Risk Factors Comparison 2024-02-22 to 2023-02-22 Form: 10-K

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Making or continuing an investment in securities issued by the Company, including its common stock, involves certain risks that you should carefully consider. If any of the following risks actually occur, the Company' s business, financial condition or results of operations could be negatively affected, the market price for your securities could decline, and you could lose all or a part of your investment. Further, to the extent that any of the information contained in this Annual Report on Form 10- K constitutes forward- looking statements, the risk factors set forth below also are cautionary statements identifying important factors that could cause the Company' s actual results to differ materially from those expressed in any forward- looking statements made by or on behalf of Commerce Bancshares, Inc. Market Risks Difficult market conditions may affect the Company' s industry. The concentration of the Company' s banking business in the United States particularly exposes it to downturns in the U. S. economy. In particular, the Company may face the following risks in connection with market conditions: • In ~~2022~~ **2023** , the United States **(" U. S.")** economy **faced a series of challenges, including** ~~saw an uneven year. Consumer spending and corporate profit growth were resilient despite~~ high inflation, rising **interest rates, and slowing economic growth. Uncertainties about global** geopolitical tensions ~~, and supply chain disruptions. The Federal Reserve responded to persistently high inflation by raising its benchmark interest rate in a series of hikes starting in March 2022 and continuing into 2023. While unemployment levels remained low during 2022, an~~ **and volatile financial markets raised concerns** ~~increasing number of companies, especially in the technology sector, announced layoffs toward the end of 2022 and into 2023. The pace of inflation slowed late in 2022, but~~ **about** the **potential for** ~~probability of a looming recession appears to be growing, as many economists are now predicting~~ a recession in **the U. S. Despite these challenges, the U. S. economy was resilient in** 2023 **with stronger- than- expected results in the fourth quarter, including a robust labor market and a rallying stock market** . • The U. S. economy is affected by global events and conditions, including U. S. trade disputes and renewed trade agreements with various countries. Although the Company does not directly hold foreign debt or have significant activities with foreign customers, the global economy, the strength of the U. S. dollar, international trade conditions, and oil prices may ultimately affect interest rates, business import / export activity, capital expenditures by businesses, and investor confidence. Unfavorable changes in these factors may result in declines in consumer credit usage, adverse changes in payment patterns, reduced loan demand, and higher loan delinquencies and default rates. These could impact the Company' s future provision for credit losses, as a significant part of the Company' s business includes consumer and credit card lending. • In addition to the results above, a slowdown in economic activity may cause declines in financial services activity, including declines in bank card, corporate cash management and other fee businesses, as well as the fees earned by the Company on such transactions **. • While the COVID- 19 pandemic appears to be over, the impact on businesses is still uncertain. During the pandemic, there was a shift from in- office work to remote work. This shift appears to be permanent for some businesses and partial for others. As a result, businesses are reevaluating their office space needs and, in some cases, reducing their leased office space, selling commercial office buildings, or leasing space no longer needed. The impact of this shift is not fully known and could result in reduced demand for office space, lower lease rates for office space, and lower values of office buildings. These factors may contribute to higher delinquencies and net charge- offs for commercial office real estate loans. Additionally, businesses that cater to or are located near dense areas of office buildings may be adversely impacted, which could result in higher delinquencies and net charge- offs for certain commercial borrowers** . • The process used to estimate credit losses in the Company' s loan portfolio requires difficult, subjective, and complex judgments, including consideration of economic conditions and how these economic predictions might impair the ability of its borrowers to repay their loans. If an instance occurs that renders these predictions no longer capable of accurate estimation, this may in turn impact the reliability of the process. • Competition in the industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions, thereby reducing market prices for various products and services which could in turn reduce the Company' s revenues. The performance of the Company is dependent on the economic conditions of the markets in which the Company operates. The Company' s success is heavily influenced by the general economic conditions of the specific markets in which it operates. Unlike larger national or other regional banks that are more geographically diversified, the Company provides financial services primarily throughout the states of Missouri, Kansas, central Illinois, Oklahoma, and Colorado. It also has a growing presence in additional states through its ~~commercial banking~~ offices in: Texas, Iowa, Indiana, Michigan, Ohio, **Florida,** and Tennessee **that serve commercial or trust customers** . As the Company