REFINITIV

DELTA REPORT

10-Q

CBSH - COMMERCE BANCSHARES INC /

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1395
CHANGES	571
DELETIONS	354
ADDITIONS	470

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 March 31, 2024 June 30, 2024

OR

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

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	
Kansas City, MO	**64106**
(Address of principal executive offices)	(Zip Code)

(816) 234-2000

(Registrant's telephone number, including area code)

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

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

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

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 þ No o

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 þ Accelerated filer o Non-accelerated filer o 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 May 3, 2024 August 1, 2024, the registrant had outstanding 129,536,050 128,917,831 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

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
	(Unaudited)			
	(In thousands)			
	(In thousands)			
	(In thousands)			
ASSETS				
Loans				
Loans				
Loans				
Allowance for credit losses on loans				

Net loans		
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)		
Loans held for sale (including $2,186,000 and $1,585,000 of residential mortgage loans carried at fair value at June 30, 2024 and December 31, 2023, respectively)		
Investment securities:	Investment securities:	Investment securities:
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 $— March 31, 2024 and December 31, 2023, respectively, and allowance for credit losses of $— March 31, 2024 and December 31, 2023, respectively, and allowance for credit losses of $— at both March 31, 2024 and December 31, 2023) at both March 31, 2024 and December 31, 2023) at both March 31, 2024 and December 31, 2023)		
Available for sale debt, at fair value (amortized cost of $9,608,044,000 and $10,904,765,000 at June 30, 2024 and December 31, 2023, respectively, and allowance for credit losses of $— June 30, 2024 and December 31, 2023, respectively, and allowance for credit losses of $— June 30, 2024 and December 31, 2023, respectively, and allowance for credit losses of $— at both June 30, 2024 and December 31, 2023) at both June 30, 2024 and December 31, 2023) at both June 30, 2024 and December 31, 2023)		
Trading debt		
Equity		
Other		
Total investment securities		
Federal funds sold		
Securities purchased under agreements to resell		
Interest earning deposits with banks		
Cash and due from banks		
Premises and equipment – net		
Goodwill		
Other intangible assets – net		
Other assets		
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Deposits:		
Deposits:		
Non-interest bearing		
Savings, interest checking and money market		
Certificates of deposit of less than $100,000		
Certificates of deposit of $100,000 and over		
Total deposits		
Federal funds purchased and securities sold under agreements to repurchase		
Other borrowings		
Other liabilities		
Total liabilities		
Commerce Bancshares, Inc. stockholders' equity:	Commerce Bancshares, Inc. stockholders' equity:	Commerce Bancshares, Inc. stockholders' equity:
Common stock, $5 par value 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		
Authorized 190,000,000; issued 131,064,418 shares at both June 30, 2024 and December 31, 2023		

Capital surplus
Retained earnings
Treasury stock of 1,092,341 shares at March 31, 2024
Treasury stock of 1,781,315 shares at June 30, 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)
Total Commerce Bancshares, Inc. stockholders' equity
Non-controlling interest
Total equity
Total liabilities and equity

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

		For the Three Months Ended March 31						
		For the Three Months Ended March 31						
		For the Three Months Ended March 31						
		For the Three Months Ended June 30			**For the Six Months Ended June 30**			
(In thousands, except per share data)	*(In thousands, except per share data)*	**2024**	2023	*(In thousands, except per share data)*	**2024**	2023	**2024**	2023
		(Unaudited)				*(Unaudited)*		*(Unaudited)*
INTEREST INCOME								
Interest and fees on loans								
Interest and fees on loans								
Interest and fees on loans								
Interest and fees on loans held for sale								
Interest on investment securities								
Interest on federal funds sold								
Interest on securities purchased under agreements to resell								
Interest on deposits with banks								
Total interest income								
INTEREST EXPENSE								
Interest on deposits:								
Interest on deposits:								
Interest on deposits:								
Savings, interest checking and money market								
Savings, interest checking and money market								
Savings, interest checking and money market								
Certificates of deposit of less than $100,000								
Certificates of deposit of $100,000 and over								
Interest on federal funds purchased								
Interest on securities sold under agreements to repurchase								
Interest on other borrowings								

Total interest expense
Net interest income
Provision for credit losses
Net interest income after credit losses
NON-INTEREST INCOME
Trust fees
Trust fees
Trust fees
Bank card transaction fees
Deposit account charges and other fees
Consumer brokerage services
Capital market fees
Loan fees and sales
Other
Total non-interest income
INVESTMENT SECURITIES GAINS (LOSSES), NET
INVESTMENT SECURITIES GAINS (LOSSES), NET
INVESTMENT SECURITIES GAINS (LOSSES), NET
NON-INTEREST EXPENSE
Salaries and employee benefits
Salaries and employee benefits
Salaries and employee benefits
Data processing and software
Net occupancy
Deposit insurance
Equipment
Marketing
Supplies and communication
Marketing
Other
Total non-interest expense
Income before income taxes
Less income taxes
Net income
Less non-controlling interest expense (income)
Net income attributable to Commerce Bancshares, Inc.
Net income per common share — basic
Net income per common share — basic
Net income per common share — basic
Net income per common share — diluted

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						
				For the Three Months Ended June 30			For the Six Months Ended June 30	
(In thousands)	*(In thousands)*	2024	2023	*(In thousands)*	2024	2023	2024	2023
		(Unaudited)				*(Unaudited)*		*(Unaudited)*
Net income								
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								
Change in pension loss								
Unrealized gains (losses) on cash flow hedge derivatives								
Other comprehensive income (loss)								
Comprehensive income (loss)								
Less non-controlling interest (income) expense								
Comprehensive income (loss) attributable to Commerce Bancshares, Inc.								

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Three Months Ended March 31, 2024 June 30, 2024 and 2023

	Commerce Bancshares, Inc. Shareholders													
	Commerce Bancshares, Inc. Shareholders													
	Commerce Bancshares, Inc. Shareholders													
(In thousands, except per share data)														
(In thousands, except per share data)														
(In thousands, except per share data)	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
							(Unaudited)							
Balance December 31, 2023														
Balance March 31, 2024														
Net income														
Other comprehensive income (loss)														
Distributions to non-controlling interest														
Purchases of treasury stock														
Issuance under stock purchase and equity compensation plans														
Issuance under stock purchase and equity compensation plans														

Issuance under stock purchase and equity compensation plans
Stock-based compensation
Cash dividends paid on common stock ($0.270 per share)
Balance March 31, 2024
Balance March 31, 2024
Balance March 31, 2024
Balance December 31, 2022
Balance June 30, 2024
Balance June 30, 2024
Balance June 30, 2024
Balance March 31, 2023
Net Income
Net Income
Net Income
Other comprehensive income (loss)
Distributions to non-controlling interest
Purchases of treasury stock
Sale of non-controlling interest of subsidiary
Issuance under stock purchase and equity compensation plans
Issuance under stock purchase and equity compensation plans
Issuance under stock purchase and equity compensation plans
Stock-based compensation
Cash dividends paid on common stock ($.257 per share)
Balance March 31, 2023
Balance March 31, 2023
Balance March 31, 2023
Balance June 30, 2023
Balance June 30, 2023
Balance June 30, 2023

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Six Months Ended June 30, 2024 and 2023

	Commerce Bancshares, Inc. Shareholders						
(In thousands, except per share data)	**Common Stock**	**Capital Surplus**	**Retained Earnings**	**Treasury Stock**	**Accumulated Other Comprehensive Income (Loss)**	**Non-Controlling Interest**	**Total**

				(Unaudited)			
Balance December 31, 2023	**$ 655,322**	**$ 3,162,622**	**$ 53,183**	**$ (35,599)**	**$ (891,412)**	**$ 20,114**	**$ 2,964,230**
Net income			**252,216**			**4,678**	**256,894**
Other comprehensive income (loss)					**83,595**		**83,595**
Distributions to non-controlling interest						**(4,192)**	**(4,192)**
Purchases of treasury stock				**(80,543)**			**(80,543)**
Issuance under stock purchase and equity compensation plans		**(17,966)**		**17,966**			**—**
Stock-based compensation		**8,451**					**8,451**
Cash dividends paid on common stock ($.540 per share)			**(70,100)**				**(70,100)**
Balance June 30, 2024	**$ 655,322**	**$ 3,153,107**	**$ 235,299**	**$ (98,176)**	**$ (807,817)**	**$ 20,600**	**$ 3,158,335**
Balance December 31, 2022	$ 629,319	$ 2,932,959	$ 31,620	$ (41,743)	$ (1,086,864)	$ 16,286	$ 2,481,577
Net income			247,241			3,775	251,016
Other comprehensive income (loss)					50,569		50,569
Distributions to non-controlling interest						(2,145)	(2,145)
Purchases of treasury stock				(36,563)			(36,563)
Sale of non-controlling interest of subsidiary		46				(46)	—
Issuance under stock purchase and equity compensation plans		(19,917)		19,917			—
Stock-based compensation		8,277					8,277
Cash dividends paid on common stock ($.514 per share)			(67,503)				(67,503)
Balance June 30, 2023	$ 629,319	$ 2,921,365	$ 211,358	$ (58,389)	$ (1,036,295)	$ 17,870	$ 2,685,228

See accompanying notes to consolidated financial statements.

Commerce Bancshares, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31		For the Six Months Ended June 30	
(In thousands)	*(In thousands)* **2024**	2023	*(In thousands)* **2024**	2023
		(Unaudited)		
OPERATING ACTIVITIES:				
Net income				
Net income				
Net income				
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses				
Provision for credit losses				
Provision for credit losses				
Provision for depreciation and amortization				
Amortization of investment security premiums, net				
Investment securities (gains) losses, net (A)				
Net (gains) losses on sales of loans held for sale				
Originations of loans held for sale				
Proceeds from sales of loans held for sale				
Net (increase) decrease in trading debt securities, excluding unsettled transactions				
Purchase of interest rate floor derivative contracts				
Stock-based compensation				
(Increase) decrease in interest receivable				
Increase (decrease) in interest payable				
Increase (decrease) in income taxes payable				

Other changes, net
Other changes, net
Other changes, net
Net cash provided by (used in) operating activities
INVESTING ACTIVITIES:
Cash paid in acquisition, net of cash received
Cash paid in acquisition, net of cash received
Cash paid in acquisition, net of cash received
Distributions received from equity-method investment
Distributions received from equity-method investment
Distributions received from equity-method investment
Proceeds from sales of investment securities (A)
Proceeds from maturities/pay downs of investment securities (A)
Purchases of investment securities (A)
Net (increase) decrease in loans
Securities purchased under agreements to resell
Repayments of securities purchased under agreements to resell
Purchases of premises and equipment
Sales of premises and equipment
Net cash provided by (used in) investing activities
FINANCING ACTIVITIES:
Net increase (decrease) in non-interest bearing, savings, interest checking and money market deposits
Net increase (decrease) in non-interest bearing, savings, interest checking and money market deposits
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 federal funds purchased and securities sold under agreements to repurchase
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
FHLB short-term borrowings
FHLB short-term borrowings
Net increase (decrease) in other borrowings
Net increase (decrease) in other borrowings
FHLB short-term borrowings
Repayments of FHLB borrowings
Net increase (decrease) in other borrowings
Purchases of treasury stock
Purchases of treasury stock
Purchases of treasury stock
Cash dividends paid on common stock
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
Increase (decrease) in cash, cash equivalents and restricted cash
Cash, cash equivalents and restricted cash at beginning of year
Cash, cash equivalents and restricted cash at March 31
Cash, cash equivalents and restricted cash at June 30
Income tax payments, net
Income tax payments, net
Income tax payments, net

Interest paid on deposits and borrowings	
Loans transferred to foreclosed real estate	

(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 $71 $41 thousand at March 31, 2024 June 30, 2024. The Company had no $200 thousand restricted cash at March 31, 2023 June 30, 2023.

Commerce Bancshares, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, June 30, 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 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 three six month period ended March 31, 2024 June 30, 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.

2. Loans and Allowance for Credit Losses

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

(In thousands)	*(In thousands)*	**March 31, 2024**	December 31, 2023	*(In thousands)*	**June 30, 2024**	December 31, 2023
Commercial:						
Business						
Business						
Business						
Real estate – construction and land						
Real estate – business						
Personal Banking:						
Real estate – personal						
Real estate – personal						
Real estate – personal						
Consumer						
Revolving home equity						
Consumer credit card						
Overdrafts						
Total loans						

Accrued interest receivable totaled $72.8 million and $71.9 million at March 31, 2024 both June 30, 2024 and December 31, 2023, respectively, and was included within other assets on the consolidated balance sheets. For the three months ended March 31, 2024 June 30, 2024, the Company wrote-off accrued interest by reversing interest income of $94 $341 thousand and $1.6 million in the Commercial and Personal Banking portfolios, respectively. Similarly, for the six months ended June 30, 2024, the Company wrote off accrued interest of $435 thousand and $3.1 million in the Commercial and Personal Banking portfolios, respectively. For the three months ended March 31, 2023 June 30, 2023, the Company reversed interest income of $34 $43 thousand and $1.1 million in the Commercial and Personal Banking portfolios, respectively, and in the six months ended June 30, 2023, reversed $77 thousand and $2.2 million in the Commercial and Personal Banking portfolios, respectively.

At March 31, 2024 June 30, 2024, loans of $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 $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 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 March 31, 2024 June 30, 2024 and December 31, 2023 March 31, 2024 are discussed below.

Key Assumption	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**
Overall economic forecast	• Economic growth expected to slightly cool with no significant rise in layoffs or unemployment rate • Inflation expected to moderate • Expectations the Federal Reserve will start cutting rates in September 2024	• Economic strength is visible in the strong labor market • Fiscal policy is forecasted to be a modest drag on GDP • There are expectations that the Federal Reserve will start cutting rates in 2nd quarter 2024	• The US economy is projected to slow at the start of 2024, but not enter a recession • Impacts of tighter monetary and fiscal policy creates uncertainty • Consumer spending is expected to decrease
Reasonable and supportable period and related reversion period	• Reasonable and supportable period of one year • Reversion to historical average loss rates within two quarters using a straight-line method	• 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	• Unemployment rate ranges from 4.0% to 4.2% during the reasonable and supportable forecast period • Real GDP growth ranges from 1.7% to 2.2% • BBB corporate yield from 5.0% to 5.4% • Housing Price Index from 321.2 to 327.1	• Unemployment rate ranges from 3.9% to 4.1% during the reasonable and supportable forecast period • Real GDP growth ranges from 1.5% to 3.0% • BBB corporate yield from 4.7% to 5.1% • Housing Price Index from 312.1 to 316.6	• Unemployment rate ranges from 4.1% to 4.5% during the reasonable and supportable forecast period • Real GDP growth ranges

			from .46% to 2.1% • BBB corporate yield from 5.3% to 5.9% • Housing Price Index from 305.4 to 307.4
Prepayment assumptions	Commercial loans • Pools ranging from 0% to 5% Personal banking loans • Ranging from 7.7% to 22.7% for most loan pools • Consumer credit cards 66.6%	Commercial loans • Pools ranging from 0% to 5% Personal banking loans • Ranging from 6.2% to 21.6% for most loan pools • Consumer credit cards 66.6%	Commercial loans • 5% for most loan pools Personal banking loans • Ranging from 6.5% to 23.5% for most loan pools • Consumer credit cards 66.9%
Qualitative factors	Added qualitative factors related to: • Changes in the composition of the loan portfolios • Certain stressed industries experiencing stress or emerging concerns within the portfolio • Certain portfolios sensitive to unusually high rate of inflation and supply chain issues • Loans downgraded to special mention, substandard, or non-accrual status • Certain portfolios where the model assumptions do not capture all identified loss risk	Added qualitative factors related to: • 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	

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 the estimate of expected credit losses.

The current forecast projects continued low unemployment and positive GDP. unemployment. It is expected that the Federal Reserve will start cutting rates in the 2nd quarter September of 2024. 2024 and fiscal policy will be maintained.

Updated information on inflation and labor market trends could impact the Federal Reserve's decision on the timing and degree of rate reductions. The market's response to these events along with other economic, political, and social developments regionally, nationally, and even globally could significantly modify economic projections used in the estimation of the allowance for credit losses. The upcoming presidential election could result in policy changes that might also impact 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 for the three and six months ended March 31, 2024 June 30, 2024 and 2023, respectively, follows:

		For the Three Months Ended March 31, 2024					
		For the Three Months Ended March 31, 2024					
		For the Three Months Ended March 31, 2024					
		For the Three Months Ended June 30, 2024			For the Six Months Ended June 30, 2024		
(In thousands)	*(In thousands)*	Commercial	Personal Banking	Total	Commercial	Personal Banking	Total

(In thousands)
(In thousands)
ALLOWANCE FOR CREDIT LOSSES ON LOANS
ALLOWANCE FOR CREDIT LOSSES ON LOANS
ALLOWANCE FOR CREDIT LOSSES ON LOANS
Balance at beginning of period
Balance at beginning of period
Balance at beginning of period
Provision for credit losses on loans
Provision for credit losses on loans
Provision for credit losses on loans
Deductions:
Deductions:
Deductions:
Loans charged off
Loans charged off
Loans charged off
Less recoveries on loans
Less recoveries on loans
Less recoveries on loans
Net loan charge-offs (recoveries)
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
Balance June 30, 2024
LIABILITY FOR UNFUNDED LENDING COMMITMENTS
Balance at beginning of period
Balance at beginning of period
Balance at beginning of period
Provision for credit losses on unfunded lending commitments
Provision for credit losses on unfunded lending commitments
Provision for credit losses on unfunded lending commitments
Balance March 31, 2024
Balance March 31, 2024
Balance March 31, 2024
Balance June 30, 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
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS

	For the Three Months Ended March 31, 2023	
	For the Three Months Ended March 31, 2023	
	For the Three Months Ended March 31, 2023	
	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2023

(In thousands)	(In thousands)	Commercial	Personal Banking	Total	Commercial	Personal Banking	Total
(In thousands)							
(In thousands)							
ALLOWANCE FOR CREDIT LOSSES ON LOANS							
ALLOWANCE FOR CREDIT LOSSES ON LOANS							
ALLOWANCE FOR CREDIT LOSSES ON LOANS							
Balance at beginning of period							
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							
Deductions:							
Deductions:							
Deductions:							
Loans charged off							
Loans charged off							
Loans charged off							
Less recoveries on loans							
Less recoveries on loans							
Less recoveries on loans							
Net loan charge-offs (recoveries)							
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							
Balance June 30, 2023							
LIABILITY FOR UNFUNDED LENDING COMMITMENTS							
Balance at beginning of period							
Balance at beginning of period							
Balance at beginning of period							
Provision for credit losses on unfunded lending commitments							
Provision for credit losses on unfunded lending commitments							
Provision for credit losses on unfunded lending commitments							
Balance March 31, 2023							
Balance March 31, 2023							
Balance March 31, 2023							
Balance June 30, 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							

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 March 31, 2024 June 30, 2024 and December 31, 2023.

