	17.84	18.42	16.08		
Return on equity	Return on equity						
(1)	(1)						
(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	Non-interest income to revenue						
(2)	(2)	36.51	35.99	36.35	37.34		
Efficiency ratio	Efficiency ratio						
(3)	(3)	58.15	55.19	57.62	57.48		

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

September 30				
March 31				
		(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	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	2023	2022
(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 %	\$	\$
Provision for credit losses	Provision for credit losses	(11,645)	(15,290)	23.8		
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		
Investment securities gains (losses), net	Investment securities gains (losses), net	4,298	3,410	26.0		
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		
Income taxes	Income taxes	(33,439)	(33,936)	(1.5)		
Income taxes						
Non-controlling interest income	Non-controlling interest income					
(expense)	(expense)	(2,104)	(3,364)	(37.5)		
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 %)	(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** **\$112.1 million**, 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 equity earnings per common share was **\$0.96** **\$0.86** per share in the current quarter, a decrease of **1.0%** **5.5%** compared to **\$0.97** **\$0.91** per share in the **third** **first** quarter of **2023** 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 increase. A 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 million**. An 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%** **58%**. An increase **\$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 and 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 **\$5.6 million** **\$8.5 million** related to the sales of available for sale debt securities, partly 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 million** **\$21.6 million** 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 common share for the first nine months of 2023 was **1.53%**, 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 of 2023. Net interest 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 commissions 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, higher ("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 bearing liabilities. Changes in net interest income that are 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	Interest income, fully taxable				
equivalent basis:	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)		(0)
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					
Interest expense:					
Interest expense:					
Interest expense:	Interest expense:				
Deposits:	Deposits:				
Deposits:					
Deposits:					
Savings					
Savings					
Savings	Savings	(16)	33	17	(0
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	2,153	15,918	18,071	1,2
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	279	69,130	69,409	(1,3
Federal funds purchased	2,776	3,742	6,518	3,8
Federal funds purchased				
Federal funds purchased				
Securities sold under agreements to repurchase				
Securities sold under agreements to repurchase				
Securities sold under agreements to repurchase	287	10,568	10,855	(3
Other borrowings	4,490	4,661	9,151	18,5
Other borrowings				
Other borrowings				
Total interest expense				
Total interest expense				
Total interest expense	7,832	88,101	95,933	20,5
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 in the third quarter of 2023 was \$248.5 million, an increase of \$2.2 million over \$2.6 million from the third quarter of 2022. Interest income totaled \$251.0 million in the third quarter of 2023, up \$2.2 million over 2022, down \$2.1 million from the same period last year. The decrease in net interest income compared to the third quarter of 2022 was mainly due to higher deposit interest expense of \$55.7 million and lower offset by higher 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 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 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 while the increase in interest expense was mainly due to higher rates paid on deposits and borrowings. The Company's net yield on earning assets (FTE) was 3.3% quarter of 2022.

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 \$26 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 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 balance. Loan 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 \$383.6 million. 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 due to an increase in 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 balance.

Interest income on investment securities (FTE) was \$70.3 million \$66.7 million during the third quarter of 2023, 2024, which was a decrease of \$11.0 million \$1.6 million. 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 \$1.6 million 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 average rate earned. Interest income earned on U.S. government and federal agency obligations which declined \$6.9 million \$736 thousand due to a \$247.4 million, decrease of 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 (CPI-U), decreased \$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 point 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 addition, a \$1.3 million \$2.0 million increase in premium amortization, reflecting slower forward prepayment speed estimates was recorded in the current quarter million \$802 thousand in the prior year. Interest earned on asset-backed securities decreased \$1.7 million due to lower average balances of \$1.3 billion, or 34.0%,

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 **314.81** 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 million** 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 increased **\$38.194** 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 to **113.108** 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 **\$10.9 million** 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 average balance 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. Interest expense on borrowings increased **\$165.5 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 increased **1.74%** compared to **1.71%** in **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 2023, net interest income increased **\$61.0 million** over the same period last year mainly due to higher interest income on loans and lower interest 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 an 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 on 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 **\$2.5 billion** decrease in average balances. Interest income on government and federal agency obligations decreased **\$16.0 million**, mainly due to lower TIPS interest income. Interest income earned on state and municipal securities decreased **\$7.0 million** due to lower average balances, partly offset by higher average rates earned, while interest income on securities purchased under agreements to resell decreased **\$3.9 million** due to lower average rates earned. Interest 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 **\$165.5 million** and 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 **1.74%** The overall cost of total interest bearing liabilities increased to **1.74%** compared to **1.71%** 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

(Dollars in thousands)	(Dollars in thousands)	Three Months Ended September 30		Increase (Decrease)		Nine Months 2023		
		2023	2022	Amount	% change			
(Dollars in thousands)								
(Dollars in thousands)								
Trust fees								
Trust fees								
Trust fees								
Bank card transaction fees	Bank card transaction fees	\$ 46,899	\$ 45,638	\$ 1,261	2.8 %	\$ 143,201		
Trust fees		49,207	45,406	3,801	8.4	141,801		
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	23,090	24,521	(1,431)	(5.8)	67,410	
Consumer brokerage services						
Consumer brokerage services						
Capital market fees						
Capital market fees						
Capital market fees	2,410	3,393	(983)	(29.0)	8,320	
Loan fees and sales	2,966	3,094	(128)	(4.1)	8,290	
Loan fees and sales						
Other						
Other						
Other	14,557	11,377	3,180	28.0	45,410	
Total non-interest income	142,949	\$ 138,514	\$ 4,435	3.2 %	\$ 428,160	
Total non-interest income						
Total non-interest income						
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**.

