UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 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 Number 001-14585

FIRST HAWAIIAN, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**99-0156159**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
999 Bishop Street, 29th Floor **Honolulu, HI**	**96813**
(Address of Principal Executive Offices)	(Zip Code)

(808) 525-7000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class:	Trading Symbol(s)	Name of each exchange on which registered:
Common Stock, par value $0.01 per share	FHB	NASDAQ Global Select Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 127,841,908 shares of Common Stock, par value $0.01 per share, were outstanding as of April 30, 2024.

TABLE OF CONTENTS

FIRST HAWAIIAN, INC.
FORM 10-Q
INDEX

		Page No.
Part I Financial Information		
Item 1.	Financial Statements (unaudited)	2
	Consolidated Statements of Income for the three months ended March 31, 2024 and 2023	2
	Consolidated Statements of Comprehensive Income for the three months ended March 31, 2024 and 2023	3
	Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023	4
	Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2024 and 2023	5
	Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023	6
	Notes to Consolidated Financial Statements (unaudited)	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	46
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	80
Item 4.	Controls and Procedures	80
Part II Other Information		80
Item 1.	Legal Proceedings	80
Item 1A.	Risk Factors	80
Item 5.	Other Information	80
Item 6.	Exhibits	81
Exhibit Index		81
Signatures		82

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

FIRST HAWAIIAN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(dollars in thousands, except per share amounts)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Interest income		
Loans and lease financing	$ **199,844**	$ 172,339
Available-for-sale investment securities	**14,546**	18,688
Held-to-maturity investment securities	**17,793**	18,957
Other	**12,769**	3,561
Total interest income	**244,952**	213,545
Interest expense		
Deposits	**84,143**	43,284
Short-term and long-term borrowings	**5,953**	2,563
Other	**429**	451
Total interest expense	**90,525**	46,298
Net interest income	**154,427**	167,247
Provision for credit losses	**6,300**	8,800
Net interest income after provision for credit losses	**148,127**	158,447
Noninterest income		
Service charges on deposit accounts	**7,546**	7,231
Credit and debit card fees	**16,173**	16,298
Other service charges and fees	**9,904**	9,162
Trust and investment services income	**10,354**	9,614
Bank-owned life insurance	**4,286**	5,120
Other	**3,108**	1,598
Total noninterest income	**51,371**	49,023
Noninterest expense		
Salaries and employee benefits	**59,262**	56,032
Contracted services and professional fees	**15,739**	16,313
Occupancy	**6,941**	7,782
Equipment	**13,413**	9,736
Regulatory assessment and fees	**8,120**	3,836
Advertising and marketing	**2,612**	1,994
Card rewards program	**8,508**	8,085
Other	**14,218**	14,789
Total noninterest expense	**128,813**	118,567
Income before provision for income taxes	**70,685**	88,903
Provision for income taxes	**16,465**	22,085
Net income	$ **54,220**	$ 66,818
Basic earnings per share	$ **0.42**	$ 0.52
Diluted earnings per share	$ **0.42**	$ 0.52
Basic weighted-average outstanding shares	**127,707,354**	127,453,820
Diluted weighted-average outstanding shares	**128,217,689**	128,033,812

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

FIRST HAWAIIAN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(dollars in thousands)	Three Months Ended March 31, 2024	2023
Net income	**$ 54,220**	$ 66,818
Other comprehensive income, net of tax:		
Net change in investment securities	**5,667**	26,944
Net change in cash flow derivative hedges	**763**	631
Other comprehensive income	**6,430**	27,575
Total comprehensive income	**$ 60,650**	$ 94,393

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

FIRST HAWAIIAN, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(dollars in thousands, except share amount)	March 31, 2024	December 31, 2023
Assets		
Cash and due from banks	**$ 202,121**	$ 185,015
Interest-bearing deposits in other banks	**1,072,145**	1,554,882
Investment securities:		
Available-for-sale, at fair value (amortized cost: $2,466,109 as of March 31, 2024 and $2,558,675 as of December 31, 2023)	**2,159,338**	2,255,336
Held-to-maturity, at amortized cost (fair value: $3,470,710 as of March 31, 2024 and $3,574,856 as of December 31, 2023)	**3,988,011**	4,041,449
Loans held for sale	**—**	190
Loans and leases	**14,320,208**	14,353,497
Less: allowance for credit losses	**159,836**	156,533
Net loans and leases	**14,160,372**	14,196,964
Premises and equipment, net	**281,181**	281,461
Accrued interest receivable	**85,715**	84,417
Bank-owned life insurance	**484,193**	479,907
Goodwill	**995,492**	995,492
Mortgage servicing rights	**5,533**	5,699
Other assets	**845,085**	845,662
Total assets	**$ 24,279,186**	$ 24,926,474
Liabilities and Stockholders' Equity		
Deposits:		
Interest-bearing	**$ 13,620,928**	$ 13,749,095
Noninterest-bearing	**7,048,553**	7,583,562
Total deposits	**20,669,481**	21,332,657
Short-term borrowings	**500,000**	500,000
Retirement benefits payable	**102,242**	103,285
Other liabilities	**493,702**	504,466
Total liabilities	**21,765,425**	22,440,408
Commitments and contingent liabilities (Note 12)		
Stockholders' equity		
Common stock ($0.01 par value; authorized 300,000,000 shares; issued/outstanding: 141,687,612 / 127,841,908 as of March 31, 2024; issued/outstanding: 141,340,539 / 127,618,761 as of December 31, 2023)	**1,417**	1,413
Additional paid-in capital	**2,551,488**	2,548,250
Retained earnings	**858,494**	837,859
Accumulated other comprehensive loss, net	**(523,780)**	(530,210)
Treasury stock (13,845,704 shares as of March 31, 2024 and 13,721,778 shares as of December 31, 2023)	**(373,858)**	(371,246)
Total stockholders' equity	**2,513,761**	2,486,066
Total liabilities and stockholders' equity	**$ 24,279,186**	$ 24,926,474

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

FIRST HAWAIIAN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Three Months Ended March 31, 2024						
	Common Stock		Additional	Retained	Accumulated Other Comprehensive	Treasury	
(dollars in thousands, except share amounts)	Shares	Amount	Paid-In Capital	Earnings	Income (Loss)	Stock	Total
Balance as of December 31, 2023	127,618,761	$ 1,413	$ 2,548,250	$ 837,859	$ (530,210)	$ (371,246)	$ 2,486,066
Net income	**—**	**—**	**—**	**54,220**	**—**	**—**	**54,220**
Cash dividends declared ($0.26 per share)	**—**	**—**	**—**	**(33,186)**	**—**	**—**	**(33,186)**
Equity-based awards	**223,147**	**4**	**3,238**	**(399)**	**—**	**(2,612)**	**231**
Other comprehensive income, net of tax	**—**	**—**	**—**	**—**	**6,430**	**—**	**6,430**
Balance as of March 31, 2024	**127,841,908**	**$ 1,417**	**$ 2,551,488**	**$ 858,494**	**$ (523,780)**	**$ (373,858)**	**$ 2,513,761**

	Three Months Ended March 31, 2023						
	Common Stock		Additional	Retained	Accumulated Other Comprehensive	Treasury	
(dollars in thousands, except share amounts)	Shares	Amount	Paid-In Capital	Earnings	Income (Loss)	Stock	Total
Balance as of December 31, 2022	127,363,327	$ 1,410	$ 2,538,336	$ 736,544	$ (639,254)	$ (368,031)	$ 2,269,005
Net income	—	—	—	66,818	—	—	66,818
Cash dividends declared ($0.26 per share)	—	—	—	(33,114)	—	—	(33,114)
Equity-based awards	210,353	3	2,317	(457)	—	(3,135)	(1,272)
Other comprehensive income, net of tax	—	—	—	—	27,575	—	27,575
Balance as of March 31, 2023	127,573,680	$ 1,413	$ 2,540,653	$ 769,791	$ (611,679)	$ (371,166)	$ 2,329,012

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

FIRST HAWAIIAN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
(dollars in thousands)	2024	2023
Cash flows from operating activities		
Net income	**$ 54,220**	$ 66,818
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**6,300**	8,800
Depreciation, amortization and accretion, net	**9,537**	10,827
Deferred income tax provision	**7,238**	4,330
Stock-based compensation	**3,242**	2,320
Gain on property insurance proceeds	**(2,202)**	—
Other (gains) losses	**(7)**	1,223
Originations of loans held for sale	**(8,624)**	(1,468)
Proceeds from sales of loans held for sale	**8,791**	1,447
Change in assets and liabilities:		
Net decrease (increase) in other assets	**11,782**	(9,536)
Net decrease in other liabilities	**(23,637)**	(2,128)
Net cash provided by operating activities	**66,640**	82,633
Cash flows from investing activities		
Available-for-sale securities:		
Proceeds from maturities and principal repayments	**81,385**	119,692
Proceeds from calls and sales	**10,000**	—
Held-to-maturity securities:		
Proceeds from maturities and principal repayments	**62,525**	68,854
Proceeds from calls	**345**	220
Other investments:		
Proceeds from sales	**1,234**	13,984
Purchases	**(12,618)**	(42,251)
Loans:		
Net decrease (increase) in loans and leases resulting from originations and principal repayments	**41,387**	(88,408)
Purchases of loans	**(15,000)**	(48,741)
Proceeds from bank-owned life insurance	**—**	4,932
Proceeds from property insurance	**2,202**	—
Purchases of premises, equipment and software	**(4,861)**	(1,555)
Other	**104**	(1,614)
Net cash provided by investing activities	**166,703**	25,113
Cash flows from financing activities		
Net decrease in deposits	**(663,176)**	(407,529)
Net increase in short-term borrowings	**—**	175,000
Proceeds from long-term borrowings	**—**	500,000
Dividends paid	**(33,186)**	(33,114)
Stock tendered for payment of withholding taxes	**(2,612)**	(3,135)
Net cash (used in) provided by financing activities	**(698,974)**	231,222
Net (decrease) increase in cash and cash equivalents	**(465,631)**	338,968
Cash and cash equivalents at beginning of period	**1,739,897**	526,624
Cash and cash equivalents at end of period	**$ 1,274,266**	$ 865,592
Supplemental disclosures		
Interest paid	**$ 88,594**	$ 40,937
Income taxes paid, net of income tax refunds	**1,755**	1,761
Noncash investing and financing activities:		
Transfers from loans and leases and other assets to other real estate owned	**69**	—
Operating lease right-of-use assets obtained in exchange for new lease obligations	**—**	1,306
Obligation to fund low-income housing partnerships	**8,223**	—

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

FIRST HAWAIIAN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Basis of Presentation

First Hawaiian, Inc. ("FHI" or the "Parent"), a bank holding company, owns 100% of the outstanding common stock of First Hawaiian Bank ("FHB" or the "Bank"), its only direct, wholly owned subsidiary. FHB offers a comprehensive suite of banking services, including loans, deposit products, wealth management, insurance, trust, retirement planning, credit card and merchant processing services, to consumer and commercial customers.

The accompanying unaudited interim consolidated financial statements of First Hawaiian, Inc. and Subsidiary (the "Company") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations.

The accompanying unaudited interim consolidated financial statements and notes thereto should be read in conjunction with the Company's audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

In the opinion of management, all adjustments, which consist of normal recurring adjustments necessary for a fair presentation of the interim period consolidated financial information, have been made. Results of operations for interim periods are not necessarily indicative of results to be expected for the entire year. Intercompany account balances and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events, actual results may differ from these estimates.