does not have a significant banking presence in other parts of the country, a prolonged economic downturn in these markets could have a material adverse effect on the Company' s financial condition and results of operations. The Company operates in a highly competitive industry and market area. The Company operates in the financial services industry and has numerous competitors including other banks and insurance companies, securities dealers, brokers, trust and investment companies, mortgage bankers, and financial technology companies. Consolidation among financial service providers and new changes in technology, product offerings and regulation continue to challenge the Company' s marketplace position. As consolidation occurs, larger regional and national banks may enter the Company' s markets and add to existing competition. Large, national financial institutions have substantial capital, technology and marketing resources. These new competitors may lower fees to grow market share, which could result in a loss of customers and lower fee revenue for the Company. They may have greater access to capital at a lower cost than the Company, and may have higher loan limits, both of which may adversely affect the Company' s ability to compete effectively. The Company must continue to make investments in its products and delivery systems to stay competitive with the industry, or its financial performance may suffer. The soundness of other financial institutions could...... and adversely affect results of operations. Regulatory and Compliance Risks The Company is subject to extensive government regulation and supervision. As part of the financial services industry, the Company is subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors’ funds, federal deposit insurance funds, and the banking system, not shareholders. These regulations affect the Company’ s lending practices, capital structure, investment practices, dividend policy, and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations, and policies for possible changes. Changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation of statutes, regulations, or policies, could affect the Company in substantial and unpredictable ways. Such changes could subject the Company to additional costs, limit the types of financial services and products it may offer, **restrict the Company' s ability to pay dividends, subject the Company to higher capital requirements,** and / or increase the ability of non- banks to offer competing financial services and products, among other things. **During November 2023, the FDIC approved a final rule implementing a one- time special assessment to recover the loss to the DIF associated with protecting uninsured depositors following the closures of Silicon Valley Bank and Signature Bank earlier in 2023. The Company accrued $ 16. 0 million in the fourth quarter of 2023 for the special assessment. Assessments driven by regulation, such as these, increased the Company' s expenses in 2023 and additional assessments could further increase the Company' s expenses. Beyond the expense of additional regulation,** ~~Failure~~ **failure** to comply with laws, regulations, or policies could result in sanctions by regulatory agencies, civil money penalties, and / or reputation damage, which could have a material adverse effect on the Company’ s business, financial condition, and results of operations. While the Company has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur. Significant changes in federal monetary policy could materially affect the Company’ s business. The Federal Reserve System regulates the supply of money and credit in the United States. Its policies determine in large part the cost of funds for lending and interest rates earned on loans and paid on borrowings and interest- bearing deposits. Credit conditions are influenced by its open market operations in U. S. government securities, changes in the member bank discount rate, and bank reserve requirements. Changes in Federal Reserve Board policies are beyond the Company’ s control and difficult to predict, and such changes may result in lower interest margins and a lack of demand for credit products. **Climate- related and other Environmental, Social, and Governance (" ESG") developments could result in additional regulation and reporting for the Company. In recent years, federal, state and international lawmakers and regulators have increased their focus on financial institutions' and other companies' risk oversight, disclosures and practices in connection with climate change and other ESG matters. For example, in March 2022, the SEC issued a proposed rule on the enhancement and standardization of climate- related disclosures for investors. The proposed rule would require public issuers, including the Company, to significantly expand the scope of climate- related disclosures in their SEC filings. The SEC has also announced plans to propose rules to require enhanced disclosure regarding human capital management and board diversity for public issuers.** Liquidity and Capital Risks The Company is subject to both interest rate and liquidity risk. With oversight from its Asset- Liability Management Committee, the Company devotes substantial resources to monitoring its liquidity and interest rate risk on a monthly basis. The Company' s net interest income is the largest source of overall revenue to the Company, representing ~~63~~ **64** % of total revenue for the year ended December 31, ~~2022~~ **2023** . The interest rate environment in which the Company operates fluctuates in response to general economic conditions and policies of various governmental and regulatory agencies, particularly the Federal Reserve Board, which regulates the supply of money and credit in the U. S. Changes in monetary policy, including changes in interest rates, will influence loan originations, deposit generation, demand for investments and revenues and costs for earning assets and liabilities, and could significantly impact the Company’ s net interest income. As the economy rebounded from the COVID- 19 pandemic- induced recession, ~~strong~~ **high** inflation **experienced** in 2022 ~~caused~~ **continued into 2023. In response,** the Federal Reserve Board ~~to~~ significantly ~~increase~~ **increased** the benchmark interest rate from nearly zero **at the start of 2022** to between 4. 