Three Months Ended September 30						
Three Months Ended March 31						
Three Months Ended March 31						
(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**, total non-interest income amounted to **\$142.9 million** compared to **\$148.8 million** in the same period of **2022**, an increase of **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 net debit card fees. Bank card transaction fees for the current quarter increased **\$1.4 million**, 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 decreased **\$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 was mainly offset by higher rewards expense. Net debit card fees increased **\$118 thousand** mainly due to lower network expense. Net corporate card fees increased **\$1.1 million** mainly due to higher 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. Capital market fees decreased **\$1.4 million**, mainly due to lower overdraft and return item fees, partly offset by higher corporate cash management fees. Net debit card fees decreased **\$677 thousand** mainly due to lower variable annuity and advisory fees, while capital market fees decreased **\$983 thousand**, or **29.0%**. 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%** mainly due to growth of **\$942 thousand** in tax credit sales income and **\$731 thousand** in bond underwriting fees and gains on the sale of real estate of **\$28.0%**.

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%** 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. Capital market fees decreased **\$7.0%**, due to lower advisory and 12b-1 fees. Loan fees and sales decreased **\$2.3 million**, or **21.6%**, mainly due to lower mortgage banking revenue. Other non-interest income decreased **\$3.1 million**, cash sweep commissions of **\$2.9 million**, gains of **\$2.1 million** on the sale of real estate and a write down of **\$965 thousand** on a branch. Adjustments were recorded on the Company's deferred compensation plan, which is held in a trust and recorded as both an asset and liability, affecting both other income and expense.

Investment Securities Gains (Losses), Net

		Three Months Ended September 30	
		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			
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	\$ —	\$ (10,692)
Fair value adjustments on equity securities, net			
Fair value adjustments on equity securities, net			
Fair value adjustments on equity securities, net			

Net gains (losses) on sales of private equity investments	Net gains (losses) on sales of private equity investments	(1,240)	77
Net gains (losses) on sales of private equity investments			
Net gains (losses) on sales of private equity investments			
Fair value adjustments on private equity investments			
Fair value adjustments on private equity investments			
Fair value adjustments on private equity investments	Fair value adjustments on private equity investments	5,605	14,050
Total investment securities gains (losses), net	Total investment securities gains (losses), net	\$ 4,298	\$ 3,410
Total investment securities gains (losses), net			
Total investment securities gains (losses), net			

Net gains and losses on investment securities, which were recognized in earnings during the three months ended September 30, 2023 March 31, 2024 and 2023 million \$259 thousand were reported in the third first quarter of 2023, 2024, compared to net gains losses of \$3.4 million \$306 thousand in the same period last year driven comprised of net losses of \$8.5 million realized on the sale of available for sale securities, mostly offset by the Company's private equity investments, where \$3.4 million a gain of \$969 thousand on the sale of an investment, both in the Company's private equity investment portfolio. The net losses of \$1.2 million on sales. The net gains comprised of \$14.1 million net losses of net gains in fair value on the Company's private equity investments, partially offset by a loss of \$10.7 million \$3.1 million realized on sales.

Net gains on investment securities, of \$7.4 million were recognized in earnings for the nine months ended September 30, 2023, compared to net gains of \$11.6 million in 2023. Net gains on investment securities, of \$7.4 million were mainly comprised of mostly offset by net gains in fair value of \$16.9 million on private equity investments, due to fair value adjustments, partially offset by net gains on available for sale securities. Net gains on investment, both in the first nine months of 2022 were mainly comprised of net gains in fair value of \$37.1 million on Com sales of available for sale securities, net losses of \$4.2 million on sales of private equity investments, and net losses in fair value of \$1.0 million on equity investments. Minority interests is reported as non-controlling interest in the consolidated statements of income and resulted in expense of \$3.3 million \$1.5 million during the first nine months of 2022.

2023.

Non-Interest Expense

		Three Months Ended September 30		Increase (Decrease)		Nine Months Ended September 30	
(Dollars in thousands)	(Dollars in thousands)	2023	2022	Amount	% change	2023	2022
(Dollars in thousands)							
(Dollars in thousands)							
Salaries and employee benefits							
Salaries and employee benefits							
Salaries and employee benefits	Salaries and employee benefits	\$ 146,805	\$ 137,393	\$ 9,412	6.9 %	\$ 436,607	\$ 397,025
Data processing and software	Data processing and software	30,744	28,050	2,694	9.6	87,617	80,000
Data processing and software							
Data processing and software							
Net occupancy	Net occupancy	13,948	12,544	1,404	11.2	39,702	35,000
Marketing		6,167	6,228	(61)	(1.0)	18,006	17,000
Net occupancy							
Net occupancy							
Deposit insurance							
Deposit insurance							
Deposit insurance							

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 quarter of 2023 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 benefit 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 totaled 4,714 4,721 at September 30, 2023 March 31, 2024, compared to 4,595 4,636 at September 30, 2022 March 31, 2023. Data processing and software expense processing fees and increased costs for service providers. Occupancy expense increased \$1.4 million, \$815 thousand, or 11.2% 6.4%, mainly due to higher depreciation income. 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 increased \$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 of \$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 expense, healthcare expense and payroll taxes, partly offset by lower incentive compensation expense, largely the result of a \$5.4 million processing and software 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 supplies, data network, and postage expense. Other non-interest expense increased \$19.2 million, or 38.4%, mainly due to higher FDIC insurance litigation settlement miscellaneous losses 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 Contra 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

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)				
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			
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			
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)			
Commercial net loan charge-offs (recoveries)	Commercial net loan charge-offs (recoveries)	2,598	45	453
Personal Banking:	Personal Banking:			
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			
Consumer	Consumer			
Revolving home equity	Revolving home equity	(1)	(20)	(38)
Revolving home equity	Revolving home equity			
Consumer credit card	Consumer credit card	4,716	4,687	2,882
Consumer credit card	Consumer credit card			
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)			
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

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	.24	.16
Revolving home equity	Revolving home equity	—	(.03)	(.05)
Revolving home equity				
Revolving home equity				
Consumer credit card				
Consumer credit card				
Consumer credit card	Consumer credit card	3.32	3.38	2.08
Overdrafts	Overdrafts	50.73	44.79	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	.44	.30
Total annualized net loan charge-offs (recoveries)	Total annualized net loan charge-offs (recoveries)	.23 %	.16 %	.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 the 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 11 "Allowance for Credit 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 million 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 the 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%, compared to 3.21% 4.00% in the 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% .21% 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.