Accounting Standards Adopted in 2024

In March 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-01, *Leases (Topic 842), Common Control Arrangements.* This update clarifies the accounting for leasehold improvements associated with common control leases. Prior to this update, Topic 842 generally required leasehold improvements to have an amortization period consistent with the shorter of the useful life of those improvements or the remaining lease term. This update will require leasehold improvements associated with common control leases to be (1) amortized by the lessee over the useful life of the leasehold improvements to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset (the leased asset) through a lease, and (2) accounted for as a transfer between entities under common control through an adjustment to equity if, and when, the lessee no longer controls the use of the underlying asset. In addition, this update also subjects leasehold improvements to the impairment guidance in Topic 360, *Property, Plant, and Equipment.* The Company adopted the provisions of ASU No. 2023-01 on January 1, 2024, and it did not have a material impact on the Company's consolidated financial statements.

In March 2023, the FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323), Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.* This update expands the population of tax equity investments for which a reporting entity may elect to apply the proportional amortization method (“PAM”). Under legacy guidance, an entity can only elect to apply the PAM to investments in low-income housing tax credit (“LIHTC”) structures. This update permits an entity to make an election to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the PAM if certain conditions are met. An accounting policy election is made to apply the PAM on a tax credit program-by-program basis rather than electing to apply the PAM at the reporting entity level or to individual investments. By applying the PAM, a reporting entity must account for the receipt of the investment tax credits using the flow-through method under Topic 740, *Income Taxes*, even if the entity applies the deferral method for other investment tax credits received. For all tax equity investments accounted for using the PAM, this update also requires the use of the delayed equity contribution guidance. LIHTC investments not accounted for using the PAM will no longer be permitted to use the delayed equity contribution guidance. In addition, LIHTC investments accounted for using the equity method must apply the impairment guidance in Subtopic 323-10, *Investments—Equity Method and Joint Ventures—Overall*. Further, LIHTC investments that are not accounted for using the PAM or the equity method must use the guidance in Topic 321, *Investments—Equity Securities*, when accounting for equity investments. In addition, the amendments in this update require specific disclosures that must be applied to all investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the PAM, including investments within that elected program that do not meet the conditions to apply the PAM. Such disclosures include the nature of its tax equity investments and the effect of such investments and related income tax credits and other income tax benefits on its financial position and results of operations. The Company adopted the provisions of ASU No. 2023-02 on January 1, 2024, and it did not have a material impact on the Company’s consolidated financial statements. See “Note 5. Other Assets” for required disclosures related to this new guidance.

Recent Accounting Pronouncements

The following ASUs have been issued by the FASB and are applicable to the Company in future reporting periods.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures*. This update improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments will require public entities to disclose significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”) and included within segment profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss, and the title and position of the entity’s CODM. In addition, the amendments clarify circumstances in which an entity can disclose multiple measures of segment profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and expand interim disclosure requirements. The purpose of the amendments is to enable investors to better understand an entity’s overall performance and assess potential future cash flows. The amendments are effective for the Company’s annual periods beginning January 1, 2024 and interim periods beginning January 1, 2025, with early adoption permitted, and requires retrospective application to all prior periods presented in the financial statements. The Company is in the process of evaluating the impact that this new guidance may have on the Company’s consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures*. This update includes amendments that further enhance the transparency and decision usefulness of income tax disclosures, primarily through standardizing and disaggregating rate reconciliation categories and income taxes paid by jurisdiction. This update is effective for the Company’s annual periods beginning January 1, 2025. Early adoption is permitted. The Company is in the process of evaluating the impact that this new guidance may have on the Company’s consolidated financial statements.

2. Investment Securities

As of March 31, 2024 and December 31, 2023, investment securities consisted predominantly of the following investment categories:

U.S. Treasury and debt securities – includes U.S. Treasury notes and debt securities issued by government agencies and government-sponsored enterprises.

Mortgage-backed securities – includes securities backed by notes or receivables secured by mortgage assets with cash flows based on actual or scheduled payments.

Collateralized mortgage obligations – includes securities backed by a pool of mortgages with cash flows distributed based on certain rules rather than pass through payments.

Collateralized loan obligations – includes structured debt securities backed by a pool of loans, consisting of primarily non-investment grade broadly syndicated corporate loans with additional credit enhancement. These are floating rate securities that have an investment grade rating of AA or better.

Debt securities issued by states and political subdivisions – includes general obligation bonds issued by state and local governments.

As of March 31, 2024 and December 31, 2023, the Company’s investment securities were classified as either available-for-sale or held-to-maturity. Amortized cost, gross unrealized holding gains and losses and fair value of available-for-sale and held-to-maturity investment securities as of March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024				December 31, 2023			
(dollars in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and government agency debt securities	**$ 13,254**	**$ —**	**$ (433)**	**$ 12,821**	$ 33,169	$ —	$ (666)	$ 32,503
Government-sponsored enterprises debt securities	**20,000**	**—**	**(371)**	**19,629**	20,000	—	(408)	19,592
Mortgage-backed securities:								
Residential - Government agency	**10,959**	**—**	**(1,350)**	**9,609**	11,303	—	(1,121)	10,182
Residential - Government-sponsored enterprises	**868,033**	**—**	**(114,648)**	**753,385**	895,421	—	(112,124)	783,297
Commercial - Government agency	**264,691**	**—**	**(51,297)**	**213,394**	268,944	—	(50,270)	218,674
Commercial - Government-sponsored enterprises	**90,441**	**—**	**(6,951)**	**83,490**	93,459	—	(7,028)	86,431
Commercial - Non-agency	**21,968**	**142**	**—**	**22,110**	21,964	—	(281)	21,683
Collateralized mortgage obligations:								
Government agency	**523,160**	**—**	**(70,997)**	**452,163**	538,718	—	(67,568)	471,150
Government-sponsored enterprises	**413,731**	**—**	**(60,670)**	**353,061**	425,826	—	(61,856)	363,970
Collateralized loan obligations	**239,872**	**383**	**(579)**	**239,676**	249,871	43	(2,060)	247,854
Total available-for-sale securities	**$ 2,466,109**	**$ 525**	**$ (307,296)**	**$ 2,159,338**	$ 2,558,675	$ 43	$ (303,382)	$ 2,255,336
Government agency debt securities	**$ 51,904**	**$ —**	**$ (5,300)**	**$ 46,604**	$ 52,051	$ —	$ (4,497)	$ 47,554
Mortgage-backed securities:								
Residential - Government agency	**42,961**	**—**	**(6,209)**	**36,752**	43,885	—	(5,189)	38,696
Residential - Government-sponsored enterprises	**97,914**	**—**	**(13,466)**	**84,448**	99,379	—	(11,013)	88,366
Commercial - Government agency	**30,853**	**—**	**(7,651)**	**23,202**	30,795	—	(7,017)	23,778
Commercial - Government-sponsored enterprises	**1,127,321**	**167**	**(144,378)**	**983,110**	1,129,738	195	(130,757)	999,176
Collateralized mortgage obligations:								
Government agency	**972,199**	**—**	**(125,164)**	**847,035**	989,130	—	(109,471)	879,659
Government-sponsored enterprises	**1,610,563**	**—**	**(209,655)**	**1,400,908**	1,642,274	—	(193,897)	1,448,377
Debt securities issued by states and political subdivisions	**54,296**	**—**	**(5,645)**	**48,651**	54,197	—	(4,947)	49,250
Total held-to-maturity securities	**$ 3,988,011**	**$ 167**	**$ (517,468)**	**$ 3,470,710**	$ 4,041,449	$ 195	$ (466,788)	$ 3,574,856

Accrued interest receivable related to available-for-sale investment securities was $7.0 million and $7.2 million as of March 31, 2024 and December 31, 2023, respectively. Accrued interest receivable related to held-to-maturity investment securities was $7.3 million and $7.0 million as of March 31, 2024 and December 31, 2023, respectively. Accrued interest receivable is recorded separately from the amortized cost basis of investment securities on the Company’s unaudited interim consolidated balance sheets.

Proceeds from calls and sales of investment securities were $10.3 million and nil, respectively, for the three months ended March 31, 2024, and $0.2 million and nil, respectively, for the three months ended March 31, 2023. The Company recorded gross realized gains of nil and gross realized losses of nil for the three months ended March 31, 2024 and 2023. The income tax benefit related to the Company’s net realized loss on the sale of investment securities was nil for the three months ended March 31, 2024 and 2023. Gains and losses realized on sales of securities are determined using the specific identification method.

Interest income from taxable investment securities was $29.1 million and $34.0 million, respectively, for the three months ended March 31, 2024 and 2023. Interest income from non-taxable investment securities was $3.2 million and $3.6 million, respectively, for the three months ended March 31, 2024 and 2023.

The amortized cost and fair value of debt securities issued by the U.S. Treasury, government agencies, government-sponsored enterprises and states and political subdivisions, non-agency mortgage-backed securities and collateralized loan obligations as of March 31, 2024, by contractual maturity, are shown below. Mortgage-backed securities and collateralized mortgage obligations issued by government agencies and government-sponsored enterprises are disclosed separately in the table below as remaining expected maturities will differ from contractual maturities as borrowers have the right to prepay obligations.

(dollars in thousands)	March 31, 2024 Amortized Cost	March 31, 2024 Fair Value
Available-for-sale securities		
Due in one year or less	$ 13,254	$ 12,821
Due after one year through five years	29,275	28,885
Due after five years through ten years	87,696	87,617
Due after ten years	164,869	164,913
	295,094	294,236
Mortgage-backed securities:		
Residential - Government agency	10,959	9,609
Residential - Government-sponsored enterprises	868,033	753,385
Commercial - Government agency	264,691	213,394
Commercial - Government-sponsored enterprises	90,441	83,490
Total mortgage-backed securities	1,234,124	1,059,878
Collateralized mortgage obligations:		
Government agency	523,160	452,163
Government-sponsored enterprises	413,731	353,061
Total collateralized mortgage obligations	936,891	805,224
Total available-for-sale securities	$ 2,466,109	$ 2,159,338
Held-to-maturity securities		
Due in one year or less	$ —	$ —
Due after one year through five years	—	—
Due after five years through ten years	22,132	20,121
Due after ten years	84,068	75,134
	106,200	95,255
Mortgage-backed securities:		
Residential - Government agency	42,961	36,752
Residential - Government-sponsored enterprises	97,914	84,448
Commercial - Government agency	30,853	23,202
Commercial - Government-sponsored enterprises	1,127,321	983,110
Total mortgage-backed securities	1,299,049	1,127,512
Collateralized mortgage obligations:		
Government agency	972,199	847,035
Government-sponsored enterprises	1,610,563	1,400,908
Total collateralized mortgage obligations	2,582,762	2,247,943
Total held-to-maturity securities	$ 3,988,011	$ 3,470,710

At March 31, 2024, pledged securities totaled $4.3 billion, of which $2.2 billion was pledged to secure borrowing capacity, $1.9 billion was pledged to secure public deposits and $154.0 million was pledged to secure other financial transactions. At December 31, 2023, pledged securities totaled $5.0 billion, of which $2.6 billion was pledged to secure public deposits, $2.3 billion was pledged to secure borrowing capacity and $183.0 million was pledged to secure other financial transactions.

The Company held no securities of any single issuer, other than debt securities issued by the U.S. government, government agencies and government-sponsored enterprises, which were in excess of 10% of stockholders' equity as of March 31, 2024 and December 31, 2023.