25 % and 4. 50 % **at the end of 2022. The Federal Reserve Board continued to raise interest rates at a more modest pace to between 5. 25 % and 5. 50 % by the end of July 2023. Elevated rates have created competition for deposits and unrealized losses in fixed rate asset portfolios** . Future economic conditions or other factors could shift monetary policy resulting in additional increases or decreases in the benchmark rate. Furthermore, changes in interest rates could result in unanticipated changes to customer deposit balances and adversely affect the Company’ s liquidity position **The soundness of other** financial institutions could adversely affect the Company. **The** ~~As demonstrated within the industry during 2023,the~~ Company’ s ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institution counterparties.Financial services institutions are interrelated because of trading,clearing,counterparty or other relationships.The Company has exposure to many different industries and counterparties and routinely executes transactions with counterparties in the financial industry,including brokers and dealers,commercial banks,investment banks,mutual funds,and other institutional clients.Transactions with these institutions include overnight and term borrowings,interest rate swap agreements,securities purchased and sold,short- term investments,and other such transactions.Because of this exposure,defaults by,or rumors or questions about,one or more financial services institutions or the financial services industry in general,could lead to market-wide liquidity problems and defaults by other institutions.Many of these transactions expose the Company to credit risk in the event of default of its counterparty or client,while other transactions expose the Company to liquidity risks should funding sources quickly disappear.In addition,the Company’ s credit risk may be exacerbated when the collateral held cannot be realized or is liquidated at prices not sufficient to recover the full amount of the exposure due to the Company.Any such losses could materially and adversely affect **results of operations.** . Commerce Bancshares, Inc. relies on dividends from its subsidiary bank for most of its revenue. Commerce Bancshares, Inc. is a separate and distinct legal entity from its banking and other subsidiaries. It receives substantially all of its revenue from dividends from its subsidiary bank. These dividends, which are limited by various federal and state regulations, are the principal source of funds to pay dividends on its common stock and to meet its other cash needs. In the event the subsidiary bank is unable to pay dividends, the Company may not be able to pay dividends or other obligations, which would have a material adverse effect on the Company' s financial condition and results of operations. Operational Risks ~~The impact of the phase- out of LIBOR is uncertain. In 2017, the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that LIBOR would likely be discontinued at the end of 2021 as panel banks would no longer be required to submit estimates that are used to construct LIBOR. U. S. regulatory authorities voiced similar support for phasing out LIBOR. On March 5, 2021, LIBOR' s regulator and its administrator announced that the publication of certain LIBOR tenors will cease immediately after December 31, 2021 and the remaining LIBOR tenors, including 1- month USD LIBOR, will cease immediately after June 30, 2023. The Alternative Rates Reference Committee (the " ARRC "), a group of market participants convened by the Federal Reserve Board and the New York Fed to help ensure a successful transition from LIBOR, identified the Secured Overnight Financing Rate (" SOFR ") as its preferred alternative rate. The Company established a LIBOR Transition Program, which is led by the LIBOR Transition Steering Committee (Committee) whose purpose is to guide the overall transition process for the Company. The Committee is an internal, cross- functional team with representatives from all relevant business lines, support functions and legal counsel. A LIBOR impact and risk assessment has been performed, and the Company has developed and prioritized action items. All of the Company' s financial contracts that reference LIBOR have been identified, and LIBOR fallback language has been included in key loan provisions of new and renewed loans in preparation for the cessation of LIBOR. Significant progress has been made in converting loans that reference LIBOR to an alternative reference rate during 2022. Additionally, changes to the Company' s systems to utilize alternative reference rates were completed in 2022. The Company has loans, derivative contracts, and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR, mostly 1- month LIBOR. As of December 31, 2022, the Company had approximately $ 1. 