The provision for credit losses on loans was \$13.3 million \$6.9 million in the current quarter, which was a \$7.5 million increase \$1.2 million decrease from the \$5.9 increase \$9.0 million decrease from the \$10.2 million \$15.9 million provision recorded for the three months ended September 30, 2022 March 31, 2023. The increase in the related allowance for credit losses on loans.

For the nine months ended September 30, 2023, net loan charge-offs amounted to \$23.0 million, compared to \$13.4 million for the same period in the prior year. Increases in consumer credit card, business, and consumer loans and overdrafts. Annualized net charge-offs on consumer credit card loans totaled 3.28% and 2.2% while consumer loan annualized net charge-offs were .28% and .15% in the nine months ended September 30, 2023 and 2022, respectively. Total annualized net loan charge-offs for 2023 and 2022, respectively.

For the nine months ended September 30, 2023, the provision for credit losses on loans was \$35.2 million, which was a \$28.4 million increase over the \$6.8 million provision over the prior year was due to the buildup of the related allowance for credit losses in the first nine months of 2023 related to an increase in loan charge-offs in the quarter of 2023, while the first nine months of 2022 experienced reductions in the related allowance for credit losses primarily related to the improving economic forecast.

For the nine months ended September 30, 2023 December 31, 2023, the allowance for credit losses on loans increased \$12.1 million, compared to the allowance of \$1.9 million. During the nine months ended September 30, 2023, the allowance for credit losses on commercial loans increased by \$7.3 million at March 31, 2024 than at December 31, 2023. Credit losses related to personal banking loans, including consumer credit card loans, increased \$4.8 million was \$807 thousand higher at March 31, 2024 than at December 31, 2023. The allowance for credit losses on loans at September 30, 2023 March 31, 2024 increased \$18.9 million \$1.1 million. The increase decrease in the allowance for credit losses from December 31, 2022 and December 31, 2023 was primarily the result of applying a slightly more less pessimistic forecast at September 30, 2023 March 31, 2024. The interest rates that extended the estimated lives of certain loan portfolios during 2023, at December 31, 2023. The allowance for credit losses on loans was \$16.95%, 93%, .92%, .94% and .90%, .96% of total loans at September 30, 2023 March 31, 2024, December 31, 2022 December 31, 2023 and September 30, 2022 March 31, 2022.

In the current quarter, the provision for credit losses on unfunded lending commitments was a benefit of \$1.7 million \$2.2 million, compared to a provision benefit of \$2.3 million during the prior quarter. At September 30, 2023 March 31, 2024, the liability for unfunded lending commitments was \$27.5 million \$23.1 million, compared to \$33.1 million \$28.6 million at September 30, 2022 March 31, 2023. The Company's unfunded lending commitments primarily relate to construction loans, and the Company's same model and forecast as its estimate for credit losses on loans. See Note 2 for further discussion of the model inputs utilized in the Company's estimate of credit losses.

The Company considers the allowance for credit losses on loans and the liability for unfunded commitments adequate to cover losses expected in the loan portfolio.

The allowance for credit losses on loans and the liability for unfunded lending commitments are estimates that require significant judgment including projection of macro-economic forecast that continuously changes due to economic conditions and events. These changes in the forecast cause fluctuations in the allowance for credit losses. The Company uses judgment to assess the macro-economic forecast and internal loss data in estimating the allowance for credit losses on loans and the liability for unfunded lending commitments. The Company refines its judgment based on changes in the underlying external and internal data.

Risk Elements of Loan Portfolio

The following table presents non-performing assets and loans which are past due 90 days and still accruing interest. Non-performing assets include non-accruing loans when management does not expect to collect payments consistent with acceptable and agreed upon terms of repayment. Loans that are 90 days past due as to principal and interest are both well-secured and in the process of collection, or they are personal banking loans that are exempt under regulatory rules from being classified as non-accruing.

		(Dollars in thousands)	(Dollars in thousands)	(Dollars in thousands)
		30, 2023	31, 2022	
Non-accrual loans				
Non-accrual loans				
Non-accrual loans	Non-accrual loans	\$ 8,209	\$ 8,306	
Foreclosed real estate	Foreclosed real estate	114	96	
Total non-performing assets	Total non-performing assets	\$ 8,323	\$ 8,402	
Non-performing assets as a percentage of total loans	Non-performing assets as a percentage of total loans	.05 %	.05 %	Non-performing assets as a percentage of total loans

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

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

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. Business personal real estate non-accrual loans, which decreased \$149 thousand \$2.6 million and \$113 thousand, respectively. These decreases were partially offset by estate 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. Total loans past due 90 days 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. Total 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 of the borrower to meet payment obligations. These loans are generally secured by either real estate or other borrower assets, reducing the potential for loss. If identified as potential problem loans, they may never become non-performing. 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%.