The following tables present the unrealized gross losses and fair values of securities in the available-for-sale portfolio by length of time that the 204 and 222 individual securities in each category have been in a continuous loss position as of March 31, 2024 and December 31, 2023, respectively. The unrealized losses on available-for-sale investment securities were attributable to changes in interest rates, relative to when the investment securities were purchased, and not due to the credit quality of the investment securities.

(dollars in thousands)	Time in Continuous Loss as of March 31, 2024 Less Than 12 Months Unrealized Losses	Less Than 12 Months Fair Value	12 Months or More Unrealized Losses	12 Months or More Fair Value	Total Unrealized Losses	Total Fair Value
U.S. Treasury and government agency debt securities	$ —	$ —	$ (433)	$ 12,821	$ (433)	$ 12,821
Government-sponsored enterprises debt securities	—	—	(371)	19,629	(371)	19,629
Mortgage-backed securities:						
Residential - Government agency	—	—	(1,350)	9,609	(1,350)	9,609
Residential - Government-sponsored enterprises	—	—	(114,648)	753,385	(114,648)	753,385
Commercial - Government agency	—	—	(51,297)	213,394	(51,297)	213,394
Commercial - Government-sponsored enterprises	—	—	(6,951)	83,490	(6,951)	83,490
Collateralized mortgage obligations:						
Government agency	—	—	(70,997)	452,163	(70,997)	452,163
Government-sponsored enterprises	—	—	(60,670)	353,061	(60,670)	353,061
Collateralized loan obligations	(8)	8,492	(571)	99,029	(579)	107,521
Total available-for-sale securities with unrealized losses	$ (8)	$ 8,492	$ (307,288)	$ 1,996,581	$ (307,296)	$ 2,005,073

(dollars in thousands)	Time in Continuous Loss as of December 31, 2023 Less Than 12 Months Unrealized Losses	Less Than 12 Months Fair Value	12 Months or More Unrealized Losses	12 Months or More Fair Value	Total Unrealized Losses	Total Fair Value
U.S. Treasury and government agency debt securities	$ —	$ —	$ (666)	$ 32,503	$ (666)	$ 32,503
Government-sponsored enterprises debt securities	—	—	(408)	19,592	(408)	19,592
Mortgage-backed securities:						
Residential - Government agency	—	—	(1,121)	10,182	(1,121)	10,182
Residential - Government-sponsored enterprises	—	—	(112,124)	783,297	(112,124)	783,297
Commercial - Government agency	—	—	(50,270)	218,674	(50,270)	218,674
Commercial - Government-sponsored enterprises	—	—	(7,028)	86,431	(7,028)	86,431
Commercial - Non-agency	—	—	(281)	21,683	(281)	21,683
Collateralized mortgage obligations:						
Government agency	—	—	(67,568)	471,150	(67,568)	471,150
Government-sponsored enterprises	—	—	(61,856)	363,970	(61,856)	363,970
Collateralized loan obligations	(564)	63,667	(1,496)	163,126	(2,060)	226,793
Total available-for-sale securities with unrealized losses	$ (564)	$ 63,667	$ (302,818)	$ 2,170,608	$ (303,382)	$ 2,234,275

At March 31, 2024 and December 31, 2023, the Company did not have any available-for-sale securities with the intent to sell and determined it was more likely than not that the Company would not be required to sell the securities prior to recovery of the amortized cost basis. As the Company had the intent and ability to hold the remaining available-for-sale securities in an unrealized loss position as of March 31, 2024 and December 31, 2023, each security with an unrealized loss position in the above tables has been further assessed to determine if a credit loss exists. As of March 31, 2024 and December 31, 2023, the Company did not expect any credit losses in its available-for-sale debt securities and no credit losses were recognized on available-for-sale securities during the three months ended March 31, 2024 and for the year ended December 31, 2023.

As of March 31, 2024 and December 31, 2023, the Company's investment securities were comprised primarily of debt securities, mortgage-backed securities and collateralized mortgage obligations issued by the U.S. Government, its agencies and government-sponsored enterprises, with under 5% of the investment securities comprised of collateralized loan obligations rated AA or better and obligations issued by local state and political subdivisions rated AA or better. For investment securities issued by the U.S. Government, its agencies and government-sponsored enterprises, management has concluded that the long history with no credit losses from these issuers indicates an expectation that nonpayment of the amortized cost basis is zero, and these securities are explicitly or implicitly fully guaranteed by the U.S. government. The U.S. government can print its own currency and its currency is routinely held by central banks and other major financial institutions. The dollar is used in international commerce, and commonly is viewed as a reserve currency, all of which qualitatively indicates that historical credit loss information should be minimally affected by current conditions and reasonable and supportable forecasts. For collateralized loan obligations and debt securities issued by local state and political subdivisions, these securities are investment grade and highly rated and carry either sufficient credit enhancement or days cash on hand to support timely payments of principal and interest. As a result, the Company does not expect any future payment defaults and has not recorded an allowance for credit losses for its available-for-sale and held-to-maturity debt securities as of March 31, 2024 or December 31, 2023.

During the year ended December 31, 2023, the Company recorded a $40.8 million net realized gain related to the sale of approximately 120,000 Visa Class B restricted shares. The Company did not hold any Visa Class B restricted shares as of both March 31, 2024 and December 31, 2023.

3. Loans and Leases

As of March 31, 2024 and December 31, 2023, loans and leases were comprised of the following:

(dollars in thousands)	March 31, 2024	December 31, 2023
Commercial and industrial	**$ 2,189,875**	$ 2,165,349
Commercial real estate	**4,301,300**	4,340,243
Construction	**972,517**	900,292
Residential:		
Residential mortgage	**4,242,502**	4,283,315
Home equity line	**1,165,778**	1,174,588
Total residential	**5,408,280**	5,457,903
Consumer	**1,054,227**	1,109,901
Lease financing	**394,009**	379,809
Total loans and leases	**$ 14,320,208**	$ 14,353,497

Outstanding loan balances are reported net of deferred loan costs and fees of $56.9 million and $57.5 million at March 31, 2024 and December 31, 2023, respectively.

Accrued interest receivable related to loans and leases was $71.4 million and $70.1 million as of March 31, 2024 and December 31, 2023, respectively, and is recorded separately from the amortized cost basis of loans and leases on the Company's unaudited interim consolidated balance sheets.

As of March 31, 2024, residential real estate loans and commercial real estate loans totaling $5.0 billion were pledged to collateralize the Company's borrowing capacity at the Federal Home Loan Bank of Des Moines ("FHLB"), and consumer, commercial and industrial, commercial real estate, residential real estate loans and pledged securities totaling $3.9 billion were pledged to collateralize the borrowing capacity at the Federal Reserve Bank of San Francisco ("FRB"). As of December 31, 2023, residential real estate loans and commercial real estate loans totaling $4.5 billion were pledged to collateralize the Company's borrowing capacity at the FHLB, and consumer, commercial and industrial, commercial real estate, residential real estate loans and pledged securities totaling $4.3 billion were pledged to collateralize the borrowing capacity at the FRB. Residential real estate loans collateralized by properties that were in the process of foreclosure totaled $7.8 million and $6.9 million as of March 31, 2024 and December 31, 2023, respectively.

In the course of evaluating the credit risk presented by a customer and the pricing that will adequately compensate the Company for assuming that risk, management may require a certain amount of collateral support. The type of collateral held varies, but may include accounts receivable, inventory, land, buildings, equipment, income-producing commercial properties and residential real estate. The Company applies the same collateral policy for loans whether they are funded immediately or on a delayed basis. The loan and lease portfolio is principally located in Hawaii and, to a lesser extent, on the U.S. Mainland, Guam and Saipan. The risk inherent in the portfolio depends upon both the economic stability of the state or territories, which affects property values, and the financial strength and creditworthiness of the borrowers.

4. Allowance for Credit Losses

The Company maintains the allowance for credit losses for loans and leases (the "ACL") that is deducted from the amortized cost basis of loans and leases to present the net carrying value of loans and leases expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount of loans and leases. While management utilizes its best judgment and information available, the ultimate appropriateness of the ACL is dependent upon a variety of factors beyond our control, including the performance of our loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications. The Company's methodology is more fully described in our Annual Report on Form 10-K for the year ended December 31, 2023.

The Company also maintains an estimated reserve for unfunded commitments on the unaudited interim consolidated balance sheets. The reserve for unfunded commitments is reduced in the period in which the off-balance sheet financial instruments expire, loan funding occurs, or is otherwise settled.

Rollforward of the Allowance for Credit Losses

The following presents the activity in the ACL by class of loans and leases for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31, 2024							
	Commercial Lending				Residential Lending			
(dollars in thousands)	Commercial and Industrial	Commercial Real Estate	Construction	Lease Financing	Residential Mortgage	Home Equity Line	Consumer	Total
Allowance for credit losses:								
Balance at beginning of period	**$ 14,956**	**$ 43,944**	**$ 10,392**	**$ 1,754**	**$ 36,880**	**$ 11,728**	**$ 36,879**	**$ 156,533**
Charge-offs	**(909)**	**—**	**—**	**—**	**—**	**—**	**(4,854)**	**(5,763)**
Recoveries	**211**	**—**	**—**	**—**	**30**	**44**	**1,689**	**1,974**
Provision	**2,829**	**(418)**	**2,049**	**731**	**(120)**	**(325)**	**2,346**	**7,092**
Balance at end of period	**$ 17,087**	**$ 43,526**	**$ 12,441**	**$ 2,485**	**$ 36,790**	**$ 11,447**	**$ 36,060**	**$ 159,836**

	Three Months Ended March 31, 2023							
	Commercial Lending				Residential Lending			
(dollars in thousands)	Commercial and Industrial	Commercial Real Estate	Construction	Lease Financing	Residential Mortgage	Home Equity Line	Consumer	Total
Allowance for credit losses:								
Balance at beginning of period	$ 14,564	$ 43,810	$ 5,843	$ 1,551	$ 35,175	$ 8,296	$ 34,661	$ 143,900
Charge-offs	(791)	—	—	—	(122)	(135)	(4,782)	(5,830)
Recoveries	246	—	—	—	27	177	2,166	2,616
Provision	19	(3,499)	630	(70)	(760)	1,003	9,113	6,436
Balance at end of period	$ 14,038	$ 40,311	$ 6,473	$ 1,481	$ 34,320	$ 9,341	$ 41,158	$ 147,122

Rollforward of the Reserve for Unfunded Commitments

The following presents the activity in the Reserve for Unfunded Commitments for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31, 2024							
	Commercial Lending				Residential Lending			
(dollars in thousands)	Commercial and Industrial	Commercial Real Estate	Construction	Lease Financing	Residential Mortgage	Home Equity Line	Consumer	Total
Reserve for unfunded commitments:								
Balance at beginning of period	**$ 9,116**	**$ 1,787**	**$ 8,048**	**$ —**	**$ 24**	**$ 16,589**	**$ 41**	**$ 35,605**
Provision	**(324)**	**86**	**(1,151)**	**—**	**(10)**	**598**	**9**	**(792)**
Balance at end of period	**$ 8,792**	**$ 1,873**	**$ 6,897**	**$ —**	**$ 14**	**$ 17,187**	**$ 50**	**$ 34,813**

	Three Months Ended March 31, 2023							
	Commercial Lending				Residential Lending			
(dollars in thousands)	Commercial and Industrial	Commercial Real Estate	Construction	Lease Financing	Residential Mortgage	Home Equity Line	Consumer	Total
Reserve for unfunded commitments:								
Balance at beginning of period	$ 7,811	$ 2,004	$ 7,470	$ —	$ 30	$ 16,483	$ 37	$ 33,835
Provision	(658)	(312)	1,482	—	(13)	1,853	12	2,364
Balance at end of period	$ 7,153	$ 1,692	$ 8,952	$ —	$ 17	$ 18,336	$ 49	$ 36,199

Credit Quality Information

The Company performs an internal loan review and grading or scoring procedures on an ongoing basis. The review provides management with periodic information as to the quality of the loan portfolio and effectiveness of the Company's lending policies and procedures. The objective of the loan review and grading or scoring procedures is to identify, in a timely manner, existing or emerging credit quality issues so that appropriate steps can be initiated to avoid or minimize future losses.