(In thousands) Current or Less Than 30 Days Past Due 30 – 89

(In thousands)		Current or Less Than 30 Days Past Due		30 – 89 Days Past Due
March 31, June 30, 2024				
Commercial:				
Business	**$**	**5,991,756 6,088,607**	**$**	**1,644 1**
Real estate – construction and land		**1,497,325 1,396,097**		**322**
Real estate – business		**3,710,321 3,556,541**		**35**
Personal Banking:				
Real estate – personal		**3,015,760 3,029,550**		**13,911 16**
Consumer		**2,094,997 2,099,967**		**21,409 43**
Revolving home equity		**318,682 326,461**		**1,432 2**
Consumer credit card		**549,407 552,432**		**7,261 7**
Overdrafts		**48,282 3,531**		**231**
Total	**$**	**17,226,530 17,053,186**	**$**	**46,245 72**
December 31, 2023				
Commercial:				
Business	$	5,985,713	$	29
Real estate – construction and land		1,446,764		
Real estate – business		3,714,579		4
Personal Banking:				
Real estate – personal		2,999,988		14
Consumer		2,036,353		38
Revolving home equity		315,483		1
Consumer credit card		574,805		7
Overdrafts		6,553		
Total	$	17,080,238	$	96

At March 31, 2024 June 30, 2024, the Company had $3.7 million $2.5 million in non-accrual loans that had no allowance for credit loss, compared to $4.3 milli Company did not record any interest income on non-accrual loans during the three six months ended March 31, 2024 June 30, 2024 and 2023, respectively.

Credit quality indicators

The following table provides information about the credit quality of the Commercial loan portfolio. The Company utilizes an internal risk rating system comprise expectation of debt repayment based on borrower specific information including, but not limited to, current financial information, historical payment experience, indust of loan grades that reflect increasing, though still acceptable, risk. A loan is assigned the risk rating at origination and then monitored throughout the contractual ter "pass" category is monitored for early identification of credit deterioration. The "special mention" rating is applied to loans where the borrower exhibits negative financi capacity to meet its debt obligations. The borrower is believed to have sufficient financial flexibility to react to and resolve its negative financial situation. It is a tran rating is applied to loans where the borrower exhibits well-defined weaknesses that jeopardize its continued performance and are of a severity that the distinct possib to collect payments consistent with acceptable and agreed upon terms of repayment.

All loans are analyzed for risk rating updates annually. For larger loans, rating assessments may be more frequent if relevant information is obtained earlier 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 rated S processes. In addition to the regular monitoring performed by the lending personnel and credit committees, loans are subject to review by a credit review department based review plan.

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

Term Loans Amortized Cost Basis by Origination Year

(In thousands)

(In thousands)

(In thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis
March 31, 2024							
June 30, 2024							
Business							
Business							
Business							
Risk Rating:							
Risk Rating:							
Risk Rating:							
Pass							
Pass							
Pass							
Special mention							
Substandard							
Non-accrual							
Total Business:							
Gross write-offs for the three months ended March 31, 2024							
Gross write-offs for the six months ended June 30, 2024							
Real estate-construction							
Risk Rating:							
Risk Rating:							
Risk Rating:							
Pass							
Pass							
Pass							
Special mention							
Substandard							
Substandard							
Substandard							
Total Real estate-construction:							
Total Real estate-construction:							
Total Real estate-construction:							
Gross write-offs for the three months ended March 31, 2024							
Gross write-offs for the six months ended June 30, 2024							
Real estate-business							
Risk Rating:							
Risk Rating:							
Risk Rating:							
Pass							
Pass							
Pass							
Special mention							
Substandard							
Non-accrual							
Total Real estate-business:							
Gross write-offs for the three months ended March 31, 2024							
Gross write-offs for the six months ended June 30, 2024							
Commercial loans							
Risk Rating:							
Risk Rating:							
Risk Rating:							
Pass							

Pass
Pass
Special mention
Substandard
Non-accrual
Total Commercial loans:
Gross write-offs for the three months ended March 31, 2024
Gross write-offs for the six months ended June 30, 2024

	Term Loans Amortized Cost Basis by Origination Year			
(In thousands)	2023	2022	2021	2020
December 31, 2023				
Business				
Risk Rating:				
Pass	$ 1,609,685	$ 839,511	$ 555,991	$ 273,138 $
Special mention	19,639	3,412	19,489	643
Substandard	5,256	8,666	6,891	20,854
Non-accrual	—	130	1,184	—
Total Business:	$ 1,634,580	$ 851,719	$ 583,555	$ 294,635 $
Gross write-offs for the year ended December 31, 2023	$ —	$ 2,260	$ 57	$ 41 $
Real estate-construction				
Risk Rating:				
Pass	$ 476,489	$ 579,933	$ 295,841	$ 41,418 $
Special mention	3,068	15,013	—	—
Total Real estate-construction:	$ 479,557	$ 594,946	$ 295,841	$ 41,418 $
Gross write-offs for the year ended December 31, 2023	$ —	$ —	$ —	$ — $
Real estate- business				
Risk Rating:				
Pass	$ 807,631	$ 1,063,189	$ 510,397	$ 433,030 $
Special mention	16,650	8,619	451	884
Substandard	2,952	18,463	27,914	17,430
Non-accrual	—	—	—	—
Total Real-estate business:	$ 827,233	$ 1,090,271	$ 538,762	$ 451,344 $
Gross write-offs for the year ended December 31, 2023	$ —	$ —	$ —	$ — $
Commercial loans				
Risk Rating:				
Pass	$ 2,893,805	$ 2,482,633	$ 1,362,229	$ 747,586 $
Special mention	39,357	27,044	19,940	1,527
Substandard	8,208	27,129	34,805	38,284
Non-accrual	—	130	1,184	—
Total Commercial loans:	$ 2,941,370	$ 2,536,936	$ 1,418,158	$ 787,397 $
Gross write-offs for the year ended December 31, 2023	$ —	$ 2,260	$ 57	$ 41 $

The credit quality of Personal Banking loans is monitored primarily on the basis of aging/delinquency, and this information is provided as of March 31, 2024 June 3

Term Loans Amortized Cost Basis by Origination Year

(In thousands)							
(In thousands)							
(In thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis
March 31, 2024							
June 30, 2024							
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							
Over 90 days past due							
Non-accrual							
Total Real estate-personal:							
Gross write-offs for the three months ended March 31, 2024							
Gross write-offs for the six months ended June 30, 2024							
Consumer							
Current to 90 days past due							
Current to 90 days past due							
Current to 90 days past due							
Over 90 days past due							
Total Consumer:							
Total Consumer:							
Total Consumer:							
Gross write-offs for the three months ended March 31, 2024							
Gross write-offs for the six months ended June 30, 2024							
Revolving home equity							
Current to 90 days past due							
Current to 90 days past due							
Current to 90 days past due							
Over 90 days past due							
Non-accrual							
Total Revolving home equity:							
Gross write-offs for the three months ended March 31, 2024							
Gross write-offs for the six months ended June 30, 2024							
Consumer credit card							
Current to 90 days past due							
Current to 90 days past due							
Current to 90 days past due							
Over 90 days past due							
Total Consumer credit card:							
Total Consumer credit card:							
Total Consumer credit card:							
Gross write-offs for the three months ended March 31, 2024							
Gross write-offs for the six months ended June 30, 2024							
Overdrafts							
Current to 90 days past due							
Current to 90 days past due							
Current to 90 days past due							
Total Overdrafts:							
Total Overdrafts:							
Total Overdrafts:							
Gross write-offs for the three months ended March 31, 2024							

Gross write-offs for the six months ended June 30, 2024	
Personal banking loans	
Current to 90 days past due	
Current to 90 days past due	
Current to 90 days past due	
Over 90 days past due	
Non-accrual	
Total Personal banking loans:	
Gross write-offs for the three months ended March 31, 2024	
Gross write-offs for the six months ended June 30, 2024	

	Term Loans Amortized Cost Basis by Origination Year			
(In thousands)	2023	2022	2021	2020
December 31, 2023				
Real estate-personal				
Current to 90 days past due	$ 455,703	$ 452,153	$ 533,313	$ 711,442 $
Over 90 days past due	3,319	1,650	2,222	834
Non-accrual	—	261	167	—
Total Real estate-personal:	$ 459,022	$ 454,064	$ 535,702	$ 712,276 $
Gross write-offs for the year ended December 31, 2023	$ —	$ 18	$ —	$ — $
Consumer				
Current to 90 days past due	$ 518,619	$ 340,104	$ 258,348	$ 127,208 $
Over 90 days past due	391	210	194	24
Total Consumer:	$ 519,010	$ 340,314	$ 258,542	$ 127,232 $
Gross write-offs for the year ended December 31, 2023	$ 926	$ 2,891	$ 1,939	$ 770 $
Revolving home equity				
Current to 90 days past due	$ —	$ —	$ —	$ — $
Over 90 days past due	—	—	—	—
Non-accrual	—	—	—	—
Total Revolving home equity:	$ —	$ —	$ —	$ — $
Gross write-offs for the year ended December 31, 2023	$ —	$ —	$ —	$ — $
Consumer credit card				
Current to 90 days past due	$ —	$ —	$ —	$ — $
Over 90 days past due	—	—	—	—
Total Consumer credit card:	$ —	$ —	$ —	$ — $
Gross write-offs for the year ended December 31, 2023	$ —	$ —	$ —	$ — $
Overdrafts				
Current to 90 days past due	$ 6,802	$ —	$ —	$ — $
Total Overdrafts:	$ 6,802	$ —	$ —	$ — $
Gross write-offs for the year ended December 31, 2023	$ 3,803	$ —	$ —	$ — $
Personal banking loans				
Current to 90 days past due	$ 981,124	$ 792,257	$ 791,661	$ 838,650 $
Over 90 days past due	3,710	1,860	2,416	858
Non-accrual	—	261	167	—
Total Personal banking loans:	$ 984,834	$ 794,378	$ 794,244	$ 839,508 $
Gross write-offs for the year ended December 31, 2023	$ 4,729	$ 2,909	$ 1,939	$ 770 $

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 table presents the amortized cost basis of collateral-dependent loans as of March 31, 2024 June 30, 2024 and December 31, 2023.

(In thousands)					
(In thousands)					
(In thousands)	Business Assets	Real Estate	Oil & Gas Assets	Total	B
March 31, 2024					
June 30, 2024					
Commercial:					
Commercial:					
Commercial:					
Real estate - business					
Real estate - business					
Real estate - business					
Personal Banking:					
Real estate - personal					
Real estate - personal					
Real estate - personal					
Revolving home equity					
Revolving home equity					
Revolving home equity					
Total					
Total					
Total					
December 31, 2023					
Commercial:					
Commercial:					
Commercial:					
Business					
Business					
Business					
Personal Banking:					
Personal Banking:					
Personal Banking:					
Revolving home equity					
Revolving home equity					
Revolving home equity					
Total					
Total					
Total					

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 i 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 of default by supplementary information utilized by the Company, as management does not consider this information in evaluating the allowance for credit losses on loans. The B are obtained on a quarterly basis. Excluded from the table below are certain personal real estate loans for which FICO scores are not obtained because the loan collateral considerations. These loans totaled $168.8 million $170.1 million at March 31, 2024 June 30, 2024 and $168.9 million at December 31, 2023. The table also

totaled $210.4 million $220.5 million at March 31, 2024 June 30, 2024 and $211.3 million at December 31, 2023. As the healthcare loans are guaranteed by the hosp
and consumer loans excluded below totaled less than 7% of the Personal Banking portfolio. For the remainder of loans in the Personal Banking portfolio, the table
December 31, 2023 by FICO score.

	Personal Banking Loans	
	% of Loan Cat	
	Real Estate - Personal	Consumer
March 31, 2024		
FICO score:		
Under 600	**2.0 %**	**2.8 %**
600 - 659	**2.5**	**4.1**
660 - 719	**8.5**	**13.0**
720 - 779	**21.6**	**24.2**
780 and over	**65.4**	**55.9**
Total	**100.0 %**	**100.0 %**
December 31, 2023		
FICO score:		
Under 600	2.0 %	2.5 %
600 - 659	2.3	4.3
660 - 719	8.5	12.9
720 - 779	21.9	28.2
780 and over	65.3	52.1
Total	100.0 %	100.0 %

	Personal Banking Loans	
	% of Loan Cat	
	Real Estate - Personal	Consumer
June 30, 2024		
FICO score:		
Under 600	**2.1 %**	**2.3 %**
600 - 659	**2.3**	**4.1**
660 - 719	**7.3**	**12.8**
720 - 779	**21.6**	**24.2**
780 and over	**66.7**	**56.6**
Total	**100.0 %**	**100.0 %**
December 31, 2023		
FICO score:		
Under 600	2.0 %	2.5 %
600 - 659	2.3	4.3
660 - 719	8.5	12.9
720 - 779	21.9	28.2
780 and over	65.3	52.1
Total	100.0 %	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 borrowe

The Company's modifications of loans to borrowers experiencing financial difficulty are generally in the form of term extensions, repayment plans, payment deferr any combination thereof. Commercial loans modified to borrowers experiencing financial difficulty are primarily loans that are substandard or non-accrual, where the placed on forbearance plans, repayment plans, or deferral plans where monthly payments are suspended for a period of time or past due amounts are paid off over a to certain credit card and other small consumer loans are often modified under debt counseling programs that can reduce the contractual rate or, in certain instanc experiencing financial difficulty consist of various other workout arrangements with consumer customers.

The following tables present the amortized cost at March 31, 2024 June 30, 2024 of loans that were modified during the three and six months ended March 31, 2(were modified during the three and six months ended March 31, 2023 June 30, 2023.

		For the Three Months Ended March 31, 2024							
(Dollars in thousands)	*(Dollars in thousands)* Term Extension	Payment Delay	Interest Rate Reduction	Interest/Fees Forgiven	Other	Total	% of Total Loan Category	*(Dollars in thousands)*	Term Extensi
March 31, 2024									
June 30, 2024									
Commercial:									
Commercial:									
Commercial:									
Business									
Business									
Business	$ 11,648	$ —	$ —	$ —	$ —	$ 11,648	0.2 0.2 %	$ 19,335	$ -
Real estate – business									
Real estate – business									
Real estate – business									
Personal Banking:									
Real estate – personal									
Real estate – personal									
Real estate – personal									
Consumer									
Consumer credit card									
Consumer credit card									
Consumer credit card									
Total									
Total									
Total	$ 29,178	$ 2,706	$ 976	$ —	$ —	$ 32,860	0.2 0.2 %	$ 64,918	$ 1,70

		For the Six Months Ended June 30, 2024					
		For the Six Months Ended June 30, 2024					
		For the Six Months Ended June 30, 2024					
June 30, 2024							
Commercial:							
Commercial:							
Commercial:							
Business							
Business							
Business	$ 30,575	$ —	$ —	$ —	$ —	$ 30,575	0.5 %
Real estate – business							
Real estate – business							
Real estate – business							
Personal Banking:							
Real estate – personal							
Real estate – personal							
Real estate – personal							

Consumer								
Consumer credit card								
Consumer credit card								
Consumer credit card								
Total								
Total								
Total	**$ 78,671**	**$ 3,975**	**$ 2,016**	**$ —**	**$ 44**	**$ 84,706**		**0.5 %**

For the Three Months Ended March 31, 2023											
(Dollars in thousands)	*(Dollars in thousands)*	Term Extension	Payment Delay	Interest Rate Reduction	Interest/Fees Forgiven	Other	Total	% of Total Loan Category		*(Dollars in thousands)*	Term Extensi
March 31, 2023											
March 31, 2023											
March 31, 2023											
June 30, 2023											
Commercial:											
Commercial:											
Commercial:											
Business											
Business											
Business		$ 3,104	$ —	$ —	$ —	$ —	$ 3,104	0.1	0.1 %	$ 17,097	$ -
Real estate – business											
Real estate – business											
Real estate – business											
Personal Banking:											
Real estate – personal											
Real estate – personal											
Real estate – personal											
Consumer											
Consumer credit card											
Consumer credit card											
Consumer credit card											
Total											
Total											
Total		$ 26,143	$ 1,724	$ 634	$ 275	$ 55	$ 28,831	0.2	0.2 %	$ 51,340	$ 1,24

For the Six Months Ended June 30, 2023							
For the Six Months Ended June 30, 2023							
For the Six Months Ended June 30, 2023							
June 30, 2023							
Commercial:							
Commercial:							
Commercial:							
Business							
Business							
Business	$ 18,193	$ —	$ —	$ —	$ —	$ 18,193	0.3 %
Real estate – business							
Real estate – business							
Real estate – business							
Personal Banking:							
Real estate – personal							

Real estate – personal												
Real estate – personal												
Consumer												
Consumer credit card												
Consumer credit card												
Consumer credit card												
Total												
Total												
Total	$	68,018	$	2,852	$	1,320	$	487	$ 55	$ 72,732	0.4	%

The estimate of lifetime expected losses utilized in the allowance for credit losses model is developed using average historical experience on loans with si experiencing financial difficulty. As a result, a change to the allowance for credit losses is generally not recorded upon modification. For modifications to loans ma 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. M experiencing financial difficulty are collectively evaluated based on internal risk rating, loan type, delinquency, historical experience, and current economic factors. I which are not on non-accrual status are collectively evaluated based on loan type, delinquency, historical experience, and current economic factors.