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

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. As of **September 30, 2023** **March 31, 2024**, the Company held \$129.0 million \$32.9 million of loans that had been modified during the **nine** **three** months ended **September 30, 2023** **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. Loans are 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 is provided below. The Company's loan-to-value (LTV) ratios were 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%** **8.7%** of total loans outstanding at **September 30, 2023** **March 31, 2024**. The portfolio increased **\$183.3 million** **\$29.5 million** during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**. At **September 30, 2023** **March 31, 2024**, approximately **\$376.0 million** **\$392.1 million**, or **28.8%** **31.3%**, of the commercial construction loan portfolio, compared to **\$303.5 million** **\$414.6 million**, or **27.0%** **33.9%**.

(Dollars in thousands)	(Dollars in thousands)	September			March 31, 2024		
		30, 2023	% of Total	% of Total Loans	December 31, 2022	% of Total	% of Total Loans
Commercial construction	Commercial construction	\$1,305,397	84.8 %	7.6 %	\$1,122,105	82.4 %	6.9 %
Residential construction	Residential construction	126,941	8.2	.8	138,311	10.2	.8
Residential land development	Residential land development	67,279	4.4	.4	50,012	3.7	.3
Commercial land development	Commercial 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 %
Total real estate - construction and land loans						\$ 1,497,647	100 %

Real Estate – Business Loans

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

(Dollars in thousands)	(Dollars in thousands)	September			March 31, 2024		
		30, 2023	% of Total	% of Total Loans	December 31, 2022	% of Total	% of Total Loans
Owner-occupied	Owner-occupied	\$1,130,922	31.0 %	6.6 %	\$1,136,189	33.3 %	7.0 %
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							
Hotels	Hotels	293,420	8.0	1.7	230,972	6.8	1.4
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	Senior						
living	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 %

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** **December 31, 2023**

(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							
Owner-occupied							
Industrial							
Office							
Retail							
Hotels							
Multi-family							
Farm							
Senior							
living							
Other							
Total							
December 31, 2022							
Owner-occupied	\$1,110,769	\$ 7,510	\$ 12,567	\$ 76	\$1,130,922		
Industrial	585,634	82	—	—	585,716		
Office	506,196	—	3,297	—	509,493		
Retail	335,143	15,501	1,833	—	352,477		
Hotels	282,404	9,373	1,643	—	293,420		
Multi-family	280,384	1,158	—	—	281,542		
Farm	202,050	—	—	—	202,050		
Senior							
living	22,464	—	142,609	—	165,073		
Other	126,224	251	—	—	126,475		
Total	Total	\$3,451,268	\$ 33,875	\$ 161,949	\$ 76	\$3,647,168	

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 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 outstanding balance of revolving loans at September 30, 2023 March 31, 2024 through December 31, 2022 December 31, 2023, and there were no outstanding balance of revolving loans at September 30, 2023 March 31, 2024 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 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 losses.

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 recreational vehicles. At 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, respectively. For the nine three months of 2023 2024, approximately 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 Company's total consumer loan portfolio at September 30, 2023 March 31, 2024. The balances 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. The Company's private banking loans are generally well-collateralized, and at September 30, 2023 March 31, 2024 were secured primarily by a line of credit. 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 and other loans at September 30, 2023 March 31, 2024, 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. For the nine three months of 2023 2024, the Company performs credit checks and detailed analysis of the customer borrowing profile before approving the loan application. The promotional rates are reasonable and the anticipated loss ratios are within acceptable parameters.

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 lending portfolio at September 30, 2023 March 31, 2024, and \$39.3 \$24.0 million from December 31, 2022 December 31, 2023, as shown in the table below.

(In thousands)					
(In thousands)					
			Unfunded commitments at September 30, 2023	March 31, 2024	Unf.
	September (In thousands) 30, 2023	December (In thousands) 31, 2022			December 31, 2023
Extraction	Extraction	\$204,372	\$235,933	\$ 118,941	
Mid-stream	Mid-stream				
shipping and storage	storage	35,357	43,432	99,375	
Downstream	Downstream				
distribution	distribution				
and refining	and refining	9,718	7,675	12,590	
Support	Support				
activities	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 the 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 December 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 growth in \$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 million 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 December 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 due 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 December largely mostly resulted from a decrease in lower average demand deposits mainly in business demand deposits (decrease of \$1.9 billion). Additionally, money market deposits increased \$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 31, 2022. 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, federal agreements), and deposits as 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 \$2.2 billion at September 30, 2023. The fair value 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 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, 2024. The 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 pledges 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. These 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 resiliency. 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 securities lending programs, 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 was \$1.6 billion at March 31, 2024.

(In thousands)	September 30, 2023	September 30, 2022	December 31, 2022		March 31, 2024	March 31, 2023
(In thousands)						
Investment securities pledged for the purpose of securing:						
Federal Reserve Bank borrowings						
Federal Reserve Bank borrowings						
Federal Reserve Bank borrowings	\$2,700,426	\$13,446	\$11,469			
FHLB borrowings						
FHLB borrowings						
and letters of credit	301,406	2,033	1,817			
Securities sold under agreements to repurchase						
*	*	2,500,400	2,275,924	2,950,240		

Other	Other			
deposits	deposits			
and swaps	and swaps	2,082,807	2,483,636	1,772,974
Total	Total			
pledged	pledged			
securities	securities	7,585,039	4,775,039	4,736,500
Unpledged	Unpledged			
and	and			
available	available			
for pledging	for pledging	2,264,732	6,905,006	6,545,695
Ineligible	Ineligible			
for pledging	for pledging	11,057	952,465	956,121
Total	Total			
available	available			
for sale	for sale			
debt	debt			
securities,	securities,			
at fair	at fair			
value	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 acc Company's total deposits. deposits at March 31, 2024. These core deposits are normally less volatile, as they are often with customer relationships tied to other produ 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 offset by growth in consumer segment deposits. While the Company considers core consumer and wealth management deposits less volatile, corporate deposits customers to increase investing activities, or if the economy deteriorates and companies experience lower cash inflows, reducing deposit balances. If these corpor supplied by investment security maturities and pay downs expected to total \$1.6 billion over the next year, as noted above. In addition, as shown in the table of 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 7.0% 6.0% of total deposits at September 30, 2023 March 31, 2024.