Loans and leases subject to grading primarily include: commercial and industrial loans, commercial real estate loans, construction loans and lease financing. Other loans subject to grading include installment loans to businesses or individuals for business and commercial purposes, overdraft lines of credit, commercial credit cards, and other credits as may be determined. Credit quality indicators for internally graded loans and leases are generally updated on an annual basis or on a quarterly basis for those loans and leases deemed to be of potentially higher risk.

An internal credit risk rating system is used to determine loan grade and is based on borrower credit risk and transactional risk. The loan grading process is a mechanism used to determine the risk of a particular borrower and is based on the following factors of a borrower: character, earnings and operating cash flow, asset and liability structure, debt capacity, management and controls, borrowing entity, and industry and operating environment.

Pass – "Pass" (uncriticized) loans and leases, are not considered to carry greater than normal risk. The borrower has the apparent ability to satisfy obligations to the Company, and therefore no loss in ultimate collection is anticipated.

Special Mention – Loans and leases that have potential weaknesses deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for assets or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard – Loans and leases that are inadequately protected by the current financial condition and paying capacity of the obligor or by any collateral pledged. Loans and leases so classified must have a well-defined weakness or weaknesses that jeopardize the collection of the debt. They are characterized by the distinct possibility that the bank may sustain some loss if the deficiencies are not corrected.

Doubtful – Loans and leases that have weaknesses found in substandard borrowers with the added provision that the weaknesses make collection of debt in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – Loans and leases classified as loss are considered uncollectible and of such little value that their continuance as an asset is not warranted. This classification does not mean that the loan or lease has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future.

Loans that are primarily monitored for credit quality using FICO scores include: residential mortgage loans, home equity lines and consumer loans. FICO scores are calculated primarily based on a consideration of payment history, the current amount of debt, the length of credit history available, a recent history of new sources of credit and the mix of credit type. FICO scores are updated on a monthly, quarterly or bi-annual basis, depending on the product type.

The amortized cost basis by year of origination and credit quality indicator of the Company's loans and leases as of March 31, 2024 was as follows:

	Term Loans Amortized Cost Basis by Origination Year							Revolving Loans Converted to Term Loans	
(dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Commercial Lending									
Commercial and Industrial									
Risk rating:									
Pass	$ 13,488	$ 104,265	$ 263,282	$ 318,417	$ 29,787	$ 282,287	$ 987,132	$ 26,745	$ 2,025,403
Special Mention	202	1	23,276	73	539	1,385	8,132	—	33,608
Substandard	—	—	20,364	214	572	2,191	25,638	—	48,979
Other [1]	4,887	12,883	10,053	4,044	1,970	2,396	45,652	—	81,885
Total Commercial and Industrial	18,577	117,149	316,975	322,748	32,868	288,259	1,066,554	26,745	2,189,875
Current period gross charge-offs	—	71	114	61	52	611	—	—	909
Commercial Real Estate									
Risk rating:									
Pass	28,321	344,674	864,166	671,379	334,606	1,866,875	93,485	4,223	4,207,729
Special Mention	3,339	2,290	7,591	41,337	1,358	18,507	6,863	—	81,285
Substandard	—	—	5,047	1,203	—	5,244	652	—	12,146
Other [1]	—	—	—	—	—	140	—	—	140
Total Commercial Real Estate	31,660	346,964	876,804	713,919	335,964	1,890,766	101,000	4,223	4,301,300
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Construction									
Risk rating:									
Pass	14,198	181,628	311,175	258,400	59,563	65,776	11,872	—	902,612
Special Mention	—	—	—	—	—	837	—	—	837
Substandard	—	—	—	—	—	24,437	—	—	24,437
Other [1]	859	12,258	17,492	6,373	1,357	5,588	704	—	44,631
Total Construction	15,057	193,886	328,667	264,773	60,920	96,638	12,576	—	972,517
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Lease Financing									
Risk rating:									
Pass	50,531	114,686	78,028	17,488	28,946	97,319	—	—	386,998
Special Mention	—	51	125	377	20	—	—	—	573
Substandard	5,370	676	392	—	—	—	—	—	6,438
Total Lease Financing	55,901	115,413	78,545	17,865	28,966	97,319	—	—	394,009
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Total Commercial Lending	$ 121,195	$ 773,412	$ 1,600,991	$ 1,319,305	$ 458,718	$ 2,372,982	$ 1,180,130	$ 30,968	$ 7,857,701
Current period gross charge-offs	$ —	$ 71	$ 114	$ 61	$ 52	$ 611	$ —	$ —	$ 909

(continued)

(continued) (dollars in thousands)	Term Loans Amortized Cost Basis by Origination Year 2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Residential Lending									
Residential Mortgage									
FICO:									
740 and greater	$ 28,332	$ 207,263	$ 524,402	$ 987,343	$ 521,598	$ 1,186,496	$ —	$ —	$ 3,455,434
680 - 739	1,525	36,569	67,192	115,481	67,662	158,890	—	—	447,319
620 - 679	910	2,910	16,268	19,056	12,733	41,573	—	—	93,450
550 - 619	—	1,303	6,506	1,903	2,477	11,685	—	—	23,874
Less than 550	—	—	—	2,894	2,006	6,686	—	—	11,586
No Score [3]	—	9,081	20,505	11,400	6,006	58,777	—	—	105,769
Other [2]	1,419	13,320	16,937	15,740	12,088	32,590	12,976	—	105,070
Total Residential Mortgage	32,186	270,446	651,810	1,153,817	624,570	1,496,697	12,976	—	4,242,502
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Home Equity Line									
FICO:									
740 and greater	—	—	—	—	—	—	943,792	1,428	945,220
680 - 739	—	—	—	—	—	—	162,578	1,886	164,464
620 - 679	—	—	—	—	—	—	33,728	927	34,655
550 - 619	—	—	—	—	—	—	13,382	971	14,353
Less than 550	—	—	—	—	—	—	5,392	296	5,688
No Score [3]	—	—	—	—	—	—	1,398	—	1,398
Total Home Equity Line	—	—	—	—	—	—	1,160,270	5,508	1,165,778
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Total Residential Lending	$ 32,186	$ 270,446	$ 651,810	$ 1,153,817	$ 624,570	$ 1,496,697	$ 1,173,246	$ 5,508	$ 5,408,280
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer Lending									
FICO:									
740 and greater	18,671	82,551	113,914	66,175	28,100	22,442	116,198	138	448,189
680 - 739	13,464	64,229	64,623	33,167	14,755	13,951	75,151	439	279,779
620 - 679	4,293	28,729	27,210	15,641	6,793	10,003	35,179	791	128,639
550 - 619	620	6,973	11,551	7,621	4,025	6,289	13,452	795	51,326
Less than 550	110	2,634	6,734	5,075	2,837	4,179	5,782	646	27,997
No Score [3]	733	839	209	—	9	16	39,466	256	41,528
Other [2]	—	304	349	960	330	1,032	73,794	—	76,769
Total Consumer Lending	$ 37,891	$ 186,259	$ 224,590	$ 128,639	$ 56,849	$ 57,912	$ 359,022	$ 3,065	$ 1,054,227
Current period gross charge-offs	$ —	$ 437	$ 904	$ 496	$ 272	$ 769	$ 1,789	$ 187	$ 4,854
Total Loans and Leases	$ 191,272	$ 1,230,117	$ 2,477,391	$ 2,601,761	$ 1,140,137	$ 3,927,591	$ 2,712,398	$ 39,541	$ 14,320,208
Current period gross charge-offs	$ —	$ 508	$ 1,018	$ 557	$ 324	$ 1,380	$ 1,789	$ 187	$ 5,763

(1) Other credit quality indicators used for monitoring purposes are primarily FICO scores. The majority of the loans in this population were originated to borrowers with a prime FICO score.

(2) Other credit quality indicators used for monitoring purposes are primarily internal risk ratings. The majority of the loans in this population were graded with a “Pass” rating.

(3) No FICO scores are primarily related to loans and leases extended to non-residents. Loans and leases of this nature are primarily secured by collateral and/or are closely monitored for performance.

The amortized cost basis by year of origination and credit quality indicator of the Company's loans and leases as of December 31, 2023 was as follows:

(dollars in thousands)	Term Loans Amortized Cost Basis by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Commercial Lending									
Commercial and Industrial									
Risk rating:									
Pass	$ 85,839	$ 273,663	$ 346,024	$ 32,753	$ 146,893	$ 141,681	$ 971,065	$ 1,823	$ 1,999,741
Special Mention	1	44,069	80	653	1,032	1,290	22,807	14	69,946
Substandard	—	342	230	677	1,686	829	8,330	—	12,094
Other (1)	15,978	11,598	4,814	2,370	1,702	1,125	45,981	—	83,568
Total Commercial and Industrial	101,818	329,672	351,148	36,453	151,313	144,925	1,048,183	1,837	2,165,349
Current period gross charge-offs	130	70	75	87	168	2,952	—	—	3,482
Commercial Real Estate									
Risk rating:									
Pass	346,369	872,783	676,362	337,529	523,446	1,414,613	74,238	1,350	4,246,690
Special Mention	2,307	7,618	41,320	1,359	13,550	11,998	819	—	78,971
Substandard	205	5,079	2,003	—	2,953	2,545	1,655	—	14,440
Other (1)	—	—	—	—	—	142	—	—	142
Total Commercial Real Estate	348,881	885,480	719,685	338,888	539,949	1,429,298	76,712	1,350	4,340,243
Current period gross charge-offs	—	—	—	—	2,500	—	—	—	2,500
Construction									
Risk rating:									
Pass	156,432	269,623	265,674	60,057	63,018	27,847	6,070	—	848,721
Special Mention	—	—	—	—	189	665	—	—	854
Other (1)	12,728	21,036	8,250	2,143	2,031	3,820	709	—	50,717
Total Construction	169,160	290,659	273,924	62,200	65,238	32,332	6,779	—	900,292
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Lease Financing									
Risk rating:									
Pass	145,914	82,833	18,680	31,791	30,299	68,520	—	—	378,037
Special Mention	56	137	414	35	—	—	—	—	642
Substandard	712	416	—	—	2	—	—	—	1,130
Total Lease Financing	146,682	83,386	19,094	31,826	30,301	68,520	—	—	379,809
Current period gross charge-offs	—	—	—	—	—	—	—	—	—
Total Commercial Lending	$ 766,541	$ 1,589,197	$ 1,363,851	$ 469,367	$ 786,801	$ 1,675,075	$ 1,131,674	$ 3,187	$ 7,785,693
Current period gross charge-offs	$ 130	$ 70	$ 75	$ 87	$ 2,668	$ 2,952	$ —	$ —	$ 5,982

(continued)