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

The following tables summarize the financial impact of loan modifications and payment deferrals during the three and six months ended March 31, 2024 June 30, 2

		Term Extension
	Three Months Ended March 31, 2024 June 30, 2024	
Commercial:		
Business	Extended maturity by a weighted average of 6 months.	Extended r
Real estate – business	Extended maturity by a weighted average of 8 11 months.	Extended r
Personal Banking:		
Real estate – personal	Extended maturity by a weighted average of 3 months.	Extended r
Consumer		Added 10 y
	Six Months Ended June 30, 2024	
Commercial:		
Business	Extended maturity by a weighted average of 6 months.	Extended r
Real estate – business	Extended maturity by a weighted average of 10 months.	Extended r
Personal Banking:		
Real estate – personal	Extended maturity by a weighted average of 6 months.	Extended r
Consumer		Added 10 y

		Payment Delay
	Three Months Ended March 31, 2024 June 30, 2024	
Personal Banking:		
Real estate – personal	Deferred certain payments by a weighted average of 8 4 years.	Deferred p weighted a
Consumer		Deferred p weighted a

	Interest Rate Reduction Six Months Ended June 30, 2024	
Real estate – personal	Deferred certain payments by a weighted average of 6 years.	Deferred c
Consumer		Deferred c

	Three Months Ended March 31, 2024 June 30, 2024	
Personal Banking:		
Consumer	Reduced weighted-average contractual interest rate from average 23% 22% to 6%.	Reduced
Consumer credit card	Reduced weighted-average contractual interest rate from average 23% 22% to 6%.	Reduced

	Six Months Ended June 30, 2024	
Personal Banking:		
Consumer	Reduced contractual interest rate from average 22% to 6%.	Reduced
Consumer credit card	Reduced contractual interest rate from average 22% to 6%.	Reduced

		Forgiveness of Interest/F
	Three Months Ended June 30, 2024	
Personal Banking:		
Consumer credit card		Approxim

	Three Six Months Ended March 31, 2024 June 30, 2024	
Personal Banking:		
Consumer credit card		Approxim

The Company had commitments of $2.4 $7.0 million and $28.4 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, to lend additional f the terms of loans in the form of an interest rate reduction; an other-than-insignificant payment delay; forgiveness of principal, interest, or fees; or a term extension du

The following tables provide the amortized cost basis at March 31, 2024 June 30, 2024 of loans to borrowers experiencing financial difficulty that had a payme modified within the 12 months preceding the payment default, as well as the amortized cost basis at March 31, 2023 June 30, 2023 of loans to borrowers experiencing 31, 2023 June 30, 2023 and had been modified on or after January 1, 2023 (the date we adopted ASU 2022-02). For purposes of this disclosure, the Company consid

For the Three Months Ended March 31, 2024					
For the Three Months Ended March 31, 2024					
For the Three Months Ended March 31, 2024					
For the Three Months Ended June 30, 2024					
For the Three Months Ended June 30, 2024					
For the Three Months Ended June 30, 2024					
(Dollars in thousands)	(Dollars in thousands)	Payment Delay	Interest Rate Reduction	Interest/Fees Forgiven	Total
(Dollars in thousands)					
(Dollars in thousands)					
March 31, 2024					
March 31, 2024					
March 31, 2024					
June 30, 2024					
Personal Banking:					
Personal Banking:					
Personal Banking:					
Real estate – personal					
Real estate – personal					
Real estate – personal					

Consumer
Consumer
Consumer
Consumer credit card
Consumer credit card
Consumer credit card
Total
Total
Total
Total

For the Three Months Ended March 31, 2023
For the Three Months Ended March 31, 2023
For the Three Months Ended March 31, 2023
For the Three Months Ended June 30, 2023
For the Three Months Ended June 30, 2023
For the Three Months Ended June 30, 2023

(Dollars in thousands)	*(Dollars in thousands)*	Payment Delay	Interest Rate Reduction	Interest/Fees Forgiven	Total
(Dollars in thousands)					
(Dollars in thousands)					
March 31, 2023					
March 31, 2023					
March 31, 2023					
June 30, 2023					
Personal Banking:					
Personal Banking:					
Personal Banking:					
Consumer					
Consumer					
Real estate – personal					
Real estate – personal					
Real estate – personal					
Consumer					
Consumer credit card					
Consumer credit card					
Consumer credit card					
Total					
Total					
Total					

The following tables present the amortized cost basis at March 31, 2024 June 30, 2024 of loans to borrowers experiencing financial difficulty that had been modifie
30, 2023 of loans to borrowers experiencing financial difficulty that had been modified on or after January 1, 2023 (the date we adopted ASU 2022-02) through March

(In thousands)	*(In thousands)*	Current	30-89 Days Past Due	90 Days Past Due	Total	*(In thousands)*
March 31, 2024						
June 30, 2024						
Commercial:						
Commercial:						
Commercial:						

Business	
Business	
Business	
Real estate – business	
Real estate – business	
Real estate – business	
Personal Banking:	
Real estate – personal	
Real estate – personal	
Real estate – personal	
Consumer	
Consumer credit card	
Consumer credit card	
Consumer credit card	
Total	
Total	
Total	

(In thousands)	*(In thousands)*	Current	30-89 Days Past Due	90 Days Past Due	Total	*(In thousands)*
March 31, 2023						
June 30, 2023						
Commercial:						
Commercial:						
Commercial:						
Business						
Business						
Business						
Real estate – business						
Real estate – business						
Real estate – business						
Personal Banking:						
Real estate – personal						
Real estate – personal						
Real estate – personal						
Consumer						
Consumer credit card						
Consumer credit card						
Consumer credit card						
Total						
Total						
Total						

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 loar economic hedges discussed in Note 11. The loans are primarily sold to Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Ass million $2.2 million, and the unpaid principal balance was $1.1 million $2.2 million.

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

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

Foreclosed real estate/repossessed assets

The Company’s holdings of foreclosed real estate totaled $206 $143 thousand and $270 thousand at March 31, 2024 June 30, 2024 and December 31, 2023, re March 31, 2024 June 30, 2024 and December 31, 2023, respectively, of foreclosed residential real estate properties held as a result of obtaining physical posses million and $1.8 million at March 31, 2024 June 30, 2024 and December 31, 2023. Upon acquisition, these assets are recorded at fair value less estimated selling cos the lower of this cost basis or fair value less estimated selling costs.

3. Investment Securities

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

(In thousands)	*(In thousands)*	**March 31, 2024**	December 31, 2023
Available for sale debt securities			
Trading debt securities			
Equity securities:			
Readily determinable fair value			
Readily determinable fair value			
Readily determinable fair value			
No readily determinable fair value			
Other:			
Federal Reserve Bank stock			
Federal Reserve Bank stock			
Federal Reserve Bank stock			
Federal Home Loan Bank stock			
Private equity investments			
Private equity investments			
Private equity investments			
Total investment securities (1)			

(1) Accrued interest receivable totaled $28.2 million $26.4 million and $28.9 million at March 31, 2024 June 30, 2024 and December 31, 2023, respectively, and was included within other assets on the consolida

Most of the Company’s investment securities are classified as available for sale debt securities, and this portfolio is discussed in more detail below. The Compar Reserve Bank (FRB) stock, Federal Home Loan Bank (FHLB) stock, and investments in portfolio concerns held by the Company’s private equity subsidiary. FRB st based on the capital structure of the investing bank, and investment in FHLB stock is tied to the asset size of the borrowing bank and the level of borrowings from th carried at estimated fair value.

Equity Securities

The Company’s equity securities portfolio includes common and preferred stock with readily determinable fair values as well as equity securities with no readily de determinable fair value at cost minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or similar investment of the shares of Visa Inc. ("Visa" (“Visa”) Class B-1 common stock (formerly Class B common stock), which were held by Commerce Bancshares, Inc. (the Company's par zero at March 31, 2024, as there had not been observable price changes in orderly transactions for identical or similar investments of the same issuer. During the adjustments to the carrying amount of its portfolio of equity securities with no 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 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 notification of Visa’s stock, the Company received 411,723 shares of Visa Class B-2 common stock (which will be convertible under certain circumstances, as further described below, int 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 automatically convert in splits, recapitalizations or similar transactions) upon any transfer to a person other than a Visa member or an affiliate of a Visa member.

As a condition of participating in the exchange, the Company entered into a Makewhole Agreement with Visa that provides for cash payments to Visa to the extent to Class A common stock cause such ratio to fall below zero. Changes to the conversion ratio occur when Visa deposits funds to a litigation escrow established by Vi for which Visa has been effectively indemnified by Visa USA members through reductions to the conversion ratio for its Class B-1 common stock. The purpose of Class B-1 conversion ratio for the benefit of Visa’s Class A and Class C common stockholders following the exchange. As further described in Visa’s related Issuer filed with the U. S. Securities and Exchange Commission, both the Makewhole Agreement and the related escrow fund and transfer restrictions on Visa’s Class B-1 litigation is ultimately resolved, at which future date outstanding shares of Visa Class B-2 common stock will be convertible into shares of its Class A common stoc transfer restrictions, such that the Company may only transfer up to one-third of the shares of Visa Class C common stock received in the exchange within the first 45 stock received within the first 90 days following May 3, 2024.

As a result of the exchange, the Company marked elected the measurement alternative approach for its Visa Class C common stock and marked the stock to fair
the Visa Class C common stock and the closing price of Visa Class A common stock. During the second quarter of 2024, the Company sold 436 thousand sh
share. $274.91, resulting in proceeds of $119.8 million. The Company's remaining 54 thousand Visa Class C shares had a fair value of $57.2 million at June 30, 202
are expected to continue to be marked to fair value on a recurring basis using the Visa Class A shares as evidence of orderly transactions between market participa
continue to be carried at cost of $0 as the Company elected the measurement alternative approach for these shares as well, and there are not observable price cha
the Visa Class B-2 shares held by the Company.

Subsequent to Changes in equity investments with no readily determinable fair value for each period were as follows:

(In thousands)
Balance at beginning of period
Observable upward price adjustments
Observable downward price adjustments
Impairment charges
Sales of securities and other activity
Balance at end of period

Net gains and losses for the successful close of the Exchange Offer, the Company approved a plan to reposition a portion of its available Company's equity securit

(In thousands)
Net gains (losses) recognized during the period on equity securities
Less: Net gains (losses) recognized during the period on equity securities sold during the period
Net unrealized gains (losses) recognized during the reporting period on equity securities still held at the reporting date

Available for sale debt securities portfolio through the sale of securities with an amortized cost of approximately $1.0 billion. The securities that the Company p
approximately $165 million, and the Company expects to reinvest the proceeds mostly into investment securities yielding approximately 4.6%. The Company expec
and improve the quality of the Company's pledgeable investment securities. The timing and amount of the loss ultimately realized on the available for sale debt se
market conditions, the future price of Visa Class A common stock, and other factors.

Other investment securities include Federal Reserve Bank (FRB) stock, Federal Home Loan Bank (FHLB) stock, equity method investments, and investments i
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 tie
holdings are carried at cost. 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 rep
sale debt securities by maturity groupings as of March 31, 2024 June 30, 2024 is shown below. The investment portfolio includes agency mortgage-backed securit
Mortgage Association (GNMA), in addition to non-agency mortgage-backed securities, which have no guarantee but are collateralized by commercial and residen
collateralized by credit cards, automobiles, student loans, and commercial loans. These securities differ from traditional debt securities primarily in that they may h
underlying collateral.

(In thousands)	*(In thousands)*
U.S. government and federal agency obligations:	
Within 1 year	
Within 1 year	
Within 1 year	
After 1 but within 5 years	
After 5 but within 10 years	
Total U.S. government and federal agency obligations	
Total U.S. government and federal agency obligations	
Total U.S. government and federal agency obligations	

Government-sponsored enterprise obligations:
After 5 but within 10 years
After 5 but within 10 years
After 5 but within 10 years
After 10 years
Total government-sponsored enterprise obligations
State and municipal obligations:
Within 1 year
Within 1 year
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
Agency mortgage-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
Within 1 year
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 $396.2 million $399.7 million, at with inflation and decreases with deflation, as measured by the non-seasonally adjusted Consumer Price Index (CPI-U). At maturity, the principal paid is the greater o

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 be 20% below purchase price, or those which have been identified based on management's judgment. These securities are placed on a watch list and cash flow ana projected cash flow model, discounted to present value, and compared to the current amortized cost bases of the securities. The model uses input factors such a support from other tranches, prepayment speeds, collateral loss severity rates (including loan to values), and various other information related to the underlying col ratings, credit support agreements, and industry knowledge to project future cash flows and any possible credit impairment.

At March 31, 2024 June 30, 2024, the fair value of securities on this watch list was $1.7 billion $1.8 billion compared to $1.2 billion at December 31, 2023. Alr experiencing unrealized loss positions due to the significant increase in interest rates and were analyzed outside of the cash flow model. At March 31, 2024 June 30, to increasing interest rates were securities backed by government-guaranteed student loans and are expected to perform as contractually required. As of March 3 exists, and for the three six months ended March 31, 2024 June 30, 2024 and 2023, the Company did not recognize a credit loss expense on any available for sale de

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 cred Unrealized losses on these available for sale securities have not been recognized into income because after review, the securities were deemed not to be impaired rates and current market conditions. At March 31, 2024 June 30, 2024, the Company does not intend to sell the securities, nor is it anticipated that it would be required

(In thousands)	*(In thousands)*	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	12 months or longer Fair Value	12 months or longer Unrealized Losses	*(In th*
March 31, 2024								
June 30, 2024								
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								
State and municipal obligations								
Mortgage and asset-backed securities:								
Agency mortgage-backed securities								
Agency mortgage-backed securities								
Agency mortgage-backed securities								
Non-agency mortgage-backed securities								
Asset-backed securities								
Total mortgage and asset-backed securities								
Other debt securities								
Total								
December 31, 2023								
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								
State and municipal obligations								
Mortgage and asset-backed securities:								
Agency mortgage-backed securities								
Agency mortgage-backed securities								
Agency mortgage-backed securities								
Non-agency mortgage-backed securities								
Asset-backed securities								
Total mortgage and asset-backed securities								
Other debt securities								
Total								

The entire available for sale debt portfolio included $9.1 billion $8.0 billion of securities that were in a loss position at March 31, 2024 June 30, 2024, compared to was $1.2 billion $1.1 billion at March 31, 2024 June 30, 2024, an increase a decrease of $27.1 million $144.4 million compared to the unrealized loss at December *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 amounts of gross unrealized gains and losses (pre-tax) in AOCI, by security type.

(In thousands)	*(In thousands)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value	*(In thousa*
March 31, 2024							
June 30, 2024							
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
State and municipal obligations
Mortgage and asset-backed securities:
Agency mortgage-backed securities
Agency mortgage-backed securities
Agency mortgage-backed securities
Non-agency mortgage-backed securities
Asset-backed securities
Total mortgage and asset-backed securities
Other debt securities
Total
December 31, 2023
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
State and municipal obligations
Mortgage and asset-backed securities:
Agency mortgage-backed securities
Agency mortgage-backed securities
Agency mortgage-backed securities
Non-agency mortgage-backed securities
Asset-backed securities
Total mortgage and asset-backed securities
Other debt securities
Total

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

				For the Three Months Ended Ma
(In thousands)	*(In thousands)*	**2024**	2023	*(In thousands)*
Proceeds from sales of securities:				
Available for sale debt securities				
Available for sale debt securities				
Available for sale debt securities				
Other investments				
Other investments				
Equity securities				
Other investments				
Total proceeds				
Investment securities gains (losses), net:				
Investment securities gains (losses), net:				
Investment securities gains (losses), net:				
Available for sale debt securities:				
Available for sale debt securities:				
Available for sale debt securities:				
Gains realized on sales				
Losses realized on sales				
Gains realized on sales				
Losses realized on sales				
Gains realized on sales				
Losses realized on sales				
Equity securities:				

Equity securities:

Equity securities:

Fair value adjustments, net	
Gains (losses) on equity securities, net	
Fair value adjustments, net	
Gains (losses) on equity securities, net	
Fair value adjustments, net	
Gains (losses) on equity securities, net	
Other:	
Gains realized on sales	
Gains realized on sales	
Gains realized on sales	
Fair value adjustments, net	
Fair value adjustments, net	
Losses realized on sales	
Fair value adjustments, net	
Total investment securities gains (losses), net	

Net losses gains on investment securities for the three six months ended March 31, 2024 June 30, 2024 were mainly comprised of net gains of $178.3 million o investments. These gains were largely offset by net losses of $8.5 million $187.5 million on sales of available for sale securities.

Subsequent to the successful close of the Exchange Offer in early May 2024, the Company approved and executed a plan to reposition a portion of its available f an amortized cost of $1.2 billion. The securities that the Company sold had a yield of approximately 2.1%, which resulted in fair value a loss of $142 thousand on equi thousand on sales of private equity the proceeds into U.S. Treasury securities and net gains in private equity securities due to fair value adjustments of $7.1 million yie

Pledged securities

At March 31, 2024 June 30, 2024, securities totaling $6.6 billion $6.5 billion in fair value were pledged to secure public fund deposits, securities sold under agree billion at December 31, 2023. Except for obligations of various government-sponsored enterprises such as FNMA, FHLB and FHLMC, no investment in a single issue

4. Goodwill and Other Intangible Assets

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

		March 31, 2024				December 31, 2023					
		June 30, 2024				December 31, 2023					
(In thousands)	*(In thousands)*	**Gross Carrying Amount**	**Accumulated Amortization**	**Valuation Allowance**	**Net Amount**	Gross Carrying Amount	Accumulated Amortization	Valuation Allowance	Net Amount	*(In thousands)*	**Gross Carrying Amount**
Amortizable intangible assets:											
Core deposit premium											
Core deposit premium											
Core deposit premium											
Mortgage servicing rights											
Total											

Aggregate amortization expense on intangible assets was $331 $320 thousand and $356 $353 thousand for the three month periods ended March 31, 2024 June periods ended June 30, 2024 and 2023, respectively. The following table shows the estimated annual amortization expense for the next five fiscal years. This expe 2024 June 30, 2024. The Company's actual amortization expense in any given period may be different from the estimated amounts depending upon the acquisition c conditions.

(In thousands)
2024
2024
2024
2025
2026
2027
2028

Changes in the carrying amount of goodwill and other intangible assets for the three six month period ended March 31, 2024 June 30, 2024 are as follows:

(In thousands)	(In thousands)	Goodwill	Easement	Core Deposit Premium	Mortgage Servicing Rights	(In thousands)
Balance January 1, 2024						
Originations, net of disposals						
Originations, net of disposals						
Originations, net of disposals						
Amortization						
Balance March 31, 2024						
Balance March 31, 2024						
Balance March 31, 2024						
Balance June 30, 2024						
Balance June 30, 2024						
Balance June 30, 2024						

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

(In thousands)	(In thousands)	**March 31, 2024**	December 31, 2023	(In thousand
Consumer segment				
Commercial segment				
Wealth segment				
Total goodwill				

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 the payment or performance obligation of a customer to a third party. While these represent a potential outlay by the Company, a significant amount of the commitme 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 same credit policies, underwriting standards are secured, and in the event of nonperformance by customers, the Company has rights to the underlying collateral, which could include commercial real estate, phys

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 2024 June 30, 2024, that net liability was $3.9 million $3.6 million, which will be accreted into income over the remaining life of the respective commitments. The c payments guaranteed by the Company, was $634.5 million $633.6 million at March 31, 2024 June 30, 2024.