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

During Amid the banking sector's period of uncertainty during the second quarter of 2023, the Company added brokered deposits in the form issued several trans 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 c portfolio was \$25.1 billion, compared market would allow the Company to \$26.2 billion at December 31, 2022. The Company's uninsured issue, the Company believe additional, reliable source of total deposits at September 30, 2023. The Company's uninsured deposits include \$2.1 billion liquidity during periods of affiliate depo deposits, stress in the Company's uninsured deposits at September 30, 2023 were \$8.1 billion, or 32.3% of total deposits. banking industry.

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 and limited by market trading activity, their availability may be less certain than collateralized sources of that date. Repurchase borrowings. Retail repurchase agreements are liquid balances and 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 and legal agreements.

repurchase agreements, which generally mature overnight, are comprised of non-insured customer funds totaling \$2.2 billion at September 30, 2023 and are collateralized by the Company. At March 31, 2024, the value 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 sold. These retail agreements totaled \$2.3 billion at March 31, 2024. The Company also borrows on a secured basis through advances from the FHLB. The advances are \$500.0 million in no advances outstanding from the FHLB at September 30, 2023 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 liquidity. For each collateral pledged, the FHLB establishes a collateral value from which the Company may draw advances against the collateral. Additionally, this collateral and equivalent value is held by the Federal Reserve Bank for the benefit of fund depositors of the Company. 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 March 31, 2024.

September 30, 2023			March 31, 2024		
(In thousands)	(In thousands)	Federal Reserve	(In thousands)	FHLB	Federal Reserve
Total	Total				
collateral	collateral				
value	value				
established	established				
by FHLB	by FHLB				
and FRB	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					
Letters of credit issued	Letters of credit issued				
issued	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

Commerce Bank

Issuer rating

Baseline credit assessment

Short-term rating

Rating outlook

Standard & Poor's

Standard & Poor's

The cash flows from the operating, investing and financing activities of the Company resulted in a net increase decrease in cash, cash equivalents and restricted assets of \$1.7 billion \$540.9 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 loan repayments of securities purchased under agreements to resell (net of purchases) provided cash of \$375.0 million \$225.0 million. Investing activities are somewhat normally used to fund growth in investment securities, loans, or other bank assets, they are normally dependent on the financing activities described below. Financing 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 \$1.0 billion \$300.0 million in 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 September 30, 2023, as shown in the following table.

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

Risk-adjusted assets	Risk-adjusted assets	\$24,042,838	\$24,178,423
Tier I common risk-based capital	Tier I common risk-based capital		
Tier I risk-based capital	Tier I risk-based capital		
Tier I risk-based capital	Tier I risk-based capital		
Tier I risk-based capital	Tier I risk-based capital		
Tier I risk-based capital	Tier I risk-based capital		
Total risk-based capital	Total risk-based capital		
Tier I common risk-based capital ratio	Tier I common risk-based capital ratio		
Tier I common risk-based capital ratio	Tier I common risk-based capital ratio		
Tier I common risk-based capital ratio	Tier I common risk-based capital ratio		
Tier I risk-based capital ratio	Tier I risk-based capital ratio	15.11 %	14.13 %
Tier I risk-based capital ratio	Tier I risk-based capital ratio	15.11	14.13
Total risk-based capital ratio	Total risk-based capital ratio	15.90	14.89
Tier I leverage ratio	Tier I leverage ratio	10.87	10.34
		4.00	4.00
		N/A	5.00
		4.50 %	2.50 %
		15.25 %	15.35 %
		4.50 %	2.50 %

*Under Prompt Corrective Action requirements

The Company is subject to a 2.5% capital conservation buffer, which is an amount above the minimum ratios under capital adequacy guidelines, and is intended buffer will result in constraints on dividends, share repurchases, and executive compensation.

In the first quarter of 2020, the interim final rule of the Federal Reserve Bank and other U.S. banking agencies became effective, providing banks that adopt recognizing the estimated impact on regulatory capital until after a two year deferral period, followed by a three year transition period. In connection with the adoption a result, the two year deferral period for the Company extended through December 31, 2021. Beginning on January 1, 2022, the Company began was required to phase an additional 25% to be phased in at the beginning of each subsequent year until fully phased in by the first quarter of 2025.

The Company maintains a treasury stock buyback program under authorizations by its Board of Directors (the Board) and normally periodically purchases stock. ~~2023~~ March 31, 2024, the Company purchased 941,890,806,217 shares at an average price of \$59.67-\$52.13 in open market purchases and through stock-based

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

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 other obligations. The Company's material cash requirements 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 in the next 12 months. Other contractual obligations, purchase commitments, lease obligations, and unfunded commitments may require cash payments by the Company with respect to the next 12 months. 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 decreased investor confidence, market volatility, and other counterparty risk. Additionally, rapidly rising interest rates have resulted in unrealized losses in the Company's available for sale debt securities portfolio. The Company had outstanding 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, 2023, which included an 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. During the second quarter, the Company repaid an additional \$500.0 million of FHLB borrowings, resulting in \$500.0 million of FHLB borrowings outstanding as of September 30, 2023.