(continued) (dollars in thousands)	Term Loans Amortized Cost Basis by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Residential Lending									
Residential Mortgage									
FICO:									
740 and greater	$ 211,598	$ 529,296	$ 999,522	$ 529,881	$ 227,058	$ 987,251	$ —	$ —	$ 3,484,606
680 - 739	36,975	67,205	117,337	68,122	33,148	130,387	—	—	453,174
620 - 679	3,544	16,395	19,184	12,811	4,096	38,987	—	—	95,017
550 - 619	1,305	6,521	1,917	2,492	398	11,679	—	—	24,312
Less than 550	—	—	2,909	2,017	582	6,439	—	—	11,947
No Score (3)	9,137	19,311	11,492	6,043	9,679	51,109	—	—	106,771
Other (2)	15,802	17,528	17,432	12,534	8,599	25,513	10,080	—	107,488
Total Residential Mortgage	278,361	656,256	1,169,793	633,900	283,560	1,251,365	10,080	—	4,283,315
Current period gross charge-offs	—	—	—	—	—	122	—	—	122
Home Equity Line									
FICO:									
740 and greater	—	—	—	—	—	—	964,932	1,511	966,443
680 - 739	—	—	—	—	—	—	151,716	1,920	153,636
620 - 679	—	—	—	—	—	—	36,541	1,189	37,730
550 - 619	—	—	—	—	—	—	9,896	1,012	10,908
Less than 550	—	—	—	—	—	—	4,488	100	4,588
No Score (3)	—	—	—	—	—	—	1,283	—	1,283
Total Home Equity Line	—	—	—	—	—	—	1,168,856	5,732	1,174,588
Current period gross charge-offs	—	—	—	—	—	—	273	19	292
Total Residential Lending	$ 278,361	$ 656,256	$ 1,169,793	$ 633,900	$ 283,560	$ 1,251,365	$ 1,178,936	$ 5,732	$ 5,457,903
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 122	$ 273	$ 19	$ 414
Consumer Lending									
FICO:									
740 and greater	92,117	128,358	76,148	33,507	21,819	8,970	123,592	155	484,666
680 - 739	68,865	71,031	37,925	17,116	13,270	5,690	76,645	401	290,943
620 - 679	28,533	29,229	16,919	7,843	7,972	4,624	35,210	781	131,111
550 - 619	4,996	10,859	7,760	4,917	4,651	2,986	13,223	925	50,317
Less than 550	1,790	6,370	4,842	2,796	2,905	2,040	5,222	455	26,420
No Score (3)	1,545	229	—	—	1	10	42,933	136	44,854
Other (2)	361	368	982	335	1,059	1	78,484	—	81,590
Total Consumer Lending	$ 198,207	$ 246,444	$ 144,576	$ 66,514	$ 51,677	$ 24,321	$ 375,309	$ 2,853	$ 1,109,901
Current period gross charge-offs	$ 639	$ 2,400	$ 2,135	$ 1,142	$ 1,816	$ 2,622	$ 5,790	$ 566	$ 17,110
Total Loans and Leases	$ 1,243,109	$ 2,491,897	$ 2,678,220	$ 1,169,781	$ 1,122,038	$ 2,950,761	$ 2,685,919	$ 11,772	$ 14,353,497
Current period gross charge-offs	$ 769	$ 2,470	$ 2,210	$ 1,229	$ 4,484	$ 5,696	$ 6,063	$ 585	$ 23,506

(1) Other credit quality indicators used for monitoring purposes are primarily FICO scores. The majority of the loans in this population were originated to borrowers with a prime FICO score.

(2) Other credit quality indicators used for monitoring purposes are primarily internal risk ratings. The majority of the loans in this population were graded with a "Pass" rating.

(3) No FICO scores are primarily related to loans and leases extended to non-residents. Loans and leases of this nature are primarily secured by collateral and/or are closely monitored for performance.

There were no loans and leases graded as Loss as of March 31, 2024 and December 31, 2023.

Past-Due Status

The Company continually updates its aging analysis for loans and leases to monitor the migration of loans and leases into past due categories. The Company considers loans and leases that are delinquent for 30 days or more to be past due. As of March 31, 2024 and December 31, 2023, the aging analysis of the amortized cost basis of the Company’s past due loans and leases was as follows:

	March 31, 2024						
	Past Due						Loans and Leases Past Due 90 Days or More and Still Accruing Interest
(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than or Equal to 90 Days Past Due	Total Past Due	Current	Total Loans and Leases	
Commercial and industrial	$ 1,713	$ 162	$ 1,470	$ 3,345	$ 2,186,530	$ 2,189,875	$ 529
Commercial real estate	—	—	2,953	2,953	4,298,347	4,301,300	—
Construction	—	—	606	606	971,911	972,517	606
Lease financing	—	—	—	—	394,009	394,009	—
Residential mortgage	1,857	2,742	5,406	10,005	4,232,497	4,242,502	359
Home equity line	2,996	894	2,827	6,717	1,159,061	1,165,778	—
Consumer	15,606	2,873	2,126	20,605	1,033,622	1,054,227	2,126
Total	$ 22,172	$ 6,671	$ 15,388	$ 44,231	$ 14,275,977	$ 14,320,208	$ 3,620

	December 31, 2023						
	Past Due						Loans and Leases Past Due 90 Days or More and Still Accruing Interest
(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than or Equal to 90 Days Past Due	Total Past Due	Current	Total Loans and Leases	
Commercial and industrial	$ 2,611	$ 349	$ 1,464	$ 4,424	$ 2,160,925	$ 2,165,349	$ 494
Commercial real estate	—	196	300	496	4,339,747	4,340,243	300
Construction	25,191	—	—	25,191	875,101	900,292	—
Lease financing	—	—	—	—	379,809	379,809	—
Residential mortgage	5,244	1,475	4,720	11,439	4,271,876	4,283,315	—
Home equity line	5,940	624	3,550	10,114	1,164,474	1,174,588	—
Consumer	23,259	3,897	2,702	29,858	1,080,043	1,109,901	2,702
Total	$ 62,245	$ 6,541	$ 12,736	$ 81,522	$ 14,271,975	$ 14,353,497	$ 3,496

Nonaccrual Loans and Leases

The Company generally places a loan or lease on nonaccrual status when management believes that collection of principal or interest has become doubtful or when a loan or lease becomes 90 days past due as to principal or interest, unless it is well secured and in the process of collection. The Company charges off a loan or lease when facts indicate that the loan or lease is considered uncollectible.

The amortized cost basis of loans and leases on nonaccrual status as of March 31, 2024 and December 31, 2023 and the amortized cost basis of loans and leases on nonaccrual status with no ACL as of March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024	
(dollars in thousands)	Nonaccrual Loans and Leases With No Allowance for Credit Losses	Nonaccrual Loans and Leases
Commercial and industrial	$ —	$ 942
Commercial real estate	2,685	2,953
Residential mortgage	3,297	7,777
Home equity line	1,150	6,345
Total Nonaccrual Loans and Leases	$ 7,132	$ 18,017

(dollars in thousands)	December 31, 2023 Nonaccrual Loans and Leases With No Allowance for Credit Losses	Nonaccrual Loans and Leases
Commercial and industrial	$ —	$ 970
Commercial real estate	2,685	2,953
Residential mortgage	2,667	7,620
Home equity line	1,163	7,052
Total Nonaccrual Loans and Leases	$ 6,515	$ 18,595

For the three months ended March 31, 2024, the Company recognized interest income of $0.2 million on nonaccrual loans and leases and for the three months ended March 31, 2023, the Company recognized interest income of $0.1 million on nonaccrual loans and leases. Furthermore, for both the three months ended March 31, 2024 and 2023, the amount of accrued interest receivables written off by reversing interest income was $0.2 million.

Collateral-Dependent Loans and Leases

Collateral-dependent loans and leases are those for which repayment (on the basis of the Company’s assessment as of the reporting date) is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. As of March 31, 2024 and December 31, 2023, the amortized cost basis of collateral-dependent loans were $32.5 million and $11.1 million, respectively. As of March 31, 2024, these loans were primarily collateralized by residential real estate property and borrower assets and the fair value of collateral on substantially all collateral-dependent loans were significantly in excess of their amortized cost basis. As of December 31, 2023, these loans were primarily collateralized by residential real estate property and the fair value of collateral on substantially all collateral-dependent loans were significantly in excess of their amortized cost basis.

Loan Modifications to Borrowers Experiencing Financial Difficulty

Commercial and industrial loans with a borrower experiencing financial difficulty may be modified through interest rate reductions, term extensions, and converting revolving credit lines to term loans. Modifications of commercial real estate and construction loans with a borrower experiencing financial difficulty may involve reducing the interest rate for the remaining term of the loan or extending the maturity date at an interest rate lower than the current market rate for new debt with similar risk. Modifications of construction loans with a borrower experiencing financial difficulty may also involve extending the interest-only payment period. Interest continues to accrue on the missed payments and as a result, the effective yield on the loan remains unchanged. Modifications of residential real estate loans with a borrower experiencing financial difficulty may be comprised of loans where monthly payments are lowered to accommodate the borrowers' financial needs for a period of time, including extended interest-only periods and reamortization of the balance. Modifications of consumer loans with a borrower experiencing financial difficulty may involve interest rate reductions and term extensions.

Loans modified with a borrower experiencing financial difficulty, whether in default or not, may already be on nonaccrual status and in some cases, partial charge-offs may have already been taken against the outstanding loan balance. Loans modified with a borrower experiencing financial difficulty are evaluated for impairment. As a result, this may have a financial effect of impacting the specific ACL associated with the loan. An ACL for impaired commercial loans, including commercial real estate and construction loans, is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or if the loan is collateral-dependent, the estimated fair value of the collateral, less any selling costs. An ACL for impaired residential real estate loans is measured based on the estimated fair value of the collateral, less any selling costs. Management exercises significant judgment in developing these estimates.

The following tables present, by class of financing receivable and type of modification granted, the amortized cost basis as of March 31, 2024 and 2023, related to loans modified to borrowers experiencing financial difficulty during the three months ended March 31, 2024 and 2023, respectively:

	Interest Rate Reduction			
	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
(dollars in thousands)	Amortized Cost Basis(1)	% of Total Class of Financing Receivable	Amortized Cost Basis(1)	% of Total Class of Financing Receivable
Commercial real estate	$ —	— %	$ 4	n/m %
Consumer	628	0.06	358	0.03
Total	$ 628	n/m %	$ 362	n/m %

n/m – Represents less than 0.01% of total class of financing receivable.
(1) The amortized cost basis reflects all partial paydowns and charge-offs since the modification date and do not include loans modified to borrowers experiencing financial difficulty that have been fully paid off, charged off, or foreclosed upon by the end of the period.

	Term Extension			
	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
(dollars in thousands)	Amortized Cost Basis(1)	% of Total Class of Financing Receivable	Amortized Cost Basis(1)	% of Total Class of Financing Receivable
Commercial and industrial	$ 199	0.01 %	$ 96	n/m %
Construction	—	—	231	0.03
Residential mortgage	310	0.01	34	n/m
Consumer	118	0.01	71	0.01
Total	$ 627	n/m %	$ 432	n/m %

n/m – Represents less than 0.01% of total class of financing receivable.
(1) The amortized cost basis reflects all partial paydowns and charge-offs since the modification date and do not include loans modified to borrowers experiencing financial difficulty that have been fully paid off, charged off, or foreclosed upon by the end of the period.