The Company periodically enters into credit risk participation agreements (RPAs) as a guarantor to other financial institutions, in order to mitigate those institutions 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. These interest rate by the third party, which limits the credit risk associated with the Company's RPAs. The third parties usually have other borrowing relationships with the Company believes sufficient collateral is available to cover potential swap losses. The RPAs are carried at fair value throughout their term with all changes in fair value, includi The terms of the RPAs, which correspond to the terms of the underlying swaps, range from 2 years to 15 years. At March 31, 2024 June 30, 2024, the fair value of the of the underlying swaps was $464.9 million $455.7 million. The maximum potential future payment guaranteed by the Company cannot be readily estimated but is dep

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 with 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 lease component expedient in which the lease and nonlease components are combined into the total lease receivable. The Company also leases office space to options to renew or expand the leased space, and currently the leases have remaining terms of 3 months 1 month to 15 14 years.

The following table provides the components of lease 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)			
		For the Three Months Ended June 30	
(in thousands)	*(in thousands)*	**2024**	2023
Direct financing and sales-type leases			
Direct financing and sales-type leases			
Direct financing and sales-type leases			
Operating leases(a)			
Operating leases(a)			
Operating leases(a)			
Total lease income			
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 March 31, 2024 June 30, 2024 and 2023, and $38 thousand for both the six montl

7. Pension

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

		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)			
		For the Three Months Ended June	
(In thousands)	*(In thousands)*	**2024**	2023
Service cost			
Service cost			
Service cost			
Interest cost on projected benefit obligation			
Interest cost on projected benefit obligation			
Interest cost on projected benefit obligation			
Expected return on plan assets			
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 unrecognized net loss			
Amortization of unrecognized net loss			
Amortization of unrecognized net loss			
Net periodic pension cost			

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 three six months of 2024, the Co
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 compu
stock dividends are considered securities which participate in undistributed earnings with common stock. The two-class method requires the calculation of separate
Income per share attributable to common stock is shown in the table below. Nonvested share-based awards are further discussed in Note 13.

		For the Three Months
		For the Three Months
		For the Three Months
(In thousands, except per share data)	*(In thousands, except per share data)*	**2024**
Basic income per common share:		
Net income attributable to Commerce Bancshares, Inc.		
Net income attributable to Commerce Bancshares, Inc.		
Net income attributable to Commerce Bancshares, Inc.		
Less income allocated to nonvested restricted stock		
Net income allocated to common stock		
Weighted average common shares outstanding		
Basic income per common share		
Diluted income per common share:		
Net income attributable to Commerce Bancshares, Inc.		
Net income attributable to Commerce Bancshares, Inc.		
Net income attributable to Commerce Bancshares, Inc.		
Less income allocated to nonvested restricted stock		
Net income allocated to common stock		
Weighted average common shares outstanding		
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		
Net effect of the assumed exercise of stock-based awards - based on the treasury stock method using the average market price for the respective periods		
Weighted average diluted common shares outstanding		
Diluted income per common share		

Unexercised stock appreciation rights of 353 411 thousand and 226 450 thousand for the three month periods ended March 31, 2024 June 30, 2024 and 2023, re
2024 and 2023, respectively, were excluded from the computation of diluted income per common share because their inclusion would have been anti-dilutive.

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 unc
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 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 c
cash flow hedge derivatives is located in Note 11.

	Unrealized Gains (Losses) on Securities (1)	Unrealized Gains (Losses) on Securities (1)			
(In thousands)	Unrealized Gains (Losses) on Securities (1)		Pension Loss	Unrealized Gains (Losses) on Cash Flow Hedge Derivatives (2)	Total Accum Comprehensive
Balance January 1, 2024					
Balance January 1, 2024					
Balance January 1, 2024					
Other comprehensive income (loss) before reclassifications to current earnings					
Other comprehensive income (loss) before reclassifications to current earnings					
Other comprehensive income (loss) before reclassifications to current earnings					
Amounts reclassified to current earnings from accumulated other comprehensive income					
Current period other comprehensive income (loss), before tax					
Income tax (expense) benefit					
Current period other comprehensive income (loss), net of tax					
Balance March 31, 2024					
Balance March 31, 2024					
Balance March 31, 2024					
Balance June 30, 2024					
Balance June 30, 2024					
Balance June 30, 2024					
Balance January 1, 2023					
Other comprehensive income (loss) before reclassifications to current earnings					
Other comprehensive income (loss) before reclassifications to current earnings					
Other comprehensive income (loss) before reclassifications to current earnings					
Amounts reclassified to current earnings from accumulated other comprehensive income					
Current period other comprehensive income (loss), before tax					
Income tax (expense) benefit					
Current period other comprehensive income (loss), net of tax					
Balance March 31, 2023					
Balance March 31, 2023					
Balance March 31, 2023					
Balance June 30, 2023					
Balance June 30, 2023					
Balance June 30, 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, Comr products offered through its retail branch network of approximately 140 locations. This segment also includes indirect and other consumer loan financing busines provides corporate lending (including the Small Business Banking product line within the branch network), leasing, and international services, along with business anc also includes both merchant and commercial bank card products as well as the Capital Markets Group, Commercial Tradable Products division, which sells fixed accounting services to its business and correspondent bank customers. The Wealth segment provides traditional trust and estate planning, advisory and discretion loan and deposit related services to its private banking customers.

The following table presents selected financial information by segment and reconciliations of combined segment totals to consolidated totals. There were no mat changes to methods of assigning costs and income to its business segments to better reflect operating results. If appropriate, these changes are reflected in prior ye 2024 has been restated to reflect a funds transfer pricing methodology change implemented on January 1, 2024 for all deposit types, except certificates of deposit. Th methodology more accurately reflects the profitability of affected deposits relative to current rates and removes most interest rate risk from business segments.

(In thousands)						
(In thousands)						
(In thousands)	Consumer	Commercial	Wealth	Other/Elimination	Consolidated Totals	C
Three Months Ended March 31, 2024						
Three Months Ended June 30, 2024						
Net interest income						
Net interest income						
Net interest income						
Provision for credit losses						
Non-interest income						
Investment securities gains (losses), net						
Non-interest expense						
Income before income taxes						
Three Months Ended March 31, 2023						
Three Months Ended March 31, 2023						
Three Months Ended March 31, 2023						
Six Months Ended June 30, 2024						
Net interest income						
Net interest income						
Net interest income						
Provision for credit losses						
Non-interest income						
Investment securities gains (losses), net						
Non-interest expense						
Income before income taxes						
Three Months Ended June 30, 2023						
Net interest income						
Net interest income						
Net interest income						
Provision for loan losses						
Non-interest income						
Investment securities gains (losses), net						
Non-interest expense						
Income before income taxes						
Six Months Ended June 30, 2023						
Net interest income						
Net interest income						
Net interest income						
Provision for credit losses						
Non-interest income						
Investment securities gains (losses), net						
Non-interest expense						
Income before income taxes						

The information presented above was derived from the internal profitability reporting system used by management to monitor and manage the financial perf
procedures and methods, which have been developed to reflect the underlying economics of the businesses. The methodologies are applied in connection with funds
was used in the determination of net interest income by assigning a standard cost (credit) for funds used (provided by) assets and liabilities based on their maturity, pr

The segment activity, as shown above, includes both direct and allocated items. Amounts in the “Other/Elimination” column include activity not related to the segme
the effect of certain expense allocations to the segments. The provision for credit losses in this category contains the difference between net loan charge-offs assigi
this category’s net interest income are earnings of the investment portfolio, which are not allocated to a segment. Additionally, in 2023, interest expense on the C
brokered certificates of deposit were not allocated to a segment. There were no brokered certificates of deposit in 2024.

The performance measurement of the operating segments is based on the management structure of the Company and is not necessarily comparable with si
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 derivativ
measure of loss exposure. With The Company's derivatives are accounted for as freestanding derivatives, and with the exception of the interest rate floors, (dis
derivatives, and changes in their fair value are recorded in current earnings.

(In thousands)	*(In thousands)*	**March 31, 2024**	December 31, 2023
Interest rate swaps			
Interest rate floors			
Interest rate caps			
Credit risk participation agreements			
Foreign exchange contracts			
Mortgage loan commitments			
Mortgage loan forward sale contracts			
Forward TBA contracts			
Total notional amount			

The largest group of notional amounts relate to interest rate swap contracts sold to commercial customers who wish to modify their interest rate sensitivity. The cu
product distribution, education, and retirement communities. These interest rate swap contracts with customers are offset by matching interest rate swap contracts p
that require central clearing are novated to a clearing agency who becomes the Company's counterparty. Because of the matching terms of the offsetting contracts, in
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. U
Company ceases to be “well-capitalized” under risk-based capital guidelines, certain counterparties can require immediate and ongoing collateralization on intere
maintains debt ratings and capital well above these minimum requirements.

As of March 31, 2024 June 30, 2024, the Company held four interest rate floors indexed to 1-month SOFR to hedge the risk of declining interest rates on certain f
are forward-starting. Each of the four interest rate floors has a six-year term and a notional amount of $500.0 million. In the event that the index rate falls below zero, t
to the strike rate. Information about the floors is provided in the table below.

Strike Rate	Effective Date
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. The maximum length of time over which the Company is hedging its exposure to lower rates is approximatel
were assessed for effectiveness using regression analysis. The change in the fair value of these interest rate floors is recorded in AOCI, net of the amortization of th
statements of income. As of March 31, 2024 June 30, 2024, net deferred losses on the interest rate floors totaled $21.9 million $25.8 million (pre-tax) and were reco
expected that $10.7 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

2024, June 30, 2024, the total realized gains on the monetized cash flow hedges remaining in AOCI was $45.7 million $40.1 million (pre-tax), which will be reclassified to the cash flow hedges remaining in AOCI at March 31, 2024 June 30, 2024 that is expected to be reclassified into income within the next 12 months is $21.7 million

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

Under its program to sell residential mortgage loans in the secondary market, the Company designates certain newly-originated residential mortgage loans 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 interes 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 security settlement

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 m

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 i Company's clearing counterparty has been applied to the fair values of the cleared swap. There was no reduction to positive or negative fair values of cleared swaps

		Asset Derivatives		L
		Mar. 31, 2024	Dec. 31, 2023	
		June 30, 2024	Dec. 31, 2023	
(In thousands)	*(In thousands)*	Fair Value		
Derivatives designated as hedging instruments:				
Interest rate floors				
Interest rate floors				
Interest rate floors				
Total derivatives designated as hedging instruments				
Derivative instruments not designated as hedging instruments:				
Interest rate swaps				
Interest rate swaps				
Interest rate swaps				
Interest rate caps				
Credit risk participation agreements				
Foreign exchange contracts				
Mortgage loan commitments				
Mortgage loan forward sale contracts				
Forward TBA contracts				
Total derivatives not designated as hedging instruments				
Total				

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

	Amount of Gain or (Loss) Recognized in OCI	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain or (Loss) Recognized in OCI
(In thousands)				
(In thousands)				

(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)
(In thousands)

(In thousands)	Total	Included Component	Excluded Component	Total	Included Component	Excluded Component	Total	Included Component	Excluded Component
For the Three Months Ended March 31, 2024				**For the Three Months Ended June 30, 2024**					
Interest rate floors									
Total									
For the Three Months Ended March 31, 2023									
For the Three Months Ended March 31, 2023									
For the Three Months Ended March 31, 2023									
For the Six Months Ended June 30, 2024				Derivatives in cash flow hedging relationships:					
Interest rate floors									
Total									
For the Three Months Ended June 30, 2023				Derivatives in cash flow hedging relationships:					
Interest rate floors									
Total									
For the Six Months Ended June 30, 2023				Derivatives in cash flow hedging relationships:					
Interest rate floors									
Total									

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

(In thousands)	(In thousands)	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
				For the Three Months Ende 31
Derivative instruments:				
Derivative instruments:				
Derivative instruments:				
Interest rate swaps				
Interest rate swaps				
Interest rate swaps				
Credit risk participation agreements				
Credit risk participation agreements				
Credit risk participation agreements				
Foreign exchange contracts				
Mortgage loan commitments				
Mortgage loan forward sale contracts				
Forward TBA contracts				
Total				

The following table shows the extent to which assets and liabilities relating to derivative instruments have been offset in the consolidated balance sheets. It also netting arrangement, irrespective of whether they are offset, and the extent to which the instruments could potentially be offset. Also shown is collateral received c securities. The collateral amounts in this table are limited to the outstanding balances of the related asset or liability (after netting is applied); thus, amounts of exc 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 l between the Company and dealer bank counterparties is generally subject to thresholds and transfer minimums, and usually consists of marketable securities. By co valuation date by the pledging party. For those swap transactions requiring central clearing, the Company posts cash or securities to its clearing agent. Collateral pos are made as appropriate to maintain proper collateralization for these transactions. Swap derivative transactions with customers are generally secured by rights to below.

(In thousands)	Gross Amount Recognized	Gross Amounts Offset in the Balance Sheet	Net Amounts Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet: Financial Instruments Available for Offset	Collateral Received/ Pledged	Net Amount	Gross Amount Recognized
(In thousands)							
(In thousands)							
March 31, 2024							
June 30, 2024							
Assets:							
Assets:							
Assets:							
Derivatives subject to master netting agreements							
Derivatives subject to master netting agreements							
Derivatives subject to master netting agreements							

Derivatives not subject to master netting agreements
Total derivatives
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 not subject to master netting agreements
Total derivatives
Total derivatives
Total derivatives
December 31, 2023
December 31, 2023
December 31, 2023
Assets:
Assets:
Assets:
Derivatives subject to master netting agreements
Derivatives subject to master netting agreements
Derivatives subject to master netting agreements
Derivatives not subject to master netting agreements
Total derivatives
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 not subject to master netting agreements
Total derivatives
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 repu resell/repurchase the same or similar securities. They are accounted for as secured lending and collateralized borrowing (e.g. financing transactions), not as true sal agreements were transacted under master netting arrangements that contain a conditional right of offset, such as close-out netting, upon default. The security collater may be sold or re-pledged by the secured party, but is usually delivered to and held by third party trustees. The Company generally retains custody of securities pledg

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

(In thousands)				Gross Amounts Not Offset in the Balance Sheet				
(In thousands)								
(In thousands)	Gross Amount Recognized	Gross Amounts Offset in the Balance Sheet	Net Amounts Presented in the Balance Sheet	Financial Instruments Available for Offset	Securities Collateral Received/Pledged	Unsecured Amount	Gross Amount Recognized	Gro t
March 31, 2024								
June 30, 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 repurchase agreements, subject to master netting arrangements								
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 repurchase agreements, subject to master netting arrangements								

The table below shows the remaining contractual maturities of repurchase agreements outstanding at March 31, 2024 June 30, 2024 and December 31, 2023
Company as collateral for these borrowings.

(In thousands)	Remaining Contractual Maturity of the Agreements		
(In thousands)			
(In thousands)	Overnight and continuous	Up to 90 days	Greater than 90 days
March 31, 2024			
June 30, 2024			
Repurchase agreements, secured by:			
Repurchase agreements, secured by:			
Repurchase agreements, secured by:			
U.S. government and federal agency obligations			
U.S. government and federal agency obligations			
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			
Asset-backed securities			
Other debt securities			
Total repurchase agreements, gross amount recognized			
December 31, 2023			
Repurchase agreements, secured by:			
Repurchase agreements, secured by:			

Repurchase agreements, secured by:
U.S. government and federal agency obligations
U.S. government and federal agency obligations
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
Asset-backed securities
Other debt securities
Total repurchase agreements, gross amount 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 awar expense charged against income was $4.3$4.2 million and $4.4 million$3.9 million in the three months ended March 31, 2024June 30, 2024 and 2023 respecti 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 of the status of the Company's nonvested share awards as of March 31, 2024June 30, 2024, and changes during the threesix month period then ended, is presented

		Shares	Weighted Average Grant Date Fair Value		
Nonvested at January 1, 2024	**Nonvested at January 1, 2024**	1,166,335	$58.48	$58.48	**Nonvested at Ja**
Granted	Granted	314,602	51.99	51.99	Granted
Vested	Vested	(235,194)	52.39	52.39	Vested
Forfeited	Forfeited	(11,342)	58.69	58.69	Forfeited
Nonvested at March 31, 2024					
Nonvested at March 31, 2024					
Nonvested at March 31, 2024		1,234,401		$57.99	
Nonvested at June 30, 2024					
Nonvested at June 30, 2024					
Nonvested at June 30, 2024		1,210,714		$58.03	

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 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 current year pe

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 threesix months of 2024 is presented below.

(Dollars in thousands, except per share data)	*(Dollars in thousands, except per share data)*	Rights	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value	*(Dollars in thousands, share data)*
Outstanding at January 1, 2024						
Granted						
Granted						

Granted
Forfeited
Forfeited
Forfeited
Expired
Expired
Expired
Exercised
Exercised
Exercised
Outstanding at March 31, 2024
Outstanding at March 31, 2024
Outstanding at March 31, 2024
Outstanding at June 30, 2024
Outstanding at June 30, 2024
Outstanding at June 30, 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 se to be entitled in exchange for those goods or services. For the three six months ended March 31, 2024 June 30, 2024, approximately 63% of the Company's total reve the remaining revenue, those items that were subject to this guidance mainly included fees for bank card, trust, deposit account services and consumer brokerage ser

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

		Three Months Ended March
		Three Months Ended March
		Three Months Ended March
		Three M
(In thousands)	*(In thousands)*	**2024**
(In thousands)		
(In thousands)		
Trust fees		
Bank card transaction fees		
Bank card transaction fees		
Bank card transaction fees		
Trust fees		
Trust fees		
Trust fees		
Deposit account charges and other fees		
Deposit account charges and other fees		
Deposit account charges and other fees		
Consumer brokerage services		
Consumer brokerage services		
Consumer brokerage services		
Other non-interest income		
Other non-interest income		
Other non-interest income		
Total non-interest income from contracts with customers		
Total non-interest income from contracts with customers		

Total non-interest income from contracts with customers
Other non-interest income (1)
Other non-interest income (1)
Other non-interest income (1)
Total non-interest income
Total non-interest income
Total non-interest income

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

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 ea approximately 31% and 69%, respectively, of the Company's deposit account charge revenue. All trust fees and nearly all consumer brokerage services income were

The following table presents the opening and closing receivable balances for the three six month periods ended March 31, 2024 June 30, 2024 and 2023 for the Co

(In thousands)	*(In thousands)*	**March 31, 2024**	December 31, 2023	March 31, 2023	December 31, 2022	*(In thousar*
Bank card transaction fees						
Trust fees						
Deposit account charges and other fees						
Consumer brokerage services						

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, trading debt securities, certain investments relating to private equity activities, and derivatives are recorded at fair value on a recurring basis. Additionall liabilities on a nonrecurring basis, such as mortgage servicing rights and certain other investment securities. These nonrecurring fair value adjustments typically involv

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 measuremen techniques and assumptions when estimating fair value. For accounting disclosure purposes, a three-level valuation hierarchy of fair value measurements has b 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 simi 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

The valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis are described in the Fair Value Measurement changes in these methodologies since then.