As of September 30, 2023, the 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, there have been no significant changes in the Company's liquidity position 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 Company's ~~March 31, 2024~~ ^{September 30, 2023} ~~totaled \$14.3 billion~~ ^{\$14.8 billion} ~~\$5.2 billion~~ ^{\$5.5 billion} in unused, approved credit card lines. In addition, the Company enters into standby letters of credit and commercial letters of credit totaling ~~\$583.1 million~~ ^{\$622.7 million} and ~~\$5.1 million~~ ^{\$9.6 million}, respectively, at ~~September 30, 2023~~ ^{March 31, 2024}. As many of these commitments 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, was \$162.8 million as of September 30, 2023. The allowance for these commitments is recorded in the Company's liability for unfunded lending commitments within other liabilities on its consolidated balance sheet. The 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 consolidated financial statements.

The Company regularly purchases various state tax credits arising from third party property redevelopment. These credits are either resold to third parties at a premium or used to offset tax liability. For the period from ~~September 30, 2023~~ ^{March 31, 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 were ~~\$560.7 thousand~~ ^{\$2.2 million} for the period from ~~September 30, 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 fund 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 described above, the Company was able to 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			
Nine Months Ended September 30, 2022			
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
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 **decreased 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 (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. 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 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 **decreased** 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 increase in non-interest income 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 \$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 cash fees \$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 (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 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** **\$1.2 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%, decreased higher salaries and benefits expense and the deconversion costs previously mentioned. **expense**. The provision for credit losses increased \$16 decreased \$14 thousand 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 in 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 com income increased \$26.5 million and non-interest expense income increased \$7.6 million. \$271 thousand. These decreases increases to pre-tax profitability were par and 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 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 assets and paid in eight quarterly installments beginning in amounts collected.

During the first quarter of 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.

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 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 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 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 mat managing material risks from cybersecurity threats, and the board of directors' oversight of cybersecurity risks. Companies are required legal challenges to comply v 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" been followed by additional clarifying guidance related to derivatives that are modified as a result of reference rate reform. The guidance provides optional expedient other transactions affected by reference rate reform if they reference LIBOR or another reference rate expected to be discontinued because of reference rate reform rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. The expedients and exceptions provided by the relationships entered into or evaluated for effectiveness after December 31, 2022, except for certain hedging relationships existing as of December 31, 2022. In Decem 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 post date of ASU 2020-04. 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 to 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 Codification."

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)	Average Balance	Interest Income/Expense	Avg. Rates Earned/Paid	Average Balance	Interest Income/Expense	Avg. Rates Earned/Paid	(Dollars in thousands)	Average Balance	Interest Income/Expense
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 %	\$ 5,873,525 \$	88,638	6.07 %			
Real estate	Real estate											
—	—	1,508,850	31,070	8.17	1,288,721	17,133	5.27					
construction	construction											
and land	and land											
Real estate	Real estate											
— business	— business	3,642,010	56,236	6.13	3,258,128	36,121	4.40					
Real estate	Real estate											
— personal	— 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	Revolving											
home equity	home equity	304,055	5,947	7.76	280,923	3,413	4.82					
Consumer	Consumer											
credit card	credit card	564,039	19,570	13.77	550,058	16,711	12.05					
Overdrafts	Overdrafts	5,341	—	—	4,438	—	—	Overdrafts	7,696	—	—	—
Total loans	Total loans	16,968,303	257,683	6.02	15,645,962	172,366	4.37					
Loans held	Loans held											
for sale	for sale	5,714	152	10.55	7,170	159	8.80					
Investment	Investment											
securities:	securities:											
U.S. government and												
federal agency obligations												
U.S. government and												
federal agency obligations												
U.S.	U.S.											
government	government											
and federal	and federal	986,284	5,750	2.31	1,113,442	12,664	4.51					
agency	agency											
obligations	obligations											

Government- sponsored enterprise	Government- sponsored enterprise	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						
Cash and due from banks	Cash and due from banks						
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								
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								
Securities sold under agreements to repurchase	Securities sold under agreements to repurchase	2,283,020	18,431	3.20		7,576	1.37	
					2,199,866			

Other borrowings	Other borrowings	685,222	9,160	5.30	2,010	9	1.78
Total borrowings	Total borrowings	3,477,093	34,424	3.93	2,253,805	7,900	1.39
Total interest bearing liabilities	Total interest bearing liabilities	21,103,532	112,660	2.12 %	19,248,604	16,727	.34 %
Non-interest bearing deposits	Non-interest bearing deposits	7,939,190			10,758,353		
Other liabilities	Other liabilities	367,741			123,691		
Other liabilities							
Other liabilities							
Equity							
Equity							
Equity	Equity	2,698,228			2,730,876		
Total liabilities and equity	Total liabilities and equity	\$32,108,691			\$32,861,524		
Total liabilities and equity							
Net interest margin (FTE)							
Net interest margin (FTE)							
Net interest margin	Net interest margin	\$ 250,962			\$ 248,737		
Net yield on interest earning assets	Net yield on interest earning assets	3.11 %			3.01 %		
Net yield on interest earning assets							
Net yield on interest earning assets							

(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.

AVERAGE BALANCE SHEETS — AVERAGE RATES AND YIELDS

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 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 cannot be precisely predicted, the Company runs multiple rate scenarios, when relevant, to better understand interest rate risk and its effect on the Company's performance.