	Other-Than-Insignificant Payment Delay			
	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
(dollars in thousands)	Amortized Cost Basis(1)	% of Total Class of Financing Receivable	Amortized Cost Basis(1)	% of Total Class of Financing Receivable
Residential mortgage	$ 1,260	0.03 %	$ —	— %
Total	$ 1,260	n/m %	$ —	— %

n/m – Represents less than 0.01% of total class of financing receivable.
(1) The amortized cost basis reflects all partial paydowns and charge-offs since the modification date and do not include loans modified to borrowers experiencing financial difficulty that have been fully paid off, charged off, or foreclosed upon by the end of the period.

The following tables describe, by class of financing receivable and type of modification granted, the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2024 and 2023.

	Interest Rate Reduction Financial Effect	
	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Commercial real estate	—	Reduced weighted-average contractual interest rate by 0.75%.
Consumer	**Reduced weighted-average contractual interest rate by 13.55%.**	Reduced weighted-average contractual interest rate by 13.51%.

	Term Extension Financial Effect	
	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Commercial and industrial	**Added a weighted-average 3.8 years to the life of loans.**	Added a weighted-average 3.0 years to the life of loans.
Construction	—	Added a weighted-average 2.9 years to the life of loans.
Residential mortgage	**Added a weighted-average 1.0 years to the life of loans.**	Added a weighted-average 5.9 years to the life of loans.
Consumer	**Added a weighted-average 4.2 years to the life of loans.**	Added a weighted-average 4.6 years to the life of loans.

	Other-Than-Insignificant Payment Delay Financial Effect	
	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Residential mortgage	**Deferred an average of $172 thousand in loan payments.**	—

The following table presents, by class of financing receivable and type of modification granted, the amortized cost basis, as of March 31, 2024 and 2023, of loans that had a payment default during the three months ended March 31, 2024 and 2023, respectively, and were modified in the 12 months before default to borrowers experiencing financial difficulty. The Company is reporting these defaulted loans based on a payment default definition of 30 days past due:

	Amortized Cost Basis of Modified Loans That Subsequently Defaulted(1)			
	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
(dollars in thousands)	Interest Rate Reduction	Term Extension	Interest Rate Reduction	Term Extension
Consumer	**$ 300**	**$ 7**	$ 10	$ —
Total	**$ 300**	**$ 7**	$ 10	$ —

(1) The amortized cost basis reflects all partial paydowns and charge-offs since the modification date and do not include loans modified to borrowers experiencing financial difficulty that have been fully paid off, charged off, or foreclosed upon by the end of the period.

Performance of the loans that are modified to borrowers experiencing financial difficulty is monitored to understand the effectiveness of the Company's modification efforts. As of March 31, 2024 and 2023, the aging analysis of the amortized cost basis of the performance of loans that have been modified in the last 12 months related to borrowers experiencing financial difficulty was as follows:

	March 31, 2024					
	Past Due					
(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than or Equal to 90 Days Past Due	Total Past Due	Current	Total
Commercial and industrial	**$ —**	**$ —**	**$ —**	**$ —**	**$ 467**	**$ 467**
Commercial real estate	**—**	**—**	**—**	**—**	**2,857**	**2,857**
Construction	**—**	**—**	**—**	**—**	**657**	**657**
Residential mortgage	**—**	**—**	**—**	**—**	**1,570**	**1,570**
Consumer	**96**	**86**	**22**	**204**	**1,407**	**1,611**
Total	**$ 96**	**$ 86**	**$ 22**	**$ 204**	**$ 6,958**	**$ 7,162**

	March 31, 2023					
	Past Due					
(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than or Equal to 90 Days Past Due	Total Past Due	Current	Total
Commercial and industrial	$ —	$ —	$ —	$ —	$ 96	$ 96
Commercial real estate	—	—	—	—	4	4
Construction	—	—	—	—	231	231
Residential mortgage	—	—	—	—	34	34
Consumer	9	—	—	9	420	429
Total	$ 9	$ —	$ —	$ 9	$ 785	$ 794

The Company had commitments to extend credit, standby letters of credit, and commercial letters of credit totaling $6.5 billion as of both March 31, 2024 and December 31, 2023. Of the $6.5 billion at March 31, 2024, there were no commitments to lend additional funds to borrowers experiencing financial difficulty for which the Company had modified the terms of the loans in the form of an interest rate reduction, term extension, or other-than-insignificant payment delay during the three months ended March 31, 2024. Of the $6.5 billion at December 31, 2023, there were commitments of $5.0 million to lend additional funds to borrowers experiencing financial difficulty for which the Company had modified the terms of the loans in the form of an interest rate reduction or a term extension during the year ended December 31, 2023.

Foreclosed Property

As of both March 31, 2024 and December 31, 2023, there were no residential real estate properties held from foreclosed residential mortgage loans.

5. Other Assets

Bank-Owned Life Insurance

During the three months ended March 31, 2024, the Company entered into a noncash exchange of certain bank-owned life insurance ("BOLI") policies in accordance with Internal Revenue Code ("IRC") Section 1035. Policies of $65.3 million were transferred into new policies during this period. No gain or loss was recognized as part of this exchange. There were no policies exchanged during the three months ended March 31, 2023.

Mortgage Servicing Rights

Mortgage servicing activities include collecting principal, interest, tax, and insurance payments from borrowers while accounting for and remitting payments to investors, taxing authorities, and insurance companies. The Company also monitors delinquencies and administers foreclosure proceedings.

Mortgage loan servicing income is recorded in noninterest income as a part of other service charges and fees and amortization of the servicing assets is recorded in noninterest income as part of other income. The Company's maximum potential exposure to repurchases is limited to the unpaid principal amount of residential real estate loans serviced for others, which was $1.3 billion as of both March 31, 2024 and December 31, 2023. Servicing fees include contractually specified fees, late charges, and ancillary fees and were $0.8 million and $0.9 million for the three months ended March 31, 2024 and 2023, respectively.

Amortization of mortgage servicing rights ("MSRs") was $0.3 million for both three months ended March 31, 2024 and 2023. The estimated future amortization expenses for MSRs over the next five years are as follows:

(dollars in thousands)	Estimated Amortization
Under one year	**$ 811**
One to two years	**720**
Two to three years	**637**
Three to four years	**561**
Four to five years	**497**

The details of the Company's MSRs are presented below:

(dollars in thousands)	March 31, 2024	December 31, 2023
Gross carrying amount	**$ 69,612**	$ 69,515
Less: accumulated amortization	**64,079**	63,816
Net carrying value	**$ 5,533**	$ 5,699

The following table presents changes in amortized MSRs for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Three Months Ended March 31, 2024	2023
Balance at beginning of period	**$ 5,699**	$ 6,562
Originations	**97**	17
Amortization	**(263)**	(280)
Balance at end of period	**$ 5,533**	$ 6,299
Fair value of amortized MSRs at beginning of period	**$ 14,308**	$ 15,193
Fair value of amortized MSRs at end of period	**$ 14,071**	$ 15,169

MSRs are evaluated for impairment if events and circumstances indicate a possible impairment. No impairment of MSRs was recorded for the three months ended March 31, 2024 and 2023.

The quantitative assumptions used in determining the lower of cost or fair value of the Company's MSRs as of March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024 Range		March 31, 2024 Weighted Average	December 31, 2023 Range		December 31, 2023 Weighted Average
Conditional prepayment rate	**6.98 % -**	**11.34 %**	**7.08 %**	6.87 % -	11.53 %	7.04 %
Life in years (of the MSR)	**4.28 -**	**7.18**	**7.05**	4.30 -	7.22	7.09
Weighted-average coupon rate	**3.63 % -**	**5.75 %**	**3.75 %**	3.57 % -	5.81 %	3.73 %
Discount rate	**10.27 % -**	**10.58 %**	**10.52 %**	10.40 % -	10.60 %	10.52 %

The sensitivities surrounding MSRs are expected to have an immaterial impact on fair value.

Low-Income Housing Tax Credit Investments

The Company has a limited partnership interest or is a member in a limited liability company ("LLC") in several low-income housing partnerships. These partnerships or LLCs provide funds for the construction and operation of apartment complexes that provide affordable housing to that segment of the population with lower family income. If these developments successfully attract a specified percentage of residents falling in that lower income range, state and/or federal income tax credits are made available to the partners or members. The tax credits are generally recognized over 5 or 10 years. In order to continue receiving the tax credits each year over the life of the partnership or LLC, the low-income residency targets must be maintained.

The Company generally accounts for its interests in these low-income housing partnerships using the proportional amortization method. The Company had $207.4 million and $206.9 million in affordable housing and other tax credit investment partnership interests as of March 31, 2024 and December 31, 2023, respectively, included in other assets on the unaudited interim consolidated balance sheets. The amount of amortization of such investments reported in the provision for income taxes was $7.7 million and $6.1 million during the three months ended March 31, 2024 and 2023, respectively. The affordable housing tax credits and other benefits recognized during the three months ended March 31, 2024 and 2023 were $9.6 million and $7.4 million, respectively, included in the provision for income taxes on the unaudited interim consolidated statements of income and net income on the unaudited interim consolidated statements of cash flows.

Unfunded commitments to fund these investments were $77.2 million and $80.7 million as of March 31, 2024 and December 31, 2023, respectively. These unfunded commitments are unconditional and legally binding and are recorded in other liabilities in the unaudited interim consolidated balance sheets.

6. Transfers of Financial Assets

The Company's transfers of financial assets with continuing interest may include pledges of collateral to secure public deposits and repurchase agreements, FHLB and FRB borrowing capacity, automated clearing house ("ACH") transactions and interest rate swaps.

For public deposits and repurchase agreements, the Company enters into bilateral agreements with the entity to pledge investment securities as collateral in the event of default. The right of setoff for a repurchase agreement resembles a secured borrowing, whereby the collateral pledged by the Company would be used to settle the fair value of the repurchase agreement should the Company be in default. The counterparty has the right to sell or repledge the investment securities. The Company is required by the counterparty to maintain adequate collateral levels. In the event the collateral fair value falls below stipulated levels, the Company will pledge additional investment securities. For transfers of assets with the FHLB and the FRB, the Company enters into bilateral agreements to pledge loans and/or securities as collateral to secure borrowing capacity. For ACH transactions, the Company enters into bilateral agreements to collateralize possible daylight overdrafts. For interest rate swaps, the Company enters into bilateral agreements to pledge collateral when either party is in a negative fair value position to mitigate counterparty credit risk. Counterparties to ACH transactions, certain interest rate swaps, the FHLB and the FRB do not have the right to sell or repledge the collateral.

The carrying amounts of the assets pledged as collateral to secure public deposits, borrowing arrangements and other transactions as of March 31, 2024 and December 31, 2023 were as follows:

(dollars in thousands)	March 31, 2024	December 31, 2023
Public deposits	**$ 1,946,863**	$ 2,571,359
Federal Home Loan Bank	**5,000,994**	4,495,266
Federal Reserve Bank	**3,943,124**	4,074,093
ACH transactions	**135,443**	137,101
Interest rate swaps	**1,184**	575
Total	**$ 11,027,608**	$ 11,278,394

As the Company did not enter into reverse repurchase agreements or repurchase agreements, no collateral was accepted as of March 31, 2024 and December 31, 2023. In addition, no debt was extinguished by in-substance defeasance.