Instruments Measured at Fair Value on a Recurring Basis

The table below presents the March 31, 2024 June 30, 2024 and December 31, 2023 carrying values of assets and liabilities measured at fair value on a recurring year ended December 31, 2023.

(In thousands)	*(In thousands)*	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	*(In thousands)*	Tot V
March 31, 2024							
June 30, 2024							
Assets:							
Assets:							

Assets:
Residential mortgage loans held for sale
Residential mortgage loans held for sale
Residential mortgage loans held for sale
Available for sale debt securities:
U.S. government and federal agency obligations
U.S. government and federal agency obligations
U.S. government and federal agency obligations
Government-sponsored enterprise obligations
State and municipal obligations
Agency mortgage-backed securities
Non-agency mortgage-backed securities
Asset-backed securities
Other debt securities
Trading debt securities
Equity securities
Private equity investments
Derivatives *
Assets held in trust for deferred compensation plan
Total assets
Liabilities:
Derivatives *
Derivatives *
Derivatives *
Liabilities held in trust for deferred compensation plan
Total liabilities
December 31, 2023
Assets:
Assets:
Assets:
Residential mortgage loans held for sale
Residential mortgage loans held for sale
Residential mortgage loans held for sale
Available for sale debt securities:
U.S. government and federal agency obligations
U.S. government and federal agency obligations
U.S. government and federal agency obligations
Government-sponsored enterprise obligations
State and municipal obligations
Agency mortgage-backed securities
Non-agency mortgage-backed securities
Asset-backed securities
Other debt securities
Trading debt securities
Equity securities
Private equity investments
Derivatives *
Assets held in trust for deferred compensation plan
Total assets

Liabilities:
Derivatives *
Derivatives *
Derivatives *
Liabilities held in trust for deferred compensation plan
Total liabilities

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

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

(In thousands)	*(In thousands)*
For the three months ended March 31, 2024	
For the three months ended June 30, 2024	
Balance March 31, 2024	
Balance March 31, 2024	
Balance March 31, 2024	
Total gains or losses (realized/unrealized):	
Included in earnings	
Included in earnings	
Included in earnings	
Included in other comprehensive income *	
Discount accretion	
Discount accretion	
Discount accretion	
Purchases of private equity investments	
Sale/pay down of private equity investments	
Capitalized interest/dividends	
Balance at June 30, 2024	
Balance at June 30, 2024	
Balance at June 30, 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 June 30, 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 June 30, 2024	
For the six months ended June 30, 2024	
Balance January 1, 2024	
Balance January 1, 2024	
Balance January 1, 2024	
Total gains or losses (realized/unrealized):	
Included in earnings	
Included in earnings	
Included in earnings	

Included in other comprehensive income *
Purchases of private equity investments
Purchases of private equity investments
Discount accretion
Discount accretion
Discount accretion
Purchases of private equity investments
Sale/pay down of private equity investments
Capitalized interest/dividends
Balance at March 31, 2024
Balance at June 30, 2024
Balance at March 31, 2024
Balance at June 30, 2024
Balance at March 31, 2024
Total gains or losses for the three months included in earnings attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2024
*Total gains or losses for the three months included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets still held at March 31, 2024
For the three months ended March 31, 2023
Balance January 1, 2023
Balance January 1, 2023
Balance January 1, 2023
Total gains or losses (realized/unrealized):
Included in earnings
Included in earnings
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
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
Balance at June 30, 2024
Total gains or losses for the six months included in earnings attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2024
*Total gains or losses for the six months included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2024

(In thousands)
For the three months ended June 30, 2023
Balance at March 31, 2023
Total gains or losses (realized/unrealized):
Included in earnings
Included in other comprehensive income *

Discount accretion
Purchases of private equity investments
Balance at June 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 June 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 June 30, 2023
For the six months ended June 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
Balance at June 30, 2023
Total gains or losses for the six months included in earnings attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2023
*Total gains or losses for the six months included in other comprehensive income attributable to the change in unrealized gains or losses relating to assets still held at June 30, 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 Level 3 assets and liabilities in the previous table are reported in the following line items in the consolidat

(In thousands)
For the three months ended March 31, 2024 June 30, 2024
Total gains or losses included in earnings
Change in unrealized gains or losses relating to assets still held at March 31, 2024 June 30, 2024
For the three six months ended March 31, 2023 June 30, 2024
Total gains or losses included in earnings
Change in unrealized gains or losses relating to assets still held at March 31, 2023 June 30, 2024
For the three months ended June 30, 2023
Total gains or losses included in earnings
Change in unrealized gains or losses relating to assets still held at June 30, 2023
For the six months ended June 30, 2023
Total gains or losses included in earnings
Change in unrealized gains or losses relating to assets still held at June 30, 2023

Level 3 Inputs

The Company's Level 3 measurements at March 31, 2024 June 30, 2024, which employ unobservable inputs that are readily quantifiable, pertain to investments these inputs is presented in the table below.

Quantitative Information about Level 3 Fair Value Measurements	Quantitative Information about Level 3 Fair Value Measurements							
	Valuation Technique	Valuation Technique	Unobservable Input	Range			Average*	
Private equity investments								
Private equity investments								
Private equity investments	Market comparable companies	EBITDA multiple	3.5	-	6.0	5.1	Market comparable companies	E

** 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 three six months of 2024 and 2023, and still held as of March 31, 2024 June 30, 2024 respective periods, the level of valuation inputs used to determine each adjustment, and the carrying value of the related individual assets or portfolios at March 31, 2(

	Fair Value Measurements Using						
(In thousands)							
(In thousands)							
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses) Recognized During the Three Months Ended March 31	Fair Value	Quoted Prices in Active Identical Asset (Level 1)
March 31, 2024							
June 30, 2024							
Collateral dependent loans							
Collateral dependent loans							
Collateral dependent loans							
Equity securities							
June 30, 2023							
June 30, 2023							
June 30, 2023							
Collateral dependent loans							
Collateral dependent loans							
Collateral dependent loans							
March 31, 2023							
March 31, 2023							
March 31, 2023							
Collateral dependent loans							
Collateral dependent loans							
Collateral dependent loans							

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 poir that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for many of the Con expected loss experience, risk characteristics and economic conditions. These estimates are subjective, involve uncertainties, and cannot be determined with precisic

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

				Estimated Fair Value at March				
(In thousands)	Carrying Amount	*(In thousands)*	Carrying Amount	Level 1	Level 2	Level 3	Total	*(In thousands)*
Financial Assets								
Loans:								
Loans:								
Loans:								
Business								
Business								
Business								

Real estate - construction and land
Real estate - business
Real estate - personal
Consumer
Revolving home equity
Consumer credit card
Overdrafts
Total loans
Loans held for sale
Investment securities
Investment securities
Investment securities
Securities purchased under agreements to resell
Securities purchased under agreements to resell
Securities purchased under agreements to resell
Interest earning deposits with banks
Cash and due from banks
Derivative instruments
Assets held in trust for deferred compensation plan
Total
Financial Liabilities
Non-interest bearing deposits
Non-interest bearing deposits
Non-interest bearing deposits
Savings, interest checking and money market deposits
Certificates of deposit
Federal funds purchased
Securities sold under agreements to repurchase
Other borrowings
Derivative instruments
Liabilities held in trust for deferred compensation plan
Total

(In thousands)		Carrying Amount		Level 1
Financial Assets				
Loans:				
Business	$	6,019,036	$	
Real estate - construction and land		1,446,764		
Real estate - business		3,719,306		
Real estate - personal		3,026,041		
Consumer		2,077,723		
Revolving home equity		319,894		
Consumer credit card		589,913		
Overdrafts		6,802		
Total loans		17,205,479		
Loans held for sale		4,177		
Investment securities		9,941,786		
Federal funds sold		5,025		

Securities purchased under agreements to resell		450,000		
Interest earning deposits with banks		2,239,010		2
Cash and due from banks		443,147		
Derivative instruments		116,876		
Assets held in trust for deferred compensation plan		20,538		
Total	$	30,426,038	$	3
Financial Liabilities				
Non-interest bearing deposits	$	7,975,935	$	7
Savings, interest checking and money market deposits		14,512,273		14
Certificates of deposit		2,875,690		
Federal funds purchased		261,305		
Securities sold under agreements to repurchase		2,647,510		
Other borrowings		1,366		
Derivative instruments		37,899		
Liabilities held in trust for deferred compensation plan		20,538		
Total	$	28,332,516	$	22

17. Legal and Regulatory Proceedings

The Company has various legal proceedings pending at March 31, 2024 June 30, 2024, arising in the normal course of business. While some matters pending a 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 deems a loss is pr 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 informati on Form 10-K. Results of operations for the three and six months ended March 31, 2024 June 30, 2024 are not necessarily indicative of results to be attained for any

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 performance of the Company. This could cause results or performance to differ materially from those expressed in the forward-looking statements. Words such as expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncert may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers should not rely solely on the forward-looking Forward-looking statements speak only as of the date they are made. The Company does not undertake to update forward-looking statements to reflect circumstanc the occurrence of unanticipated events. Such possible events or factors include: changes in economic conditions in the Company's market area, changes in policies b changes in liquidity requirements, demand for loans in the Company's market area, changes in accounting and tax principles, estimates made on income taxes, com factors as discussed in Part I Item 1A - "Risk Factors" and Part II Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations 2024 June 30, 2024, there were no material changes to the Risk Factors disclosed in the Company's 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 judgme different amounts would be reported under different conditions or using different assumptions. These estimates and related policies are the Company's allowance related policies can be found in the sections captioned "Critical Accounting Policies" and "Allowance for Credit Losses on Loans and Liability for Unfunded Lending C of Operations included in the Company's 2023 Annual Report on Form 10-K. There have been no changes in the Company's application of critical accounting policies

Selected Financial Data

	Three Months Ended March 31		
	Three Months Ended March 31		
	Three Months Ended March 31		
			Three Months Ended June 30
	2024	2023	

Per Share Data							
Net income per common share — basic							
Net income per common share — basic							
Net income per common share — basic		**$ .87**	$	.91	*	**$**	**1.07**
Net income per common share — diluted	Net income per common share — diluted	**.86**	.91	.91	*	Net income per common share — diluted	
Cash dividends on common stock	Cash dividends on common stock	**.270**	.257	.257	*	Cash dividends on common stock	
Book value per common share	Book value per common share	**22.70**	20.49	20.49	*	Book value per common share	
Market price	Market price	**53.20**	55.57	55.57	*	Market price	
Selected Ratios							
(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 *(1)*		**69.87 %**		64.99 %			**70.73**
Non-interest bearing deposits to total deposits							
Equity to loans *(1)*							
Equity to deposits							
Equity to total assets							
Return on total assets							
Return on equity							
Return on equity							
Return on equity							
(Based on end-of-period data)							
Non-interest income to revenue *(2)*							
Non-interest income to revenue *(2)*							
Non-interest income to revenue *(2)*							
Efficiency ratio *(3)*							
Tier I common risk-based capital ratio							
Tier I risk-based capital ratio							
Total risk-based capital ratio							
Tangible common equity to tangible assets ratio *(4)*							
Tier I leverage ratio							

** Restated for the 5% stock dividend distributed in December 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. Tang
superior to, data prepared in accordance with GAAP.

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

(Dollars in thousands)	*(Dollars in thousands)*	**2024**	2023	*(Dollars*
Total equity				
Less non-controlling interest				
Less goodwill				
Less goodwill				
Less goodwill				
Less intangible assets*				
Total tangible common equity (a)				
Total assets				
Less goodwill				

Less intangible assets*				
Total tangible assets (b)				
Tangible common equity to tangible assets ratio (a)/(b)	**Tangible common equity to tangible assets ratio (a)/(b)**	**9.24 %**	7.92 %	**Tangib**

** Intangible assets other than mortgage servicing rights.*

Results of Operations

Summary

(Dollars in thousands)
(Dollars in thousands)
(Dollars in thousands)
Net interest income (expense)
Net interest income (expense)
Net interest income (expense)
Provision for credit losses
Provision for credit losses
Provision for credit losses
Non-interest income
Non-interest income
Non-interest income
Investment securities gains (losses), net
Investment securities gains (losses), net
Investment securities gains (losses), net
Non-interest expense
Non-interest expense
Non-interest expense
Income taxes
Income taxes
Income taxes
Non-controlling interest income (expense)
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.

For the quarter ended March 31, 2024 June 30, 2024, net income attributable to Commerce Bancshares, Inc. (net income) amounted to $112.7 million $139.6 r
first second quarter of the previous year. For the current quarter, the annualized return on average assets was 1.48% 1.86%, the annualized return on average equ
common share was $.86 $1.07 per share in the current quarter, a decrease an increase of 5.5% 10.3% compared to $.91 $.97 per share in the first second quarter of 2

Compared to the first second quarter of last year, net interest income decreased $2.6 million increased $12.7 million, or 1.0% 5.1%, mainly due to an increase in in
interest bearing accounts of $55.7 million. borrowings. This decrease increase was mainly partly offset by an increase of $29.7 million in interest income expense on l
provision for credit losses decreased $6.7 million $1.0 million, or 58.2% 15.5%, compared to the same quarter in the prior year. Non-interest income increased $11.2 n
an increase in trust fees, capital market fees, and deposit account fees, partly offset by lower consumer brokerage services letter of credit fees. Net losses gains on
net losses gains of $306 thousand $3.4 million in the same quarter of last year. Net securities losses Securities gains in the current quarter primarily resulted from r
recorded on private equity investments. These gains were largely offset by net losses of $8.5 million related to the $179.1 million on sales of available for sale debt s
and $969 thousand in gains on sales of private equity investments. securities. Non-interest expense increased $21.6 $4.6 million, or 9.6% 2.0%, over the first sec
expense, data processing and software expense, Federal Deposit Insurance Corporation ("FDIC") partly offset by lower deposit insurance expense and lower marketi

Net income for the first six months of 2024 was $252.2 million, an increase of $5.0 million, or 2.0%, from the same period last year. Diluted earnings per common
year. For the first six months of 2024, the annualized return on average assets was 1.67%, the annualized return on average equity was 16.98%, and the efficiency ra
last year. This growth was largely due to an increase of $67.0 million in interest income on loans, an increase of $16.5 million in interest earned on deposits with bank
million increase in interest expense on deposits. The provision for credit losses was $10.3 million for the first six months of 2024, compared to a provision of $17.9 mil

the first six months of last year mainly due to higher trust and deposit account fees. Non-interest expense increased $26.2 million, or 5.8%, over the first six months
and higher 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 be
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 June 30, 2024 vs. 2023		
(In thousands)			
(In thousands)			
(In thousands)	Average Volume	Average Rate	Total
Interest income, fully taxable equivalent basis:			
Interest income, fully taxable equivalent basis:			
Interest income, fully taxable equivalent basis:			
Loans:			
Loans:			
Loans:			
Business			
Business			
Business			
Real estate - construction and land			
Real estate - construction and land			
Real estate - construction and land			
Real estate - business			
Real estate - business			
Real estate - business			
Real estate - personal			
Real estate - personal			
Real estate - personal			
Consumer			
Consumer			
Consumer			
Revolving home equity			
Revolving home equity			
Revolving home equity			
Consumer credit card			
Consumer credit card			
Consumer credit card			
Overdrafts			
Overdrafts			
Overdrafts			
Total interest on loans			
Total interest on loans			

Total interest on loans
Loans held for sale
Loans held for sale
Loans held for sale
Investment securities:
Investment securities:
Investment securities:
U.S. government and federal agency securities
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
State and municipal obligations
State and municipal obligations
State and municipal obligations
Mortgage-backed securities
Mortgage-backed securities
Mortgage-backed securities
Asset-backed securities
Asset-backed securities
Asset-backed securities
Other securities
Other securities
Other securities
Total interest on investment securities
Total interest on investment securities
Total interest on investment securities
Federal funds sold
Federal funds sold
Federal funds sold
Securities purchased under agreements to resell
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
Total interest income
Total interest income
Total interest income
Interest expense:
Interest expense:
Interest expense:
Deposits:
Deposits:
Deposits:
Savings
Savings
Savings
Interest checking and money market

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 $100,000 and over
Certificates of deposit of $100,000 and over
Certificates of deposit of $100,000 and over
Total interest on deposits
Total interest on deposits
Total interest on deposits
Federal funds purchased
Federal funds purchased
Federal funds purchased
Securities sold under agreements to repurchase
Securities sold under agreements to repurchase
Securities sold under agreements to repurchase
Other borrowings
Other borrowings
Other borrowings
Total interest expense
Total interest expense
Total interest expense
Net interest income, tax equivalent basis
Net interest income, tax equivalent basis
Net interest income, tax equivalent basis

Net interest income in the first second quarter of 2024 was $249.0 million $262.2 million, a decrease an increase of $2.6 million from $12.7 million over the first sec
$251.3 million $264.6 million in the first second quarter of 2024, down $2.1 million from up $12.8 million over the same period last year and up $765 thousand $13.3 r
the first second quarter of 2023 was mainly due to higher deposit interest expense of $55.7 million and lower interest income earned on investment securities (F
million $26.5 million and balances at the Federal Reserve lower interest expense on borrowings of $17.1 million. The increase in $21.7 million, partly offset by high
investment securities (FTE) declined mainly due to lower average balances. of $29.7 million. The increase in total interest earned on loans (FTE) was the result o
variable rates, coupled with higher average balances. Interest expense on borrowings decreased mainly due to lower average balances, while the increase in de
earning assets (FTE) was 3.33% 3.55% in the current quarter compared to 3.26% 3.12% in the first second quarter of 2023.