September 30,		June 30, 2023		March 31, 2024		March 31, 2024		March 31, 2024		December 31, 2023	
		\$	%	\$	%	\$	%	\$	%	\$	%
		Change	Change	Change	Change	Change	Change	Change	Change	Change	Change
		in	in	in	in	in	in	in	in	in	in
		Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
		in	in	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest
		millions)	millions)	Net	Net	Net	Net	Income	Income	Income	Income
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 scenarios compared to the scenarios in the previous quarter. This change was primarily due to a decrease in more conservative approach in wholesale funding, which is more risk-averse transitioning to more rate sensitive deposit sweep accounts. In addition, modeling premium money market deposit account rates increased accounts in the flat falling scenarios in rising rate scenarios and more sensitive in falling rate scenarios when compared to the previous quarter scenarios.

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 [REDACTED]. 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 in 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 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 Company's Annual Report on Form 10-K.

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.

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 counterparty risk and reduced liquidity. 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 do so 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 bank runs. 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 has access to funding from third parties in the form of federal funds purchased and repurchase agreements and through lines of credit and borrowings from the FHLB and FRB. If the Company's ability to borrow funds is materially impacted, it could have a negative impact on its financial performance.

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. The Company's available for sale debt investments, including available for sale debt securities, may change with changes in interest rates, credit concerns, or other economic factors. Due to the rapid decline in the value of 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 sell these investments, if 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 risk.

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 acts 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 Company's concerns regarding the soundness or creditworthiness of other financial institutions, which can cause disruption within the financial markets and increased expenses to increase its premiums above the recently increased levels or to issue additional special assessments, which would likely increase expenses and negatively impact net

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 Shares
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 Shares
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 Income, 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 ("Plan") is to reward 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 the company.

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 be appointed 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 to administer the Plan, 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 conclusive.

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 Retirement Committee shall consist of three members appointed by the Board. 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 a committee of the Board of Directors, or to a third party, in accordance with the terms of the Plan.

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 affiliated banks and subsidiary companies, 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 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, which shall consist 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, other officers of Commerce) shall be determined by the Committee 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 other factors as determined by the Committee.

may be subject to performance modifiers based on strategic corporate initiatives determined by the Committee. All calculations and financial accounting matters are 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 and for each participant.
- 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 following the date of the award, 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, incentive compensation award as hereinafter provided. Notwithstanding the foregoing, except for amounts deferred in accordance with Section 6, incentive compensation of 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 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 specified percentage effective for 2024 and future calendar years. The granting of an incentive compensation award is discretionary and neither delivery of deferral 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 unfun 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 measured to determine the granting of an incentive compensation award. Notwithstanding the foregoing, in the case of any incentive compensation award that q Section 409A and that is attributable to a performance period that is at least 12 months in duration and is based on performance criteria established no later than "Performance Award", 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 payment of the Performance Award is not substantially certain or readily ascertainable at the time the election is received by the Retirement Committee. An electric 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 e Credits to available accounts for deferral of an incentive compensation award shall be determined from time to time based upon hypothetical measuring investments (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 Cor 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 Commer Measuring Investments for each such account, determined as if the account had assets invested in the Measuring Investments of such account. No assets shall account shall not represent assets 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 amounts pursuant to such rules, procedures and deadlines set by the Retirement Committee, which rules, procedures, and deadlines may be amended from time to time. A participant may elect to transfer credits into the Commerce Stock Account, but not out of the Commerce Stock Account. 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 the credit is transferred. Any credit transferred from any other account shall be based upon the amount credited to such account as of the date determined in accordance with the Administrative Rules and Regulations.

- d. The accounts made available for the deferral of incentive compensation awards are bookkeeping accounts. Separate bookkeeping accounts will be maintained for hypothetical earnings, gains or losses, will be determined in accordance with the Administrative Rules, based on the investment performance of the Measuring Investments to which 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.
- 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 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 not 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 via

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 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 with respect to the participant that is not less than 1 or more than 10 years. Each installment payment will be made in an amount, less applicable withholding taxes, determined by dividing 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.

For 2024 and later calendar years, a participant may make a separate payment election for each year. A participant's payment election, from among the Committee no later than the date the participant's first election to defer incentive compensation awards becomes irrevocable. If a payment election is not in the default form and time of payment as if no election has been made. Except as provided in subsection (2) below, the payment election shall become irrevocable

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.

(2) A participant may elect to modify the time and/or form in which the payment of a benefit shall be made, subject to the following:

- (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 Corporation 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 payment).

A participant shall be permitted to only make two modification elections under this subsection (2) with respect to the bookkeeping account for any calendar year.

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

(4) With respect to a participant's Commerce Stock Account, distribution shall be made by transferring to such participant a number of shares of Commerce credited to the participant's Commerce Stock Account being distributed, with the value thereof to be determined based upon the closing price for Commerce distribution. All other distributions shall be in cash. The participant must make arrangements satisfactory to Commerce to provide for payment to Commerce of a participant's Commerce Stock Account.

(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.

(6) If there is any change in the number or class of shares of Commerce stock through the declaration of stock dividend or other extraordinary dividends such shares or in the event of similar corporate transactions, each participant's Commerce Stock Account shall be equitably adjusted to reflect any such change to reflect such similar corporate transaction.