7. Deposits

As of March 31, 2024 and December 31, 2023, deposits were categorized as interest-bearing or noninterest-bearing as follows:

(dollars in thousands)	March 31, 2024	December 31, 2023
U.S.:		
Interest-bearing	**$ 12,451,100**	$ 12,731,915
Noninterest-bearing	**6,212,216**	6,609,483
Foreign:		
Interest-bearing	**1,169,828**	1,017,180
Noninterest-bearing	**836,337**	974,079
Total deposits	**$ 20,669,481**	$ 21,332,657

The following table presents the maturity distribution of time certificates of deposit as of March 31, 2024:

(dollars in thousands)	Under $250,000	$250,000 or More	Total
Three months or less	**$ 375,094**	**$ 513,230**	**$ 888,324**
Over three through six months	**742,247**	**472,846**	**1,215,093**
Over six through twelve months	**588,338**	**445,817**	**1,034,155**
One to two years	**54,414**	**12,867**	**67,281**
Two to three years	**28,830**	**2,448**	**31,278**
Three to four years	**22,977**	**6,826**	**29,803**
Four to five years	**17,156**	**571**	**17,727**
Thereafter	**384**	**—**	**384**
Total	**$ 1,829,440**	**$ 1,454,605**	**$ 3,284,045**

Time certificates of deposit in denominations of $250,000 or more, in the aggregate, were $1.5 billion and $1.8 billion as of March 31, 2024 and December 31, 2023, respectively. Overdrawn deposit accounts are classified as loans and totaled $1.9 million and $2.5 million as of March 31, 2024 and December 31, 2023, respectively.

8. Short-Term Borrowings

At March 31, 2024 and December 31, 2023, short-term borrowings were comprised of the following:

(dollars in thousands)	March 31, 2024	December 31, 2023
Short-term FHLB fixed-rate advances(1)	**$ 500,000**	$ 500,000
Total short-term borrowings	**$ 500,000**	$ 500,000

(1) Interest is payable monthly.

As of March 31, 2024 and December 31, 2023, the Company's short-term borrowings consisted of $500.0 million in short-term FHLB fixed-rate advances with a weighted average interest rate of 4.71% and maturity dates in September 2024. The FHLB fixed-rate advances require monthly interest-only payments with the principal amount due on the maturity date.

As of March 31, 2024 and December 31, 2023, the Company had a remaining line of credit of $2.9 billion and $2.5 billion, respectively, available from the FHLB. The FHLB borrowing capacity was secured by commercial real estate and residential real estate loan collateral as of both March 31, 2024 and December 31, 2023. As of March 31, 2024 and December 31, 2023, the Company had an undrawn line of credit of $3.2 billion and $3.3 billion, respectively, available from the FRB. The borrowing capacity with the FRB was secured by consumer, commercial and industrial, commercial real estate, residential real estate loans and pledged securities as of both March 31, 2024 and December 31, 2023. See "Note 6. Transfers of Financial Assets" for more information.

	Three Months Ended March 31,	
(dollars in thousands)	2024	2023
Federal funds purchased:		
Weighted-average interest rate at March 31,	**— %**	— %
Highest month-end balance	**$ —**	$ 150,000
Average outstanding balance	**$ —**	$ 67,056
Weighted-average interest rate paid	**— %**	4.43 %
Short-term FHLB repo advance:		
Weighted-average interest rate at March 31,	**— %**	5.00 %
Highest month-end balance	**$ —**	$ 250,000
Average outstanding balance	**$ —**	$ 52,778
Weighted-average interest rate paid	**— %**	5.02 %
Short-term FHLB fixed-rate advances:		
Weighted-average interest rate at March 31,	**4.71 %**	— %
Highest month-end balance	**$ 500,000**	$ —
Average outstanding balance	**$ 500,000**	$ —
Weighted-average interest rate paid	**4.79 %**	— %

9. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss is defined as the revenues, expenses, gains and losses that are included in comprehensive loss but excluded from net income. The Company's significant items of accumulated other comprehensive loss are pension and other benefits, net unrealized gains or losses on investment securities and net unrealized gains or losses on cash flow derivative hedges.

Changes in accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023 are presented below:

(dollars in thousands)	Pre-tax Amount	Income Tax Benefit (Expense)	Net of Tax
Accumulated other comprehensive loss at December 31, 2023	$ (723,100)	$ 192,890	$ (530,210)
Three months ended March 31, 2024			
Investment securities:			
Unrealized net losses arising during the period	**(3,432)**	**915**	**(2,517)**
Reclassification of net losses to net income:			
Amortization of unrealized holding losses on held-to-maturity securities	**11,160**	**(2,976)**	**8,184**
Net change in investment securities	**7,728**	**(2,061)**	**5,667**
Cash flow derivative hedges:			
Unrealized net losses arising during the period	**(713)**	**189**	**(524)**
Reclassification of net losses included in net income	**1,755**	**(468)**	**1,287**
Net change in cash flow derivative hedges	**1,042**	**(279)**	**763**
Other comprehensive income	**8,770**	**(2,340)**	**6,430**
Accumulated other comprehensive loss at March 31, 2024	**$ (714,330)**	**$ 190,550**	**$ (523,780)**

(dollars in thousands)	Pre-tax Amount	Income Tax Benefit (Expense)	Net of Tax
Accumulated other comprehensive loss at December 31, 2022	$ (871,813)	$ 232,559	$ (639,254)
Three months ended March 31, 2023			
Investment securities:			
Unrealized net gains arising during the period	25,038	(6,679)	18,359
Reclassification of net losses to net income:			
Amortization of unrealized holding losses on held-to-maturity securities	11,708	(3,123)	8,585
Net change in investment securities	36,746	(9,802)	26,944
Cash flow derivative hedges:			
Unrealized net losses arising during the period	(442)	118	(324)
Reclassification of net losses included in net income	1,303	(348)	955
Net change in cash flow derivative hedges	861	(230)	631
Other comprehensive income	37,607	(10,032)	27,575
Accumulated other comprehensive loss at March 31, 2023	$ (834,206)	$ 222,527	$ (611,679)

The following table summarizes changes in accumulated other comprehensive loss, net of tax, for the periods indicated:

(dollars in thousands)	Pensions and Other Benefits	Available-for-Sale Investment Securities	Held-to-Maturity Investment Securities	Cash Flow Derivative Hedges	Accumulated Other Comprehensive Loss
Three Months Ended March 31, 2024					
Balance at beginning of period	**$ (5,373)**	**$ (222,423)**	**$ (301,611)**	**$ (803)**	**$ (530,210)**
Other comprehensive (loss) income	**—**	**(2,517)**	**8,184**	**763**	**6,430**
Balance at end of period	**$ (5,373)**	**$ (224,940)**	**$ (293,427)**	**$ (40)**	**$ (523,780)**
Three Months Ended March 31, 2023					
Balance at beginning of period	$ (5,431)	$ (292,175)	$ (336,946)	$ (4,702)	$ (639,254)
Other comprehensive income	—	18,359	8,585	631	27,575
Balance at end of period	$ (5,431)	$ (273,816)	$ (328,361)	$ (4,071)	$ (611,679)

10. Regulatory Capital Requirements

Federal and state laws and regulations limit the amount of dividends the Company may declare or pay. The Company depends primarily on dividends from FHB as the source of funds for the Company's payment of dividends.

The Company and the Bank are subject to various regulatory capital requirements imposed by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's operating activities and financial condition. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of its assets and certain off-balance sheet items. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios of Common Equity Tier 1 ("CET1") capital, Tier 1 capital and total capital to risk-weighted assets, as well as a minimum leverage ratio.

The table below sets forth those ratios at March 31, 2024 and December 31, 2023:

	First Hawaiian, Inc.		First Hawaiian Bank		Minimum Capital	Well-Capitalized
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Ratio(1)	Ratio(1)
March 31, 2024:						
Common equity tier 1 capital to risk-weighted assets	**$ 2,040,871**	**12.55 %**	**$ 2,029,029**	**12.48 %**	**4.50 %**	**6.50 %**
Tier 1 capital to risk-weighted assets	**2,040,871**	**12.55 %**	**2,029,029**	**12.48 %**	**6.00 %**	**8.00 %**
Total capital to risk-weighted assets	**2,235,520**	**13.75 %**	**2,223,678**	**13.67 %**	**8.00 %**	**10.00 %**
Tier 1 capital to average assets (leverage ratio)	**2,040,871**	**8.80 %**	**2,029,029**	**8.75 %**	**4.00 %**	**5.00 %**
December 31, 2023:						
Common equity tier 1 capital to risk-weighted assets	$ 2,020,784	12.39 %	$ 2,006,393	12.30 %	4.50 %	6.50 %
Tier 1 capital to risk-weighted assets	2,020,784	12.39 %	2,006,393	12.30 %	6.00 %	8.00 %
Total capital to risk-weighted assets	2,212,922	13.57 %	2,198,531	13.48 %	8.00 %	10.00 %
Tier 1 capital to average assets (leverage ratio)	2,020,784	8.64 %	2,006,393	8.57 %	4.00 %	5.00 %

(1) As defined by the regulations issued by the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation ("FDIC").

Federal regulations require a 2.5% capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is composed entirely of CET1, on top of these minimum risk weighted asset ratios, effectively resulting in minimum ratios of (i) 7% CET1 to risk-weighted assets, (ii) 8.5% Tier 1 capital to risk-weighted assets, and (iii) 10.5% total capital to risk-weighted assets. As of March 31, 2024, under the bank regulatory capital guidelines, the Company and Bank were both classified as well-capitalized. Management is not aware of any conditions or events that have occurred since March 31, 2024, to change the capital adequacy category of the Company or the Bank.

11. Derivative Financial Instruments

The Company enters into derivative contracts primarily to manage its interest rate risk, as well as for customer accommodation purposes. Derivatives used for risk management purposes consist of interest rate swaps and collars that are designated as either a fair value hedge or a cash flow hedge. The derivatives are recognized on the unaudited interim consolidated balance sheets as either assets or liabilities at fair value. Derivatives entered into for customer accommodation purposes consist of various free-standing interest rate derivative products and foreign exchange contracts. The Company is party to master netting arrangements with its financial institution counterparties; however, the Company does not offset assets and liabilities under these arrangements for financial statement presentation purposes.

The following table summarizes the notional amounts and fair values of derivatives held by the Company as of March 31, 2024 and December 31, 2023:

	March 31, 2024			December 31, 2023		
		Fair Value			Fair Value	
(dollars in thousands)	Notional Amount	Asset Derivatives(1)	Liability Derivatives(2)	Notional Amount	Asset Derivatives(1)	Liability Derivatives(2)
Derivatives designated as hedging instruments:						
Interest rate swaps	**$ 266,563**	**$ 10,234**	**$ (58)**	$ 267,500	$ 10,861	$ (1,799)
Interest rate collars	**200,000**	**47**	**(43)**	200,000	703	—
Derivatives not designated as hedging instruments:						
Interest rate swaps	**2,708,933**	**2,740**	**(4,645)**	2,753,801	1,204	(521)
Visa derivative	**114,190**	**—**	**(2,300)**	107,548	—	(2,300)
Foreign exchange contracts	**800**	**—**	**—**	66	—	—

(1) The positive fair values of derivative assets are included in other assets.
(2) The negative fair values of derivative liabilities are included in other liabilities.

Certain interest rate swaps noted above, are cleared through clearinghouses, rather than directly with counterparties. Those transactions cleared through a clearinghouse require initial margin collateral and variation margin payments depending on the contracts being in a net asset or liability position. As of March 31, 2024 and December 31, 2023, the amount of initial margin cash collateral posted by the Company was $1.2 million and $0.6 million, respectively. As of March 31, 2024 and December 31, 2023, the variation margin was $1.9 million and $0.7 million, respectively.