Total interest income (FTE) increased $49.6 million $20.8 million over the first second quarter of 2023. Interest income on loans (FTE) was $266.2 million $269.2
18.3% 10.9%, over the same quarter last year. The increase in interest income over the same quarter of last year was primarily due to an increase of 71 46 basis poi
average loan balances. Most of the increase in interest income occurred in the business, business real estate and consumer loan categories. The largest increase
due to a 76 53 basis point increase in the average rate earned, coupled with growth in average balances of $217.4 million $223.0 million, or 3.84% 3.9%. Business re
basis points in the average rate earned and higher average balances of $249.3 million $125.2 million, or 7.2% 3.5%. Consumer loan interest income grew $6.1 millio
construction and land loan interest income increased $5.3 million $1.9 million due to an increase of 107 44 basis points in the average rate earned and higher ave
interest income grew $3.7 million $3.5 million due to a 34 36 basis point increase in the average rate earned and growth of $97.4 million $84.0 million, or 3.3% 2.8%, in

Interest income on investment securities (FTE) was $66.7 million $71.4 million during the first second quarter of 2024, which was a decrease of $5.8 million $3.2 r
interest earned on asset-backed mortgage-backed securities and state asset-backed securities. Interest income earned on mortgage-backed securities declined $4.
Company recorded a $740 thousand adjustment to premium amortization at June 30, 2024, which increased income and municipal reflected slower forward prepaym
than the $1.7 million in the same quarter last year. Interest income earned on asset-backed securities declined $3.6 million due to a $1.1 billion lower average balar
basis point increase of 38 basis points in the average rate earned. Interest income earned on state and municipal securities obligations declined $3.5 million $2.5 milli
29 basis point decrease in the average rate earned. Interest balances. These decreases to interest income earned were partly offset by growth in interest income o
million, driven by a $247.4 million, or 22.5%, decrease in average balances, partly offset by an 162 basis point increase of 18 basis points in the average rate ear
Company's U.S. Treasury inflation-protected securities, which is tied to the non-seasonally adjusted Consumer Price Index (CPI-U), decreased $584 thousand from in
backed securities decreased $742 thousand mainly due to a decline of $552.1 million, or 8.6%, in the average balance. In addition, a $2.0 million increase in premiu
current year, compared to a premium amortization adjustment increase of $802 thousand in the prior year. These decreases to interest income were partly offset
payments of $3.4 million from the Company's private equity investments in the first quarter of 2024. Additionally, the average rate earned on investment securities o
over the same period in the prior year. The average balance of the total investment portfolio (excluding unrealized fair value adjustments on available for sale debt se
billion $12.6 billion in the first second quarter of 2023.

Interest income on securities purchased under agreements to resell decreased $2.3 million $1.7 million from the same quarter last year, due to a decline of $484 basis points in the average rate earned. Interest income on balances at the Federal Reserve grew $17.1 million decreased $624 thousand due to a decrease of $184 in the average rate earned and an increase of $1.1 billion in the average balance invested. earned.

The average fully taxable-equivalent yield on total interest earning assets was 4.78% 4.98% in the first second quarter of 2024, up from 4.00% 4.34% in the first sec

Total interest expense increased $51.7 million $8.0 million compared to the first second quarter of 2023 due to an increase of $55.7 million $29.7 million in interest e interest expense on borrowings. The increase in deposit interest expense resulted mainly from an increase of $35.4 million $26.8 million in interest expense on intere the average rate paid. paid and an increase of $243.7 million in average balances. In addition, interest expense on certificates of deposit increased $20.2 million $2 increase in average balances of $1.3 billion. paid. The overall rate paid on total deposits increased 126 70 basis points over the same quarter last year. Interest ex increase in the average rate paid and a $93.2 million increase in the average balance. These increases to interest expense were partly offset by lower interest exper million $1.6 billion in average Federal Home Loan Bank (FHLB) borrowings. In addition, interest expense on federal funds purchased decreased $1.2 million $2.8 m offset by an while interest expense on customer repurchase agreements increased $2.3 million mainly due to a 35 basis point increase in the average rate paid of 83 l

overall average rate incurred on all interest bearing liabilities was 2.21% and 1.20% 1.87% in the first second quarters of 2024 and 2023, respectively.

Net interest income (FTE) for the first six months of 2024 was $515.9 million compared to $505.2 million for the same period in 2023. For the first six months of 202

Total interest income (FTE) for the first six months of 2024 increased $70.4 million over the same period last year mainly due to higher interest income on lo investment securities (FTE). Loan interest income (FTE) increased $67.7 million, or 14.5%, due to a 59 basis point increase in the average rate earned and a $590 business, business real estate and consumer loan categories, but interest income in all loan categories increased due to higher average rates earned and average lo $2.3 billion decrease in average balances, partly offset by a 32 basis point increase in the average rate earned. Interest earned on asset-backed and mortgage-ba balances, partly offset by increases in the average rate earned. Interest earned on state and municipal obligations decreased $6.0 million due to declines in both investment securities were partly offset by an increase in interest earned on U.S. government and federal agency obligations of $5.5 million, mainly due to an increas resell decreased $4.0 million due to lower average balances, partly offset by higher average rates earned. Interest income on balances at the Federal Reserve increas

Total interest expense for the first six months of 2024 increased $59.7 million compared to the same period last year. Interest expense on deposits increased $8 increase in average balances. Interest expense on borrowings decreased $25.6 million, mainly due lower FHLB borrowings of $1.1 billion. In addition, interest expens expense on customer repurchase agreements increased due to higher average rates and average balances. The overall cost of total interest bearing liabilities increas

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)
(Dollars in thousands)
Trust fees
Trust fees
Trust fees
Bank card transaction fees
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
Consumer brokerage services
Consumer brokerage services
Consumer brokerage services
Capital market fees
Capital market fees

Capital market fees
Loan fees and sales
Loan fees and sales
Loan fees and sales
Other
Other
Other
Total non-interest income
Total non-interest income
Total non-interest income
Non-interest income as a % of total revenue*
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 six month periods ended March 31, 2024 June 30, 2024 and 2023.

(Dollars in thousands)
(Dollars in thousands)
(Dollars in thousands)
Net debit card fees
Net debit card fees
Net debit card fees
Net credit card fees
Net credit card fees
Net credit card fees
Net merchant fees
Net merchant fees
Net merchant fees
Net corporate card fees
Net corporate card fees
Net corporate card fees
Total bank card transaction fees
Total bank card transaction fees
Total bank card transaction fees

For the first second quarter of 2024, total non-interest income amounted to $148.8 million $152.2 million compared to $137.6 million $147.6 million in the same increase was mainly due to higher trust fees, deposit account fees and tax capital market fees, partly offset by lower net bank card fees and letter of credit sales incom of $4.9 million $4.8 million in private client trust fees. Bank card transaction fees for the current quarter declined $2.2 million, or 4.5%, from the same period last yea The decline in net corporate card fees of $3.0 million was mainly due to lower interchange fees and $714 higher rewards expense. Net merchant fees increased $50 Compared to the second quarter of last year, deposit account fees increased $2.7 million, or 11.9%, mainly due to higher corporate cash management fees of $ increased $1.8 million, or 61.6%, mainly due to higher underwriting fees. Other non-interest income decreased $3.1 million, or 17.8%, mainly due to decreases of $2.3

Non-interest income for the first six months of 2024 was $301.1 million compared to $285.2 million in the first six months of 2023, which was an increase of $15.9 capital market fees, partly offset by lower net bank card fees. Trust fees increased $10.8 million, or 11.7%, mainly due to higher private client and institutional trust $2.0 million, or .6% 2.0%, over from the same period last year, mainly due to growth a decrease of $2.9 million in net corporate card fees, and net debit card fees. Th fees, partly offset by higher rewards expense. Net debit card an increase in net merchant fees increased $118 thousand mainly due to lower network expense. Comp

$2.4 million $5.1 million, or 11.0% 11.5%, mainly due to higher corporate cash management fees of $2.0 million. Consumer brokerage fees declined $677 thousand Capital market fees increased $530 thousand, or 15.8%. Other non-interest income increased $2.4 million $2.3 million, or 18.5% 37.2%, mainly due to growth higher u commitment fees and mortgage banking revenue. Other non-interest income decreased $764 thousand, or 2.5%, mainly due to decreases of $1.5 million $2.2 million higher tax credit sales income of $1.9 million and $731 thousand in cash sweep commissions.

commissions of $1.3 million.

Investment Securities Gains (Losses), Net

		Three Months Ended
		Three Months Ended
		Three Months Ended
(In thousands)		
(In thousands)		
		Th
(In thousands)	*(In thousands)*	2024
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		
Net gains (losses) on equity securities		
Fair value adjustments on equity securities, net		
Net gains (losses) on equity securities		
Net gains (losses) on equity securities		
Net gains (losses) on sales of private equity investments		
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		
Total investment securities gains (losses), net		
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 March 31, 2024 June 30, 2024 and 2023, ar reported in the first second quarter of 2024, compared to net losses gains of $306 thousand $3.4 million in the same period last year. The net losses gains in the firs realized $178.2 million on the sale of available for sale securities, mostly offset by equity investments and net gains in fair value of $7.1 million and a gain of $969 t equity investment portfolio. investments. These gains were largely offset by net losses of $179.1 million on sales of available for sale debt securities. The net losses ga million of net gains in fair value on the Company's private equity investments, partially offset by losses of $3.1 million realized $5.4 million on the sale of available for s

Net gains on investment securities mostly offset by of $3.0 million were recognized in earnings for the six months ended June 30, 2024, compared to net gains comprised of net gains of $178.3 million on equity investments and net gains in fair value of $2.3 million and a gain $12.8 million recorded on private equity investme both available for sale securities. Net gains in the Company's first half of 2023 were mainly comprised of net gains in fair value of $11.3 million on private equity inves million on sales of available for sale debt securities. The portion of private equity activity attributable to minority interests is reported as non-controlling interest in the c the first three six months of 2024 and expense of $582 thousand $2.5 million during the first three six months of 2023.

The Company's significant gains in equity securities for the three and six months ended June 30, 2024 primarily relate to gains recorded on its shares of Visa, as the Company's available for sale debt securities portfolio relate to the successful execution of its planned available for sale debt security portfolio repositioning, i reinvested the proceeds into higher yielding available for sale debt securities. Additional information about the Company's available for sale debt portfolio repositioning

Non-Interest Expense

(Dollars in thousands)
(Dollars in thousands)
(Dollars in thousands)
Salaries and employee benefits
Salaries and employee benefits
Salaries and employee benefits
Data processing and software
Data processing and software
Data processing and software
Net occupancy
Net occupancy
Net occupancy
Deposit insurance
Deposit insurance
Deposit insurance
Equipment
Equipment
Equipment
Marketing
Marketing
Marketing
Supplies and communication
Supplies and communication
Supplies and communication
Marketing
Marketing
Marketing
Other
Other
Other
Total non-interest expense
Total non-interest expense
Total non-interest expense

Non-interest expense for the first second quarter of 2024 amounted to $245.7 million $232.2 million, an increase of $21.6 million $4.6 million, or 9.6% 2.0%, comp increase in expense over the same period last year was mainly due to litigation settlement expense as well as higher salaries and employee benefits expense, FI expense, partly offset by lower marketing and deposit insurance expense. Salaries and employees benefits expense increased $7.4 million $3.7 million, or 5.1% 2.5 higher employee benefits other salaries expense of $1.3 million $1.0 million, or 4.9% partly offset by lower healthcare expense of $1.5 million. Full-time equivalent em March 31, 2023 June 30, 2023. Data processing and software expense increased $3.0 million $2.8 million, or 10.7% 9.8%, mainly due to higher bank card pr $815 decreased $451 thousand, or 6.4% 3.5%, mainly due to higher depreciation expense and real estate taxes, partly offset by higher rent income, while marketin $3.4 million, expense decreased $1.8 million partly due to a $4.0 million $1.2 million accrual adjustment in the current quarter to the special assessment by the F million $1.2 million, or 42.0% 5.7%, mainly due to a $5.0 million donation to a related charitable foundation, partly offset by deconversion expense of $2.1 million recor

Non-interest expense amounted to $477.9 million for the first six months of 2024, an increase of $26.2 million, or 5.8%, over the first six months of 2023. Salaries a expense, other salaries expense and payroll taxes, partly offset by a decrease in healthcare expense. Data processing and software expense increased $5.8 millio fees. Occupancy expense increased $364 thousand, or 1.4%, while equipment expense increased $387 thousand, or 4.0%, due to higher depreciation and serv insurance increased $1.5 million, or 17.5%, due to accrual adjustments in 2024 to the special assessment by the FDIC. Other non-interest expense increased $ insurance. insurance, and the charitable donation of $5.0 million, partly offset by deconversion expense of $2.1 million recorded in 2023.

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

(In thousands)	*(In thousands)*
(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	
Balance at beginning of period	
Provision for credit losses on loans	
Provision for credit losses on loans	
Provision for credit losses on loans	
Net loan charge-offs (recoveries):	
Net loan charge-offs (recoveries):	
Net loan charge-offs (recoveries):	
Commercial:	
Commercial:	
Commercial:	
Business	
Business	
Business	
Real estate-construction and land	
Real estate-construction and land	
Real estate-construction and land	
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)	
Personal Banking:	
Personal Banking:	
Personal Banking:	
Real estate-personal	
Real estate-personal	
Real estate-personal	
Consumer	
Consumer	
Consumer	
Revolving home equity	
Revolving home equity	
Revolving home equity	
Consumer credit card	
Consumer credit card	
Consumer credit card	
Overdrafts	
Overdrafts	
Overdrafts	
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)
Balance at end of period
Balance at end of period
Balance at end of period
LIABILITY FOR UNFUNDED LENDING COMMITMENTS
LIABILITY FOR UNFUNDED LENDING COMMITMENTS
LIABILITY FOR UNFUNDED LENDING COMMITMENTS
Balance at beginning of period
Balance at beginning of period
Balance at beginning of period
Provision for credit losses on unfunded lending commitments
Provision for credit losses on unfunded lending commitments
Provision for credit losses on unfunded lending commitments
Balance at end of period
Balance at end of period
Balance at end of period
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS
ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LIABILITY FOR UNFUNDED LENDING COMMITMENTS

	Mar. 31, 2024	
	Mar. 31, 2024	
	Mar. 31, 2024	
Annualized net loan charge-offs (recoveries)*:		
Annualized net loan charge-offs (recoveries)*:		
		June
Annualized net loan charge-offs (recoveries)*:		
Commercial:		
Commercial:		
Commercial:		
Business		
Business		
Business	**.04 %**	–
Real estate-construction and land		
Real estate-construction and land		
Real estate-construction and land		
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)		
Personal Banking:		
Personal Banking:		
Personal Banking:		

Real estate-personal	
Real estate-personal	
Real estate-personal	
Consumer	
Consumer	
Consumer	
Revolving home equity	
Revolving home equity	
Revolving home equity	
Consumer credit card	
Consumer credit card	
Consumer credit card	
Overdrafts	
Overdrafts	
Overdrafts	
Personal banking net loan charge-offs (recoveries)	
Personal banking net loan charge-offs (recoveries)	
Personal banking net loan charge-offs (recoveries)	
Total annualized net loan charge-offs (recoveries)	**Total annualized net loan charge-offs (recoveries)** **.23 %**
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)*

The following schedule provides a breakdown of the allowance for credit losses on loans (ACL) by loan class and the percentage of the allowance for loan losses t

(Dollars in thousands)	**June 30, 2024**				Ma
	Credit Loss Allowance Allocation		**% of ACL to Loan Category**		Credit Loss Allowance Allocati
Business	**$**	**45,060**	**.74 %**	$	43,81
RE — construction and land		**29,920**	**2.14**		31,43
RE — business		**32,237**	**.90**		30,21
RE — personal		**9,109**	**.30**		12,26
Consumer		**11,086**	**.52**		11,84
Revolving home equity		**1,789**	**.54**		1,80
Consumer credit card		**29,201**	**5.15**		28,94
Overdrafts		**155**	**3.70**		14
Total	**$**	**158,557**	**.92 %**	$	160,46

To determine the amount of the allowance for credit losses on loans and the liability for unfunded lending commitments, the Company has an established proce allowance based on estimates of allowances for pools of loans and unfunded lending commitments, as well as a second, smaller component based on certain ind processes for determining the allowance for credit losses on loans and the liability for unfunded lending commitments are discussed in Note 1 to the consolidat *Accounting Estimates and Related Policies* in Item 7 of the 2023 Annual Report on Form 10-K.

Net loan charge-offs in the first second quarter of 2024 amounted to $8.9 million $9.8 million, compared to $8.0 million $8.9 million in the prior quarter and $6.8 m year, total net loan charge-offs in the first second quarter of 2024 increased $2.1 million $3.3 million and increased $858 $880 thousand from the previous quarter. The credit cards card, consumer and consumer business loans of $2.1 million, $531 thousand, and $708 $457 thousand, respectively. The increase from the previous consumer business loans.

For the three months ended March 31, 2024 June 30, 2024, annualized net charge-offs on average consumer credit card loans were 4.60% 4.91%, compare Consumer loan annualized net charge-offs in the current quarter amounted to .38% .34%, compared to .36% .38% in the prior quarter and .25% .24% in the same pe .21% .23%, compared to .19% .21% in the previous quarter and .17% .16% in the same period last year.

REFINITIV

For the three months ended June 30, 2024, the provision for credit losses on loans was $7.8 million which was a $2.0 million increase over the $5.9 million provisi provision recorded at March 31, 2024. The increase in the provision for credit losses on loans during the second quarter of 2024 over the same period last year was reduction in the allowance for credit losses on loans in the current quarter compared to the same period last year.

For the six months ended June 30, 2024, net loan charge-offs amounted to $18.6 million, which was a $5.4 million increase over the first six months of 2023. The by an increase in net charge-offs on consumer credit card and consumer loans. For the six months ended June 30, 2024, annualized net loan charge-offs on consum and .25%, respectively, for the same period last year. The annualized net charge-offs on loans for the six months ended June 30, 2024 and 2023, respectively, were .

For the six months ended June 30, 2024, the provision for credit losses on loans was $6.9 million in the current quarter, $14.8 million, which was a $1.2 million $7. and a $9.0 million decrease from same period last year. Changes in the $15.9 million provision recorded are driven by changes in the estimate for the three months from for credit losses on loans in the prior quarter first half of 2024 compared to the same period last year was primarily due to decline in a reduction of the relate economic forecast in 2024, whereas the allowance for credit losses on

Compared

loans in the first half of 2023 was increasing due to a weakening economic forecast which included a mild recession. The decrease in the provision for credit losses o offset by higher net charge-offs recorded in the six months ended June 30, 2024 compared to the first half of 2023.