0 billion of commercial loans, $ 948 million of derivative contracts (notional value), and $ 691 million of investment securities that are expected to mature after June 30, 2023. These amounts are expected to decrease as the Company continues to work with customers to replace contracts that use LIBOR with alternative reference rates. The Company ceased entering any new loan contracts that use USD LIBOR as a reference rate in December 2021. The Company may be adversely affected if the interest rates currently tied to LIBOR on the Company' s loans, derivatives, and other financial instruments are not able to be transitioned to an alternative rate. Furthermore, the Company may be faced with disputes or litigation with customers regarding interpretation and enforcement of fallback language used in loan agreements as the transition to a new benchmark rate continues to evolve.~~ The Company' s asset valuation may include methodologies, models, estimations and assumptions which are subject to differing interpretations and could result in changes to asset valuations that may materially adversely affect its results of operations or financial condition. The Company uses estimates, assumptions, and judgments when certain financial assets and liabilities are measured and reported at fair value. Assets and liabilities carried at fair value inherently result in greater financial statement volatility. Fair values and the information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices and / or other observable inputs provided by independent third- party sources, when available. When such third- party information is not available, fair value is estimated primarily by using cash flow and other financial modeling techniques utilizing assumptions such as credit quality, liquidity, interest rates and other relevant inputs. Changes in underlying factors, assumptions, or estimates in any of these areas could materially impact the Company' s future financial condition and results of operations. Furthermore, if models used to calculate fair value of financial instruments are inadequate or inaccurate due to flaws in their design or execution, upon sale, the Company may not realize the cash flows of a financial instrument as modeled and could incur material, unexpected losses. During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain assets if trading becomes less frequent and / or market data becomes less observable. There may be certain asset classes in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, certain asset valuations may require more subjectivity and management judgment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of assets as reported within the Company' s consolidated financial statements, and the period- to- period changes in value could vary significantly. Decreases in value may have a material adverse effect on results of operations or financial condition. The Company' s operations rely on certain external vendors. The Company relies on third- party vendors to provide products and services necessary to maintain day- to- day operations. For example, the Company outsources a portion of its information systems, communication, data management, and transaction processing to third parties. Accordingly, the Company is exposed to the risk that these vendors might not perform in accordance with the contracted arrangements or service level agreements because of changes in the vendor' s organizational structure, financial condition, support for existing products and services, or strategic focus. Such failure to perform could be disruptive to the Company' s operations, which could have a materially adverse impact on its business, financial condition and results of operations. These third parties are also sources of risk associated with operational errors, system interruptions or breaches and unauthorized disclosure of confidential information. If the vendors encounter any of these issues, the Company could be exposed to disruption of service, damage to reputation and litigation. Because the Company is an issuer of both debit and credit cards, it is periodically exposed to losses related to security breaches which occur at retailers that are unaffiliated with the Company (e. g., customer card data being compromised at retail stores). These losses include, but are not limited to, costs and expenses for card reissuance as well as losses resulting from fraudulent card transactions. Credit Risks The allowance for credit losses may be insufficient or future credit losses could increase. The allowance for credit losses on loans and the liability for unfunded lending commitments at December 31, ~~2022~~ **2023** reflect management' s estimate of credit losses expected in the loan portfolio, including unfunded lending commitments, as of the balance sheet date. See Note 2 to the consolidated financial statements and the section captioned " Allowance for Credit Losses on Loans and Liability for Unfunded

Lending Commitments ” in Item 7, Management’ s Discussion and Analysis of Financial Condition and Results of Operations, of this report for further discussion related to the Company’ s process for determining the appropriate level of the allowance for credit losses on loans and the liability for unfunded lending commitments at December 31, ~~2022~~ **2023** . The Company' s estimate of credit losses utilizes a life of loan loss concept, and the level of the allowance is based on management’ s methodology that utilizes historical net charge- off rates and adjusts for the impacts in the reasonable and supportable forecast and other qualitative factors. Key assumptions include the application of historical loss rates, prepayment speeds, forecast results of a reasonable and supportable period, the period to revert to historical loss rates, and qualitative factors. The Company’ s allowance level is subject to review by regulatory agencies, and that review could also result in adjustments to the allowance for credit losses. Additionally, the volatility of the Company' s provision for credit losses may change