(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 participant's termination of employment shall be paid or provided to the participant in a lump sum cash payment to be made on the earlier of (a) the participant's death or (b) the fifth business day of the seventh calendar month immediately following the month in which the date the participant's termination of employment occurs. Amounts shall be paid 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 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 equ (B), 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 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 standards set forth in Treasury Regulations, to be treated as having a separation from service. However, if a participant provides services to Commerce 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), the 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 further services would be performed after a certain date or that the level of bona fide services the participant would perform after such date (whether paragraph (ii)) would permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or immediately preceding 36 month period (or the full period of services to Commerce if the participant has been providing services to Commerce less than leave of absence and has not otherwise terminated employment as described above, for purposes of this paragraph (iii) the participant is treated as

participant would have been required to perform to receive the compensation paid with respect to such leave of absence. Periods during which a participant is not employed or terminated employment are disregarded for purposes of this paragraph (iii) (including for purposes of determining the applicable 36 month (or shorter

(iv) Service with Related Companies. For purposes of determining whether a separation from service has occurred under the above provisions, "Co

(10) The term "Related Companies" shall mean: (i) any corporation that is a member of a controlled group of corporations (as defined in Code Section 414 incorporated) that is under common control (as defined in Code Section 414(c)) with Commerce. For purposes of applying Code Sections 414(b) and (c), fifty

(11) A participant has a "Disability" or shall be considered "Disabled" if the participant is, by reason of any medically determinable physical or mental impairment, a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under the Comm

(12) Any reference to "Section 409A" shall mean Internal Revenue Code Section 409A and the regulations and other guidance issued with respect thereto.

7. AMENDMENT AND TERMINATION OF PLAN

The Board may, at its discretion and at any time, amend the Plan in whole or in part. The Board may also terminate the Plan in its entirety at any time, and, upon such termination, (i) the shares and cash for the fractions thereof of Commerce Stock credited to the Commerce Stock Account, the value thereof to be determined as of the month preceding the date of distribution; and (ii) an amount equal to the then remaining amount credited to such participant's accounts other than the Commerce Stock Account.

Notwithstanding anything herein to the contrary, the Board may, at any time, amend the Plan to allow any acceleration or delay of payment permitted by Section 411 without the consent of the affected participant. The Board may, without the consent of any participant, terminate all or part of this Plan and direct that all or part of the all conditions of Section 409A are and will be satisfied.

8 MISCELLANEOUS

a. Each participant under this Plan shall be a general unsecured creditor of Commerce and nothing contained in this Plan shall create a trust of any kind or a fiduciary estate. Nothing contained herein shall be construed as conferring upon the participant the right to continued employment with Commerce or its subsidiaries or affiliates. Notwithstanding the foregoing or any other provision of the Plan to the contrary, the Plan will comply with a domestic relations order to the extent the Retirement requirements of a "qualified domestic relations order" within the meaning of Section 414(p) of the Internal Revenue Code and (ii) provides for an immediate lump sum distribution to the participant. The participant may designate a beneficiary to receive the alternate payee's awarded interest under a domestic relations order in the same manner that a participant may designate a beneficiary to receive the participant's interest under this Plan.

b. Notwithstanding any other provision herein, Commerce may establish a trust subject to the claims of the general creditors of Commerce (a "rabbi trust") and deposited to a participant shall discharge Commerce's obligation to the extent of payment made, this plan is unfunded and no participant shall have an interest in any rabbi trust.

c. Notwithstanding any provision in this Plan to the contrary, this Plan shall be interpreted, construed and conformed in accordance with Section 409A. It is intended fully comply with the provisions of Section 409A so as not to subject any participant to the additional tax, interest or penalties which may be imposed under Section respects. Commerce, the Board, the Committee and the Retirement Committee will attempt in good faith not to take any action, and will attempt in good faith to refrain and/or penalties upon any participant under Section 409A. To the extent Commerce, the Board, the Committee and the Retirement Committee have acted or refrained their members, employees, contractors or agents will be responsible for any consequences of failure to comply with Section 409A, and no participant shall be entitled certain actions to be taken in conformance with Section 409A.

d. Any dispute, controversy or claim of whatever nature or kind arising out of, relating to or in connection with a participant's participation in this Plan shall be determined by the participant. The arbitrator shall have the power to rule on any challenge to its own jurisdiction or to the validity or enforceability of any portion of the acknowledges and agrees that any such arbitration shall be resolved on an individual basis only, and such participant shall not be permitted to bring or participate as legal proceeding relating to the Plan. The arbitrator may not consolidate more than one person's claims, and may not otherwise preside over any form of a represents or unenforceable, then the remaining portions of the arbitration clause will remain in force.

e. Notwithstanding any other provisions in this Plan, the Committee may cancel any incentive compensation award to a participant, require reimbursement of any stock or other compensation provided under the Plan in accordance with any recoupment or clawback policies adopted by Commerce to comply with applicable law, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act and the requirements of any national securities exchange or system upon which Shares are then listed or traded, or to comport with good corporate governance practices. By accepting an incentive compensation award under this Plan, each participant agrees to be bound by the recoupment or clawback policy, as in effect or as may be amended from time to time. The recovery of compensation under such a recoupment or clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" under the Employment Agreement. The recovery of compensation under such a recoupment or clawback policy will not affect the right to resign for "good reason" or "constructive termination" under the Employment Agreement.

f. Subject to stockholder approval of the amended and restated Commerce Bancshares, Inc. Equity Incentive Plan at the annual meeting held in April 2023, any shares held in the Commerce Stock Account under this Plan shall be settled in unrestricted shares pursuant to, and subject to the share limitation of, the Commerce Bancshares, Inc. Equity Incentive Plan.

This restatement is adopted pursuant to the authority conferred upon Commerce's officers at the Board's meeting held on October 27, 2023.

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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 statement, in light of the circumstances under which it was 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 of the registrant as of, and the 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 be effective to ensure that information required to be disclosed by us in the reports we file under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the Exchange Act rules and forms; and the information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of our financial reports and the controls and procedures for their preparation and presentation in accordance with generally accepted accounting principles in 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 such controls and procedures, as of the end of the period 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 quarter 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 principal executive officer and principal financial officer all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to render the registrant's financial reports unreliable or to have a material adverse effect on the registrant's internal control over financial reporting; and
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to render the registrant's financial reports unreliable; 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 statement, in light of the circumstances under which it was 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 of the registrant as of, and the 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 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 Secu

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