For the six months ended June 30, 2024, the allowance for credit losses on loans decreased by $3.8 million, compared to the allowance for credit losses on loans losses at March 31, 2024 decreased $1.9 million. The allowance for credit losses on commercial loans at March 31, 2024 was $2.7 million lower than at Decemb personal banking loans, including consumer credit card loans, was $807 thousand higher at March 31, 2024 than at December 31, 2023. Compared to Marc million decreased $2.9 million. The decrease in the allowance for credit losses at March 31, 2024 compared to December 31, 2023 on loans during the first half of 2 forecast at March 31, 2024 than was utilized June 30, 2024, coupled with a faster prepayment speed assumption in the personal real estate portfolio compared to t $160.5 million $158.6 million at March 31, 2024 June 30, 2024 and was .93% .92%, .94% and .96% .94% of total loans at March 31, 2024 June 30, 2024, December 3

In the current quarter, the provision for credit losses on unfunded lending commitments was a benefit of $2.2 million $2.4 million, compared to a provision of $60 2024, the provision for credit losses on unfunded commitments was a benefit of $4.5 million compared to a benefit of $4.5 million during $3.9 million in the thre quarter. 2023. At March 31, 2024 June 30, 2024, the liability for unfunded lending commitments was $23.1 million $20.7 million, compared to $25.2 million at Decem decreased primarily due to decreases in unfunded lending commitment balances, coupled with improvement in loss rate assumptions for the Company's construction and the Company's estimate for credit losses in its unfunded lending commitments utilizes the same model and forecast as its estimate for credit losses on loans. 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 portfoli

The allowance for credit losses on loans and the liability for unfunded lending commitments are estimates that require significant judgment including projections forecast that continuously changes due to economic conditions and events. These changes in the forecast cause fluctuations in the allowance for credit losses on assess the macro-economic forecast and internal loss data in estimating the allowance for credit losses on loans and the liability for unfunded lending commitmen 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-a 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 principa secured and in the process of collection, or they are personal banking loans that are exempt under regulatory rules from being classified as non-accrual.

(Dollars in thousands)	*(Dollars in thousands)*	**March 31, 2024**	December 31, 2023	*(Dollars*
Non-accrual loans				
Non-accrual loans				
Non-accrual loans				
Foreclosed real estate				
Total non-performing assets				
Non-performing assets as a percentage of total loans	Non-performing assets as a percentage of total loans	**.03 %**	.04 %	Non-pe
Non-performing assets as a percentage of total assets	Non-performing assets as a percentage of total assets	**.02 %**	.02 %	Non-pe
Total loans past due 90 days and still accruing 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 $5.8 million $19.3 million at March 31, 2024 June 30, 2024, a decrease an increase of $1.5 million $12.0 million from the balance at Dece non-accrual loans, which decreased $2.6 million and $130 thousand, respectively. These decreases were increased $15.0 million. The increase was partly offset by March 31, 2024 June 30, 2024, non-accrual loans were comprised of business real estate (78.0%), revolving home equity (34.2% (10.2%), personal real estate (26.3

estate totaled $206 $143 thousand at March 31, 2024 June 30, 2024, a slight decrease of $127 thousand compared to December 31, 2023. Total loans past due 9
2024 June 30, 2024, a decrease of $1.6 million $3.3 million from December 31, 2023.

December 31, 2023. Balances by class for non-accrual loans and loans past due 90 days and still accruing interest are shown in the *"Delinquent and non-accrual loa*

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 ab under the Company's internal rating system. The loans are generally secured by either real estate or other borrower assets, reducing the potential for loss should they loans, they may never become non-performing. Such loans totaled $267.0 million $242.2 million at March 31, 2024 June 30, 2024 compared with $216.4 million at De

(In thousands)	*(In thousands)*	**March 31, 2024**	December 31, 2023	*(I*
Potential problem loans:				
Business				
Business				
Business				
Real estate – construction and land				
Real estate – business				
Real estate – personal				
Total potential problem loans				
Total potential problem loans				
Total potential problem loans				

When borrowers are experiencing financial difficulty, the Company may agree to modify the contractual terms of a loan to a borrower in order to assist the borrowe the Company held $32.9 million $84.7 million of loans that had been modified during the three six months ended March 31, 2024 June 30, 2024. These loans are furt 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 prese considered at high risk of loss due to their terms, location, or special conditions. Additional information about the major types of loans in these categories and their risk calculated with valuations at loan origination date. The Company normally obtains an updated appraisal or valuation at the time a loan is renewed or modified, or if the

Real Estate – Construction and Land Loans

The Company's portfolio of construction and land loans, as shown in the table below, amounted to 8.7% 8.1% of total loans outstanding at March 31, 2024 June 30 which increased $29.5 million decreased $65.2 million during the three six months ended March 31, 2024 June 30, 2024. At March 31, 2024 June 30, 2024, multi-31.3% 40.5%, of the commercial construction loan portfolio, compared to $414.6 million, or 33.9%, at December 31, 2023.

(Dollars in thousands)	*(Dollars in thousands)*	**March 31, 2024**	**% of Total**	**% of Total Loans**	December 31, 2023	% of Total	% of Total Loans	*(Dollars in thousar*
Commercial construction	Commercial construction	**$1,252,414**	**83.6 83.6 %**	**7.2 %**	$ 1,222,961	84.5 84.5 %	7.1 %	Commercial con
Residential construction								
Residential land and land development								
Commercial land and land development								
Total real estate - construction and land loans	**Total real estate - construction and land loans**	**$1,497,647**	**100.0 100.0 %**	**8.7 %**	$ 1,446,764	100.0 100.0 %	8.4 %	**Total real estate loans**

Real Estate – Business Loans

Total business real estate loans were $3.7 billion $3.6 billion at March 31, 2024 June 30, 2024 and comprised 21.5% 20.8% of the Company's total loan portfolio. T and medical buildings, churches, hotels and motels, shopping centers, and other commercial properties. At March 31, 2024 June 30, 2024, 32.1% 33.1% of busines resulted in lower net charge-off rates than non-owner-occupied commercial real estate loans.

(Dollars in thousands)	(Dollars in thousands)	March 31, 2024	% of Total	% of Total Loans	December 31, 2023	% of Total	% of Total Loans	(Dollars in thousands)
Owner-occupied	Owner-occupied	$ 1,190,591	32.1 32.1 %	6.9 %	$ 1,175,476	31.6 31.6 %	6.8 %	Owner-occupied
Office								
Industrial								
Office								
Retail								
Hotels								
Multi-family								
Hotels								
Farm								
Senior living								
Other								
Total real estate - business loans	**Total real estate - business loans**	**$ 3,711,602**	**100.0 100.0 %**	**21.5 %**	$ 3,719,306	100.0 100.0 %	21.6 %	**Total real estate - bu**

Information about the credit quality of the Company's business real estate loan portfolio as of March 31, 2024 June 30, 2024 and December 31, 2023 is provided ir

(Dollars in thousands)	(Dollars in thousands)	Pass	Special Mention	Substandard	Non-Accrual	Total	(Dollars in thousands)
March 31, 2024							
June 30, 2024							
Owner-occupied							
Owner-occupied							
Owner-occupied							
Office							
Industrial							
Office							
Retail							
Hotels							
Multi-family							
Hotels							
Farm							
Senior living							
Other							
Total							
December 31, 2023							
Owner-occupied							
Owner-occupied							
Owner-occupied							
Industrial							
Office							
Retail							
Hotels							
Multi-family							
Farm							
Senior living							
Other							
Total							

Revolving Home Equity Loans

The Company had $322.5 million $331.4 million in revolving home equity loans at March 31, 2024 June 30, 2024 that were collateralized by residential real estate payments. These loans are offered in three main product lines: LTV up to 80%, 80% to 90%, and 90% to 100%. As of March 31, 2024 June 30, 2024, the outstandir 10.0% 9.0% of the portfolio, compared to $32.3 million as of December 31, 2023. Total revolving home equity loan balances over 30 days past due were $3.8 million $ outstanding balance of revolving home equity loans on non-accrual status was $2.0 million at both March 31, 2024 June 30, 2024 and December 31, 2023. The weig 783. 785. At maturity, the accounts are re-underwritten, and if they qualify under the Company's credit, collateral and capacity policies, the borrower is given the op criteria are not met, amortization is required, or the borrower may pay off the loan. During the remainder of 2024 through 2026, approximately 16% of the Company 84% 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 LT

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 RVs 30, 2024, and outstanding balances for auto loans were $826.8 million $827.6 million and $820.3 million at March 31, 2024 June 30, 2024 and December 31, 2023, March 31, 2024 June 30, 2024 and $9.5 million at December 31, 2023, respectively, and comprised 1.0% 1.2% of the outstanding balances of these loans at March 3 months ended March 31, 2024 June 30, 2024, $101.2 million $196.4 million of new auto loans were originated, compared to $120.0 million $210.1 million during the fi had a weighted average FICO score of 756, 757, and net charge-offs on auto loans were .47% .4% 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% 10. have historically been low, and the Company saw net recoveries of $14 $62 thousand for the first three six months of 2024. Private banking loans comprised 33.6 private banking loans are generally well-collateralized, and at March 31, 2024 June 30, 2024 were secured primarily by assets held by the Company's trust departm services financing, motorcycles, marine and RV loans. Net charge-offs on private banking, health services financing, motorcycle and marine and RV loans totaled $1 balances of these loans at March 31, 2024 June 30, 2024.

Consumer Credit Card Loans

The Company offers low promotional rates on selected consumer credit card products. Out of a portfolio at March 31, 2024 June 30, 2024 of $564.4 million $56 million, or 20.2% 19.8%, carried a low promotional rate. Within the next six months, $51.0 million $50.0 million of these loans are scheduled to convert to the ongoin the Company performs credit checks and detailed analysis of the customer borrowing profile before approving the loan application. Management believes that the r 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 $296.0 million $268.8 million, or 1.7% 1.6% from December 31, 2023, as shown in the table below.

(In thousands)				
(In thousands)				
(In thousands)	**March 31, 2024**	December 31, 2023	**Unfunded commitments at March 31, 2024**	**June**
Extraction				
Mid-stream shipping and storage				
Downstream distribution and refining				
Support activities				
Total energy lending portfolio				

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 S The Company typically participates in these loans when business operations are maintained in the local communities or regional markets and opportunities to provide billion at both March 31, 2024 June 30, 2024 and December 31, 2023. , respectively. Additional unfunded commitments at March 31, 2024 June 30, 2024 totaled $2.3

Income Taxes

Income tax expense was $38.6 million in the second quarter of 2024, compared to $31.7 million in the first quarter of 2024 compared to $32.3 million and $36.0 m Company's effective tax rate, including the effect of non-controlling interest, was 21.7% in the second quarter of 2024, compared to 21.9% in the first quarter of 202 quarter of 2023.

<u>Financial Condition</u>

Balance Sheet

Total assets of the Company were $30.4 billion $30.6 billion at March 31, 2024 June 30, 2024 and $31.7 billion at December 31, 2023. Earning assets (excludi amounted to $29.8 billion at March 31, 2024 June 30, 2024 and $31.1 billion at December 31, 2023, and consisted of 58% in loans and 36% 33% in investment securi

During the first quarter At June 30, 2024, total loans decreased $42.4 million or .25%, compared to balances at December 31, 2023. The decrease was mainly du average loans totaled $17.1 billion $146.8 million, $50.2 million, and $23.0 million, respectively. These decreases were partly offset by an increase of $22.0 million ov increased $676.2 million, or 4.1%, over the same quarter last year. Compared to the previous quarter, average balances of business real estate loans grew $83.1

$34.8 million, respectively. During the current quarter, the Company sold certain fixed rate tax-free loan balances. In addition, personal real estate loans totaling $7.4 marine and RV, fixed rate home equity and other consumer loans, increased $67.9 million, mainly due to $8.7 million growth in the prior quarter. other consumer loans

Total average available for sale debt securities, excluding fair value adjustments, decreased $116.6 million $1.3 billion at June 30, 2024 compared to the previou during this period totaled $1.1 billion, at fair value. offset by available for sale debt security sales, maturities and pay downs of $2.4 billion.The decrease decline ir mortgage-backed securities, asset-backed securities. During the first quarter of 2024, the unrealized loss on available for sale securities increased $27.2 million to $1 Also during the first quarter of 2024, purchases of securities totaled $145.7 million with a weighted average yield of approximately 4.65% $554.0 million, and sa 2023.These decreases were partly offset by an increase of $820.0 million in balances of U.S. government and pay downs were $655.0 million. federal agency oblig portfolio was 4.2 4.0 years, and maturities and pay downs of approximately $1.6 billion are expected to occur during the next 12 months. The Company does not have

Total average deposits decreased $759.5 million this quarter at June 30, 2024 amounted to $24.3 billion, a decrease of $1.1 billion compared to the previous quart mostly resulted from lower average demand deposits, mainly in business demand deposits (decrease of $420.1 million and lower average certificates $660.2 million). of $225.4 million. Compared to the previous quarter, total average commercial deposits declined $743.8 million, while consumer balances decreased $456.9 million loans to deposits ratio was 69.9% in the current quarter and 67.7% in the prior quarter. interest checking balances decreased $150.3 million from balances at De repurchase agreements totaled $2.6 billion at June 30, 2024, a decrease of $2.5 billion $354.8 million from balances at December 31, 2023, decreased $280.0 million average FHLB borrowings. advances, which were repaid in 2023.

<u>Liquidity and Capital Resources</u>

Liquidity Management

The Company's most liquid assets include balances at the Federal Reserve Bank, federal funds sold, available for sale debt securities, and securities purchased u

(In thousands)			
(In thousands)			
(In thousands)	**March 31, 2024**	March 31, 2023	December 31, 2023
Liquid assets:			
Balances at the Federal Reserve Bank			
Balances at the Federal Reserve Bank			
Balances at the Federal Reserve Bank			
Federal funds sold			
Available for sale debt securities			
Securities purchased under agreements to resell			
Total			

Interest earning balances at the Federal Reserve Bank, which have overnight maturities and are used for general liquidity purposes, totaled $1.6 billion $2.2 December 31, 2023 balances. At March 31, 2024 June 30, 2024, the Company did not have a balance of federal funds sold, which are funds lent to the Company's sale debt portfolio was $9.1 billion $8.5 billion at March 31, 2024 June 30, 2024 and included an unrealized net loss of $1.2 billion $1.1 billion. The total net unrealized securities and $147.5 million $93.9 million on state and municipal obligations.

Resale agreements, maturing through 2028, 2029, totaled $225.0 million $475.0 million at March 31, 2024 June 30, 2024. Under these agreements, the Company l third-party custodian, as collateral. This collateral totaled $239.2 million $490.3 million in fair value at March 31, 2024 June 30, 2024. $125.0 million of the Company's r

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 4.0 years at Ma debt portfolio is expected to mature or pay down during the next 12 months, and these funds offer substantial resources to meet either new loan demand or offset po its investment securities portfolio to secure public fund deposits, securities sold under agreements to repurchase, trust funds, letters of credit issued by the FHLB, and pledged for these purposes were as follows:

(In thousands)			
(In thousands)			
(In thousands)	**March 31, 2024**	March 31, 2023	December
Investment securities pledged for the purpose of securing:			
Federal Reserve Bank borrowings			
Federal Reserve Bank borrowings			
Federal Reserve Bank borrowings			
FHLB borrowings and letters of credit			

Securities sold under agreements to repurchase *	
Other deposits and swaps	
Total pledged securities	
Unpledged and available for pledging	
Ineligible for pledging	
Total available for sale debt securities, at fair value	

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

The average loans to deposits ratio is a measure of a bank's liquidity, and the Company’s average loans to deposits ratio was 69.9% 70.3% for the three six mor bearing, interest checking, savings, and money market deposit accounts totaled $22.0 billion $21.9 billion and represented 89.9% 90.0% of the Company's total depos are often with customer relationships tied to other products offered by the Company, promoting long lasting relationships and stable funding sources. Core depos December 31, 2023, primarily due to decreases in commercial, wealth, and wealth consumer segment deposits of $473.8 million $371.1 million, $225.5 million, an deposits. respectively. While the Company considers core consumer and wealth management deposits less volatile, corporate deposits could decline if interest rates the economy deteriorates and companies experience lower cash inflows, reducing deposit balances. If these corporate deposits decline, the Company's funding expected to total $1.6 billion over the next year, as noted above. In addition, as shown in the table of collateral available for future advances below, the Company Federal Reserve.

Certificates of deposit of $100,000 or greater totaled $1.5 billion $1.4 billion at March 31, 2024 June 30, 2024. These deposits are normally considered more volatil 2024.

(In thousands)			
(In thousands)			
(In thousands)	**March 31, 2024**	March 31, 2023	December 31, 2023
Core deposit base:			
Non-interest bearing			
Non-interest bearing			
Non-interest bearing			
Interest checking			
Savings and money market			
Total			

Amid the banking sector's period of uncertainty during the second quarter of 2023, the Company issued several tranches of short-term brokered certificates of de many brokered certificates of deposit the market would allow the Company to issue, the Company believes brokered certificates of deposits may be an additional, reli

Other important components of liquidity are the level of borrowings from third party sources and the availability of future credit. During 2024, the Company's ou agreements, as follows:

(In thousands)			
(In thousands)			
(In thousands)	**March 31, 2024**	March 31, 2023	December 31, 202
Borrowings:			
Federal funds purchased			
Federal funds purchased			
Federal funds purchased			
Securities sold under agreements to repurchase			
FHLB advances			
Other debt			
Total			

Federal funds purchased, which totaled $264.5 million $254.7 million at March 31, 2024 June 30, 2024, are unsecured overnight borrowings obtained mainly from At March 31, 2024 June 30, 2024, the Company had approved lines of credit totaling $3.5 billion. Since these borrowings are unsecured and limited by market tra Retail repurchase agreements are offered to customers wishing to earn interest in highly liquid balances and are used by the Company as a funding source cons securities in the Company's investment portfolio. Total repurchase agreements at March 31, 2024 June 30, 2024 were comprised of non-insured customer funds tota retail agreements totaled $2.3 billion at March 31, 2024 June 30, 2024. The Company also borrows on a secured basis through advances from the FHLB. The a outstanding from the FHLB at March 31, 2024 June 30, 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 pledged, the FHLB establishes a collateral value from which the Company may draw advances against the collateral. Additionally, this collateral is used to enable th also establishes a collateral value of assets pledged and permits borrowings from the discount window. The following table reflects the collateral value of assets pled capacity available to the Company at March 31, 2024 June 30, 2024.