from year to year due to macroeconomic variables that influence the Company' s loss estimates, and the volatility in credit losses may be material to the Company' s earnings. The Company’ s investment portfolio values may be adversely impacted by deterioration in the credit quality of underlying collateral within the various categories of investment securities it owns **. The Company maintains a portfolio of investments, which includes available for sale debt securities, trading securities, equity securities, and other investments. Throughout 2023 and at December 31, 2023, the Company did not hold any investments classified as held- to- maturity** . The Company generally invests in liquid, investment grade securities, however, these securities are subject to changes in market value due to changing interest rates and implied credit spreads. While the Company maintains prudent risk management practices over bonds issued by municipalities and other issuers, credit deterioration in these bonds could occur and result in losses. Certain mortgage and asset- backed securities (which are collateralized by residential mortgages, credit cards, automobiles, mobile homes or other assets) may decline in value due to actual or expected deterioration in the underlying collateral. Under accounting rules, when an available for sale debt security is in an unrealized loss position, the entire loss in fair value is required to be recognized in current earnings if the Company intends to sell the security or believes it is more likely than not that the Company will be required to sell the security before the value recovers. Additionally, the current expected credit loss model (CECL) implemented by the Company on January 1, 2020, requires that lifetime expected credit losses on securities be recorded in current earnings. This could result in significant losses. **The Company could recognize losses on securities held in its securities portfolio, particularly if it were to sell a significant portion of its investments prior to maturity. The Company' s available for sale debt securities portfolio is carried at fair value, with unrealized gains and losses carried in accumulated other comprehensive income (loss) within shareholder' s equity. The fair value of investments, including available for sale debt investments, may change with changes in interest rates, credit concerns, or other economic factors. Due to the rapid rise of interest rates during 2022 and 2023, the fair value of the Company' s available of sale debt securities included a net unrealized loss of $ 1. 2 billion at December 31, 2023. As of December 31, 2023, the Company has the intent and ability to maintain its available for sale debt investments until recovery of their amortized cost basis. However, if in the future the Company were to elect to sell or needed to sell the investments before the recovery of their amortized cost basis, the Company could realize significant losses in its income statement.** Strategic Risk New lines of business or new products and services may subject the Company to additional risk. From time to time, the Company may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and new products or services, the Company may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business, or new product or service, could have a significant impact on the effectiveness of the Company’ s system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business and new products or services could have a material adverse effect on the Company’ s financial condition and results of operations. ~~General~~ **Technology** Risks A successful cyber attack or other computer system breach could significantly harm the Company, its reputation and its customers. The Company relies heavily on communications and information systems to conduct its business, and as part of its business, the Company maintains significant amounts of data about its customers and the products they use. The Company’ s data is maintained on its own systems and on the systems of its vendors, business partners and third- party service providers. The Company relies on a layered system of security controls to secure collection, transmission, storage, and retrieval of data, including confidential data, in its computer systems and the systems of third parties. Information security risks continue to increase due to new technologies, the increasing use of the Internet and telecommunication technologies (including mobile devices) to conduct financial and other business transactions, and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, and others. The Company has faced security incidents, which have been minor in scope and impact, and it expects unauthorized parties to continue to attempt to gain access to its systems or information, as well as those of its business partners and service providers. The Company makes significant investments in various technology to identify and prevent intrusions into its information systems. The Company has policies, procedures and controls designed to identify, protect, detect, respond, and recover from security incidents. The Company also requires ongoing security awareness training for employees, hosts tabletop exercises to test response readiness, and performs regular audits using both internal and outside resources. However, there can be no assurance that any such failures, interruptions or security breaches will not occur, or if they do occur, that they will be adequately addressed. In addition to unauthorized access, denial- of- service attacks or other operational disruptions could prevent the Company from adequately serving customers. Should any of the Company' s systems become compromised or customer information be obtained by unauthorized parties, the reputation of the Company could be damaged, relationships with existing customers may be impaired, and the Company could be subject to lawsuits, all of which could result in lost business and have a material adverse effect on the Company’ s business, financial condition and results of operations. The Company continually encounters technological change. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products and services, including the entrance of financial technology companies offering new financial service products. The Company regularly upgrades or replaces technological systems to increase efficiency, enhance product and service capabilities, eliminate risks of end- of- lifecycle products, reduce costs, and better serve our customers. **As** ~~During 2022, the Company replaced its core customer and deposit systems and other~~ -- **the Company completes** ~~ancillary systems (collectively referred to as" core~~ system **upgrades** ~~"). While the conversion was completed successfully~~ , **it** ~~the Company~~ may face operational risks after ~~the~~ **system** ~~conversion~~ **conversions** , including disruptions to its technology systems, which may adversely impact customers. The Company’ s future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Company’ s operations. Many of the Company’ s competitors have substantially greater resources to invest in technological improvements. The Company may encounter significant problems in effectively implementing new technology- driven products and services and may not be successful in marketing the new products and services to its customers. These problems might include significant time delays, cost overruns, loss of key people, and technological system failures. Failure to successfully keep pace with technological change affecting the financial services industry or failure to successfully complete the replacement of technological systems could have a material adverse effect on the Company’ s business, financial condition and results of operations. **General Risks** The Company must attract and retain skilled employees. The Company’ s success depends, in large part, on its ability to attract and retain key people. Competition for the best people can be intense, and the Company spends considerable time and resources attracting, hiring, and retaining qualified people for its various business lines and support units ~~. Companies throughout the U. S. saw significant turnover during 2021 and into 2022, and the number of candidates in the job market was generally much lower than the demand for talent~~ . The unexpected loss of the services of one or more of the Company’ s key personnel could have a material adverse impact on the Company’ s business because of their skills, knowledge of the Company’ s market, and years of industry experience, as well as the difficulty of promptly finding qualified replacement personnel. Public health threats or outbreaks of communicable diseases could have an adverse effect on the Company' s operations and financial results. The Company may face risks related to public health threats or outbreaks of communicable diseases. A widespread healthcare crisis, such as an outbreak of a communicable disease could adversely affect the global economy and the Company’ s financial performance. For example, the global COVID- 19 pandemic caused significant disruption and harm to the economy and the financial markets in which the Company operates. The situation surrounding the COVID- 19 pandemic remains uncertain. While the U. S. economy has rebounded significantly since the peak of the pandemic- induced recession, fallout from economic and societal changes resulting from the pandemic may cause prolonged global or national recessionary economic conditions, which could have a material adverse effect on the Company' s business, results of operations and financial condition. Beyond the impact of the COVID- 19 pandemic, the potential impacts of future epidemics, pandemics, or other outbreaks of an illness, disease, or virus could therefore materially and adversely affect the Company' s business, revenue, operations, financial condition, liquidity and cash flows. Our business and financial results may be affected by societal and governmental responses to climate change and related environmental issues. The current and anticipated effects of climate change have raised concerns for the condition of the global environment. These concerns have changed and will continue to change the behavior of consumers and businesses. Further, governments have increased their attention on the issue of climate change. As a result, international agreements have been signed to attempt to reduce global temperatures and federal and state legislative and regulatory initiatives have been proposed to seek to mitigate the effects of climate change. The Company and its customers may need to respond to new laws and regulations as well as new consumer and business preferences resulting from climate change concerns. These changes may result in cost increases, asset value reductions, and operating process changes to the Company and its customers. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to the Company could be a drop in demand for our products and services, particularly in certain industries. In addition, the Company could experience reductions in creditworthiness on the part of some customers or in the value of assets securing loans. The Company’ s efforts to take these risks into account in making lending and other decisions, including by increasing the Company’ s business with climate- friendly companies, may not be effective in protecting the Company from the adverse impact of new laws and regulations or changes in consumer or business behavior.