		March 31, 2		
(In thousands)	*(In thousands)*	FHLB	Federal Reserve	Total
Total collateral value established by FHLB and FRB				
Letters of credit issued				
Letters of credit issued				
Letters of credit issued				
Available for future advances				

The Company receives outside ratings from both Standard & Poor's and Moody's on both the consolidated company and its subsidiary bank, Commerce Bank. Th

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 be indications of a sound capital base and strong liquidity and believes that these ratings would help ensure the ready n outstanding during the past ten years. The Company has no subordinated or hybrid debt instruments which would affect future borrowing capacity. Because of its Group Commercial Tradable Products division or in other public debt markets, it could generate additional liquidity from sources such as jumbo certificates of deposit,

The cash flows from the operating, investing and financing activities of the Company resulted in a net decrease in cash, cash equivalents and restricted cash consolidated statements of cash flows in this report. Operating activities, consisting mainly of net income adjusted for certain non-cash items, provided cash flow of activities, which occur mainly in the loan and investment securities portfolios, provided cash of $540.9 million $1.2 billion. Activity in the investment securities portfol purchases), but this . This increase in investing cash flows was partially offset further supported by growth shrinking in the loan portfolio, which used provided cash of purchases of securities purchased under agreements to resell (net of purchases) provided repayments), which used cash of $225.0 million $25.0 million. Investing acti normally used to fund growth in investment securities, loans, or other bank assets, they are normally dependent on the financing activities described below. Finar deposits of $983.5 million $1.1 billion and $403.2 million a net decrease of $357.4 million in federal funds purchased and securities sold under agreements to repurc cash dividends used cash of $79.9 million and $70.1 million, respectively.

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 March 3

(Dollars in thousands)	*(Dollars in thousands)*	**March 31, 2024**	December 31, 2023	Minimum Capital Requirement	Capital Conservation Buffer	Minimum Ratios Requirement including Capital Conservation Buffer	Minimum Ratios for Well-Capitalized Banks *	*(Dollars in thousands)*	**June 30, 2024**	Decem 20
Risk-adjusted assets										
Tier I common risk-based capital										

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								
Total 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	**15.35 %**	15.25 %	4.50 %	2.50 %	7.00 %	6.50 %	**16.19 %**	15.25 %
Tier I risk-based capital ratio								
Total risk-based capital ratio								
Tier I leverage ratio								

**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 to 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 adopte estimated impact on regulatory capital until after a two year deferral period, followed by a three year transition period. In connection with the adoption of CECL on Ja period for the Company extended through December 31, 2021. Beginning on January 1, 2022, the Company was required to phase in 25% of the previously deferre 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 periodically purchases stock in the ope total shares authorized for purchase to 5,000,000 at April 17, 2024. During the three six months ended March 31, 2024 June 30, 2024, the Company purchased 806 through stock-based compensation transactions. At March 31, 2024 June 30, 2024, 951,030 4,315,095 shares remained available for purchase under the current Bo 5,000,000 shares.

The Company's common stock dividend policy reflects its earnings outlook, desired payout ratios, the need to maintain adequate capital levels and alternative inve the first second quarter of 2024, which was a 5.1% increase compared to its 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 months are primarily to fund loan growth. Additionally, the Company will utilize cash to fund deposit maturities and withdrawals that may occur in the next 12 mont commitments may require cash payments by the Company within the next 12 months, and these are further discussed in the Company's 2023 Annual Report on sources for fulfilling those obligations is below.

In the normal course of business, various commitments and contingent liabilities arise that are not required to be recorded on the balance sheet. The most signif billion $14.9 billion (including $5.5 billion $5.7 billion in unused, approved credit card lines). In addition, the Company enters into standby and commercial letters o million $619.0 million and $9.6 million $4.9 million, respectively, at March 31, 2024 June 30, 2024. As many commitments expire unused or only partially used, commitments is recorded in the Company's liability for unfunded lending commitments within other liabilities on its consolidated balance sheets. At March 31, 202 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 pr and sales of tax credits amounted to $32.2 million $53.7 million and $45.6 million $68.0 million, respectively. Fees from sales of tax credits were $2.1 million $2.9 thousand $1.0 million in the same period last year. At March 31, 2024 June 30, 2024, the Company expected to fund outstanding purchase commitments of $146.6 m million $484.5 million that it expects to fund from 2025 through 2030.

The Company continued to maintain a strong liquidity position throughout the first three six months of 2024. Through the various sources of liquidity described financial obligations.

Segment Results

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

(Dollars in thousands)	*(Dollars in thousands)*	Consumer	Commercial	Wealth	Segment Totals	Other/ Elimination	Consolidated Totals	*(Dollars in*
Three Months Ended March 31, 2024								
Six Months Ended June 30, 2024								
Net interest income								
Net interest income								
Net interest income								
Provision for credit losses								
Non-interest income								
Investment securities gains (losses), net								
Non-interest expense								
Income before income taxes								
Three Months Ended March 31, 2023								
Six Months Ended June 30, 2023								
Net interest income								
Net interest income								
Net interest income								
Provision for credit losses								
Non-interest income								
Investment securities gains (losses), net								
Non-interest expense								
Income before income taxes								
Increase (decrease) in income before income taxes:								
Amount								
Amount								
Amount								
Percent	Percent	(24.2) %	(11.1) %	3.9 %	(13.3) %	(32.2) %	(4.1) %	Percent

Consumer

For the three six months ended March 31, 2024 June 30, 2024, income before income taxes for the Consumer segment decreased $20.6 million $37.8 million, or 2 income taxes was mainly due to a decrease decline in net interest income of $14.8 million $31.3 million, or 10.2% 11.0%, and increases in non-interest expense of $ million. Net interest income declined mainly due to a $25.8 million $48.1 million increase in deposit interest

expense. This decrease was partly offset by higher loan interest income of $13.6 million and a $3.4 million $4.0 million increase in net allocated funding credits assi increased $501 thousand, or 1.0%, mainly due to higher net bank card fees (mainly credit and higher loan interest income of $7.8 million. debit card fees) and depo mainly due to higher allocated support costs for administration and operations, information technology and online banking. These increases were retail suppo system. expense. The increase in the provision for credit losses over the first three six months of 2023 was mainly due to higher consumer credit card and personal lo

Commercial

For the three six months ended March 31, 2024 June 30, 2024, income before income taxes for the Commercial segment decreased $11.3 million $15.2 million, mainly due to lower net interest income and higher non-interest expense, partly offset by an increase higher non-interest income. Net interest income decreased $1 $16.8 million $28.2 million, coupled with higher interest expense on deposits and customer repurchase agreements of $21.0 million $28.6 million and $4.0 million $ $31.9 million in higher loan interest income. income of $50.8 million. Non-interest income increased $5.5 million $5.9 million, or 9.4% 4.8%, over the previous year m credit sales fees, capital market fees and loan commitment fees. These increases were partly offset by decreases in net bank card fees (mainly corporate card fees), or 7.1% 3.9%, mainly due to higher salaries and benefits expense and allocated service and support costs (mainly bank operations, for software, electronic banking a sales and payment support and management expense). costs. The provision for credit losses decreased $352 increased $283 thousand from over the same perio estate commercial loan net charge-offs.

Wealth

Wealth segment pre-tax profitability for the three six months ended March 31, 2024 June 30, 2024 increased $1.6 million $4.2 million, or 3.9% 5.2%, over the sa 13.8% 15.0%, mainly due to an $8.9 million a $15.3 million increase in deposit interest expense. This increase decrease was partly offset by a $2.0 million $1.6 mill interest income. Non-interest income increased $5.5 million $10.5 million, or 10.3% 9.8%, over the prior year largely due to higher private client and institutional tr expense decreased $34 thousand $1.7 million, or 2.1%, mainly due to deconversion expense recorded in the prior year and lower miscellaneous losses, mostly prof losses decreased $14 $17 thousand from the same period last year due to lower overdraft loan net 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 inve the Company's transfer pricing procedures, the difference between the total provision for credit losses and total net charge-offs/recoveries is not allocated to a busi $24.0 million $56.1 million higher than in the same period last year. Unallocated securities losses gains were $259 thousand $3.0 million in the first three six months of provision for credit losses decreased $8.9 million $13.1 million, primarily driven by decreases in the provision for credit losses on loans and the liability for unfun reporting purposes. Net charge-offs are allocated to the segments segments when incurred for management reporting purposes. The provision for credit losses on l million lower than net charge-offs, due to a decrease in the allowance for credit losses on loans. In the comparable period last year, the provision for credit losses on due to an increase in the allowance for credit losses on loans. FoFor the three six months ended March 31, 2024 June 30, 2024, the Company's provision on unfun income increased $26.5 million and non-interest income increased $271 thousand. These increases $62.7 million. This increase to pre-tax profitability were was partly million $18.5 million.

Regulatory Changes

Deposit Insurance

On November 16, 2023, Federal Deposit Insurance Corporation ("FDIC") issued a final rule to impose a special assessment to recover losses to the FDIC's De insured depository institutions and stated that the special assessment would be collected at an annual rate of approximately 13.4 basis points for an anticipated total risk determination will be periodically adjusted, the FDIC could:

- 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 th
- Impose a final shortfall special assessment on a one-time basis after the receiverships for certain failed banks terminate, if actual losses exceed the amounts

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 assessmer based on its March 31, 2024 estimate loss in the Deposit Insurance Fund. The Company paid $2.0 million towards the special assessment in June 2024 and has acc liabilities at the end of March 31, 2024. liabilities.

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 in p 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 c
- The actual 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 desc 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 severe weather events or other natural conditions.

However, in April 2024, the SEC issued an order to stay the rules pending judicial review, due to legal challenges to this mandate. The SEC has not issued an upd

Impact of Recently Issued Accounting Standards

Disclosure Improvements The FASB issued ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update disclosure or presentation requirements of a variety of topics in the Codification. Certain of the amendments represent clarifications to or technical corrections of the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The adoption is not expected to ha
Segment Reporting The FASB issued ASU 2023-07, "Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures", in November 2023. The on an annual and interim basis. Public entities are required to disclose significant expense categories and amounts for each reportable segment, as well as the categories are derived from expenses that are regularly provided to an entity's chief operating decision-maker ("CODM"), and included in a segment's reported meas CODM and explain how the CODM uses the reported measures of profit or loss in assessing segment performance and deciding how to allocate resources. This Up

only required annually. This Update requires annual disclosures for fiscal years beginning January 1, 2024 and interim disclosures for fiscal years beginning January
this Update retrospectively to all prior periods presented in the financial statements. Other than the inclusion of additional disclosures, the adoption of this ASU is not

Income Taxes The FASB issued ASU 2023-09, "Income Taxes (Topic 740) - Improvements to Income Tax Disclosures", in December 2023. The amendments in th
paid. This Update also removed certain existing disclosure requirements. This Update is effective for annual periods beginning January 1, 2025. Early adoption is p
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 co

AVERAGE BALANCE SHEETS — AVERAGE RATES AND YIELDS
Three Months Ended March 31, 2024 June 30, 2024 and 2023

		First Quarter 2024			First Quarter 2023				Second 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:											
Loans:											
Loans:											
Loans:											
Business(A)											
Business(A)											
Business(A)		**$ 5,873,525**	**$ 88,638**	**6.07 6.07 %**	$ 5,656,104	$ 74,037	5.31 5.31 %	**$ 5,980,364**	**$ 90,786**		**6.11 6.11**
Real estate — construction and land											
Real estate — business											
Real estate — personal											
Consumer											
Revolving home equity											
Consumer credit card											
Overdrafts	Overdrafts	**7,696**	**—**	**— — —**	4,449 4,449	—	— —	Overdrafts	**4,856**		**— —**
Total loans											
Loans held for sale											
Investment securities:											
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											
State and municipal obligations(A)											

Mortgage-backed securities

Asset-backed securities

Other debt securities

Trading debt securities(A)

Equity securities(A)

Other securities(A)

Total investment securities

Federal funds sold

Securities purchased under agreements to resell

Interest earning deposits with banks

Total interest earning assets

Allowance for credit losses on loans

Unrealized gain (loss) on debt securities

Unrealized gain (loss) on debt securities

Unrealized gain (loss) on debt securities

Cash and due from banks

Cash and due from banks

Cash and due from banks

Premises and equipment, net

Premises and equipment, net

Premises and equipment, net

Other assets

Other assets

Other assets															
Total assets															
Total assets															
Total assets															
LIABILITIES AND EQUITY:															
LIABILITIES AND EQUITY:															
LIABILITIES AND EQUITY:															
Interest bearing deposits:															
Interest bearing deposits:															
Interest bearing deposits:															
Savings															
Savings															
Savings															
Interest checking and money market															
Certificates of deposit of less than $100,000															
Certificates of deposit of $100,000 and over															
Total interest bearing deposits															
Borrowings:															
Federal funds purchased															
Federal funds purchased															
Federal funds purchased															
Securities sold under agreements to repurchase															
Other borrowings(B)															
Total borrowings															
Total interest bearing liabilities	**Total interest bearing liabilities**	**19,961,618**	**109,724**	**109,724**	**2.21**	**2.21 %**	19,598,174	58,004	58,004	1.20	1.20 %	**Total interest bearing liabilities**	**19,508,226**	**107,114**	**107,114**

Non-interest bearing deposits	
Other liabilities	
Other liabilities	
Other liabilities	
Equity	
Equity	
Equity	
Total liabilities and equity	
Total liabilities and equity	
Total liabilities and equity	
Net interest margin (FTE)	
Net interest margin (FTE)	
Net interest margin (FTE)	
Net yield on interest earning assets	
Net yield on interest earning assets	
Net yield on interest earning assets	**3.33 %**

(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
Six Months Ended June 30, 2024 and 2023

	Six Months 2024		
(Dollars in thousands)	**Average Balance**	**Interest Income/Expense**	**Avg. Rates Ea**
ASSETS:			
Loans:			
Business(A)	**$ 5,926,945**	**$ 179,424**	
Real estate — construction and land	**1,472,029**	**61,342**	
Real estate — business	**3,696,850**	**115,133**	
Real estate — personal	**3,038,068**	**60,365**	
Consumer	**2,105,070**	**67,804**	
Revolving home equity	**324,139**	**12,391**	
Consumer credit card	**557,894**	**38,936**	
Overdrafts	**6,276**	**—**	
Total loans	**17,127,271**	**535,395**	
Loans held for sale	**2,302**	**86**	
Investment securities:			
U.S. government and federal agency obligations	**1,026,805**	**19,459**	
Government-sponsored enterprise obligations	**55,643**	**661**	
State and municipal obligations(A)	**1,200,371**	**11,830**	
Mortgage-backed securities	**5,727,992**	**60,904**	
Asset-backed securities	**1,935,324**	**23,504**	

Other debt securities		434,016		4,236
Trading debt securities(A)		43,524		1,106
Equity securities(A)		70,176		1,707
Other securities(A)		225,049		14,686
Total investment securities		10,718,900		138,093
Federal funds sold		1,105		37
Securities purchased under agreements to resell		322,260		4,055
Interest earning deposits with banks		2,019,079		55,062
Total interest earning assets		30,190,917		732,728
Allowance for credit losses on loans		(160,841)		
Unrealized gain (loss) on debt securities		(1,273,126)		
Cash and due from banks		274,570		
Premises and equipment, net		478,656		
Other assets		930,536		
Total assets	$	30,440,712		
LIABILITIES AND EQUITY:				
Interest bearing deposits:				
Savings	$	1,331,486		391
Interest checking and money market		13,188,694		112,018
Certificates of deposit of less than $100,000		990,301		20,714
Certificates of deposit of $100,000 and over		1,543,951		34,988
Total interest bearing deposits		17,054,432		168,111
Borrowings:				
Federal funds purchased	$	296,629	$	7,988
Securities sold under agreements to repurchase		2,383,404		40,731
Other borrowings(B)		457		8
Total borrowings		2,680,490		48,727
Total interest bearing liabilities		19,734,922		216,838
Non-interest bearing deposits		7,313,278		
Other liabilities		404,695		
Equity		2,987,817		
Total liabilities and equity	$	30,440,712		
Net interest margin (FTE)			$	515,890
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.

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 e rates. The Company performs monthly simulations that model interest rate movements and risk in accordance with changes to its balance sheet composition. For f Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's 2023 Annual Report on Form 10-K.

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 in 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 o rate scenarios, when relevant, to better understand interest rate risk and its effect on the Company's performance.

	March 31, 2024
	March 31, 2024
	March 31, 2024

			June 30, 2024
			June 30, 2024
			June 30, 2024
(Dollars in millions)			
300 basis points rising			
300 basis points rising			
300 basis points rising			
200 basis points rising			
200 basis points rising			
200 basis points rising			
100 basis points rising			
100 basis points rising			
100 basis points rising			
100 basis points falling			
100 basis points falling			
100 basis points falling			
200 basis points falling			
200 basis points falling			
200 basis points falling			
300 basis points falling			
300 basis points falling			
300 basis points falling			

Under the simulation, in the three rising rate scenarios, interest rate risk is mostly unchanged from improved compared to the scenarios in the previous quarter and scenarios in the previous quarter. This change was primarily due to higher interest earning cash balances at the Federal Reserve coupled with the completion of the deposit accounts in portion of the falling interest rate scenarios. investment securities portfolio.

The comparison above provides insight into potential effects of changes in rates on net interest income. The Company believes that its approach to interest rat 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 ar 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 March 31, 2024J Officer concluded that the Company's disclosure controls and procedures were effective. There were no changes in the Company's internal control over financia 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 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
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	

Period	Total Number of Shares Purchased	Average Price Paid per Share		Total
April 1 - 30, 2024	100,509	$	55.37	
May 1 - 31, 2024	344,845	$	56.10	
June 1 - 30, 2024	240,331	$	53.87	
Total	685,685	$	55.21	

The Company's stock purchases shown above were made under authorizations by the Board of Directors. Under In April 2024, the most recent authorization authorized for purchase to 5,000,000 shares, 951,030 at April 17, 2024. At June 30, 2024, 4,315,095 shares remained available for purchase at March 31, 2 shares. purchase.

Item 5. OTHER INFORMATION

During the three months ended March 31, 2024 June 30, 2024, none of the officers or directors of the Company adopted or terminated any contract, instructio 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.

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 I Statements of Changes in Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements, tagged as blocks of text a 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

COMME

By

Date: May 8, 2024 August 6, 2024

By

Date: May 8, 2024 August 6, 2024

69 78

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 stat 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 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 Ac 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 ensu 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 supervisi 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 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 qu 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 a 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 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 fi

May 8, August 6, 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 stat 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 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 Ac 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 ensu 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 supervisi 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
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 qu
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 a
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
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 fi

May 8, August 6, 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 March 31, 2024 June 30, 2024 as file
W. Kemper and Charles G. Kim, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350
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.

May 8, August 6, 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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