As of March 31, 2024, the Company pledged $1.2 million in cash and received $35.0 million in cash as collateral for interest rate swaps. As of December 31, 2023, the Company pledged $0.6 million in cash and received $27.1 million in cash as collateral for interest rate swaps. As of March 31, 2024 and December 31, 2023, the cash collateral includes the excess initial margin for interest rate swaps cleared through clearinghouses and cash collateral for interest rate swaps with financial institution counterparties.

As of March 31, 2024 and December 31, 2023, the Company received $53.3 million and $40.9 million, respectively, in securities collateral for interest rate swaps, which is held in a custodial account and is not recorded on the Company's unaudited interim consolidated balance sheets.

Fair Value Hedges

To manage the risk related to the Company's net interest margin, interest rate swaps are utilized to hedge certain fixed-rate loans. These swaps have maturity, amortization and prepayment features that correspond to the loans hedged, and are designated and qualify as fair value hedges. Any gain or loss on the swaps, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, is recognized in current period earnings.

At March 31, 2024 and December 31, 2023, the Company carried one interest rate swap with a notional amount of $66.6 million and $67.5 million, respectively, which was designated and qualified as a fair value hedge for a commercial and industrial loan. As of March 31, 2024 and December 31, 2023, the interest rate swap had a positive fair value of $10.2 million and $10.9 million, respectively. The swap matures in 2041. The Company received a USD Federal Funds floating rate and paid a fixed rate of 2.07%.

The following table shows the gains and losses recognized in income related to derivatives in fair value hedging relationships for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Gains (losses) recognized in the consolidated statements of income line item	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Gains (losses) on fair value hedging relationships recognized in interest income:			
Recognized on interest rate swap	Loans and lease financing	**$ (627)**	$ 1,189
Recognized on hedged item	Loans and lease financing	**619**	(1,284)

As of March 31, 2024 and December 31, 2023, the following amounts were recorded in the unaudited interim consolidated balance sheets related to the cumulative basis adjustments for fair value hedges:

(dollars in thousands)	Carrying Amount of the Hedged Asset		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Asset	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Line item in the consolidated balance sheets in which the hedged item is included				
Loans and leases	**$ 56,273**	$ 56,592	**$ (10,289)**	$ (10,908)

Cash Flow Hedges

The Company utilized interest rate swaps to reduce asset sensitivity and enhance current yields associated with interest payments received on a pool of floating-rate loans. The Company entered into interest rate swaps paying floating rates and receiving fixed rates. The floating-rate index (Bloomberg Short-Term Bank Yield Index, or "BSBY") corresponded to the floating-rate nature of the interest receipts being hedged (based on USD Prime). The swaps provided an initial benefit to interest income as the Company received the higher fixed rate, which persisted while the floating rate remained below the swap's fixed rate. By hedging with interest rate swaps, the Company minimized the adverse impact on interest income previously associated with a low interest rate environment on floating-rate loans.

As of March 31, 2024 and December 31, 2023, the Company carried two interest rate swaps with notional amounts totaling $200.0 million, with a negative fair value totaling $0.1 million and $1.8 million, respectively. The swaps matured in April 2024. The Company received fixed rates ranging from 1.70% to 2.08% and paid 1-month BSBY.

The Company also utilized interest rate collars to manage interest rate risk and protect against downside risk in yields associated with interest payments received on a pool of floating-rate assets. The floating-rate index of the collars (Secured Overnight Financing Rate, or "SOFR") corresponds to the floating-rate nature of the interest receipts being hedged (based on SOFR). Interest rate collars involve the payments of variable-rate amounts if the collar index exceeds the cap strike rate on the contract and receipts of variable-rate amounts if the collar index falls below the floor strike rate on the contract. No payments are required if the collar index falls between the cap and floor rates. By hedging with interest rate collars, the Company mitigates the adverse impact on interest income associated with possible future decreases in interest rates.

As of March 31, 2024 and December 31, 2023, the Company carried two interest rate collars with notional amounts totaling $200.0 million. As of March 31, 2024, these interest rate collars had a positive fair value of nil and a negative fair value of nil. As of December 31, 2023, these interest rate collars had a positive fair value of $0.7 million. The collars mature in 2025 and 2027. The interest rate collars had a floor strike rate of 2.00% and cap strike rates ranging from 5.31% to 5.64%.

The interest rate swaps and collars are designated and qualify as cash flow hedges. To the extent that the hedge is considered highly effective, the gain or loss on the interest rate swaps and collars is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period that the hedged transaction affects earnings.

The following table summarizes the effect of cash flow hedging relationships for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Three Months Ended March 31, 2024	2023
Pretax net losses recognized in other comprehensive income on cash flow derivative hedges	**$ (713)**	$ (442)
Pretax net losses reclassified from accumulated other comprehensive income to interest income from loans and lease financing	**1,755**	1,303

The estimated net amount to be reclassified within the next 12 months out of accumulated other comprehensive income (loss) into earnings is nil as a decrease to interest income from loans and lease financing. As of March 31, 2024, the maximum length of time over which forecasted transactions are hedged is approximately four years.

Free-Standing Derivative Instruments

For the derivatives that are not designated as hedges, changes in fair value are reported in current period earnings. The following table summarizes the impact on pretax earnings of derivatives not designated as hedges, as reported on the unaudited interim consolidated statements of income for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Net losses recognized in the consolidated statements of income line item	Three Months Ended March 31, 2024	2023
Derivatives Not Designated As Hedging Instruments:			
Interest rate swaps	Other noninterest income	**$ (7)**	$ (378)
Visa derivative	Other noninterest income	**(1,476)**	(1,963)

As of March 31, 2024, the Company carried multiple interest rate swaps with notional amounts totaling $2.7 billion, all of which were related to the Company's customer swap program, with a positive fair value of $2.7 million and a negative fair value of $4.6 million. The Company received floating rates ranging from 1.89% to 8.33% and paid fixed rates ranging from 2.39% to 5.98%. The swaps mature between April 2024 and October 2043. As of December 31, 2023, the Company carried multiple interest rate swaps with notional amounts totaling $2.8 billion, all of which were related to the Company's customer swap program, with a positive fair value of $1.2 million and a negative fair value of $0.5 million. The Company received floating rates ranging from 5.84% to 8.34% and paid fixed rates ranging from 2.39% to 5.98%. These swaps resulted in net interest expense of nil during both the three months ended March 31, 2024 and 2023.

The Company's customer swap program is designed by offering customers a variable-rate loan that is swapped to fixed-rate through an interest rate swap. The Company simultaneously executes an offsetting interest rate swap with a swap dealer. Upfront fees on the dealer swap are recorded in other noninterest income and totaled nil and $0.1 million for the three months ended March 31, 2024 and 2023, respectively.

Visa Class B Restricted Shares

In 2016, the Company recorded a $22.7 million net realized gain related to the sale of 274,000 Visa Class B restricted shares. Concurrent with the sale of the Visa Class B restricted shares, the Company entered into a funding swap agreement with the buyer that requires payment to the buyer in the event Visa reduces each member bank's Class B conversion rate to unrestricted Class A common shares. During 2018 through 2023, Visa funded its litigation escrow account, thereby reducing each member bank's Class B conversion rate to unrestricted Class A common shares from 1.6483 to the current conversion rate of 1.5875. Under the terms of the funding swap agreement, the Company will make monthly payments to the buyer based on Visa's Class A stock price and the number of Visa Class B restricted shares that were sold until the date on which the covered litigation is settled. A derivative liability ("Visa derivative") of $2.3 million was included in the unaudited interim consolidated balance sheets at both March 31, 2024 and December 31, 2023, to provide for the fair value of this liability. There were no sales of these shares prior to 2016. See "Note 16. Fair Value" for more information.

Counterparty Credit Risk

By using derivatives, the Company is exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, the Company's counterparty credit risk is equal to the amount reported as a derivative asset, net of cash or other collateral received, and net of derivatives in a loss position with the same counterparty to the extent master netting arrangements exist. The Company minimizes counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. Counterparty credit risk related to derivatives is considered in determining fair value.

The Company's interest rate swap agreements include bilateral collateral agreements with collateral requirements, which begin with exposures in excess of $0.3 million. For each counterparty, the Company reviews the interest rate swap collateral daily. Collateral for customer interest rate swap agreements, calculated as the pledged asset less loan balance, requires valuation of the pledged asset. Counterparty credit risk adjustments of nil were recognized during both the three months ended March 31, 2024 and 2023.

Credit-Risk Related Contingent Features

Certain of the Company's derivative contracts contain provisions whereby if the Company's credit rating were to be downgraded by certain major credit rating agencies as a result of a merger or material adverse change in the Company's financial condition, the counterparty could require an early termination of derivative instruments. The aggregate fair value of all derivative instruments with such credit-risk related contingent features that are in a net liability position was nil at both March 31, 2024 and December 31, 2023, for which the Company posted nil in collateral in the normal course of business. If the Company's credit rating had been downgraded as of March 31, 2024 and December 31, 2023, the Company may have been required to settle the contracts in an amount equal to their fair value.

12. Commitments and Contingent Liabilities

Contingencies

Various legal proceedings are pending or threatened against the Company. After consultation with legal counsel, management does not expect that the aggregate liability, if any, resulting from these proceedings would have a material effect on the Company's unaudited interim consolidated financial position, results of operations or cash flows.

Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby and commercial letters of credit which are not reflected in the unaudited interim consolidated financial statements.

Unfunded Commitments to Extend Credit

A commitment to extend credit is a legally binding agreement to lend funds to a customer, usually at a stated interest rate and for a specified purpose. Commitments are reported net of participations sold to other institutions. Such commitments have fixed expiration dates and generally require a fee. The extension of a commitment gives rise to credit risk. The actual liquidity requirements or credit risk that the Company will experience is expected to be lower than the contractual amount of commitments to extend credit because a significant portion of those commitments are expected to expire without being drawn upon. Certain commitments are subject to loan agreements containing covenants regarding the financial performance of the customer that must be met before the Company is required to fund the commitment. The Company uses the same credit policies in making commitments to extend credit as it does in making loans. In addition, the Company manages the potential credit risk in commitments to extend credit by limiting the total amount of arrangements, both by individual customer and in the aggregate, by monitoring the size and expiration structure of these portfolios and by applying the same credit standards maintained for all of its related credit activities. Commitments to extend credit are reported net of participations sold to other institutions of $48.8 million and $61.8 million at March 31, 2024 and December 31, 2023, respectively.

Standby and Commercial Letters of Credit

Standby letters of credit are issued on behalf of customers in connection with contracts between the customers and third parties. Under standby letters of credit, the Company assures that the third parties will receive specified funds if customers fail to meet their contractual obligations. The credit risk to the Company arises from its obligation to make payment in the event of a customer's contractual default. Standby letters of credit are reported net of participations sold to other institutions of $6.3 million and $6.8 million at March 31, 2024 and December 31, 2023, respectively. The Company also had commitments for commercial and similar letters of credit. Commercial letters of credit are issued specifically to facilitate commerce whereby the commitment is typically drawn upon when the underlying transaction between the customer and a third-party is consummated. The maximum amount of potential future payments guaranteed by the Company is limited to the contractual amount of these letters. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Collateral held supports those commitments for which collateral is deemed necessary. The commitments outstanding as of March 31, 2024 have maturities ranging from April 2024 to May 2028. Substantially all fees received from the issuance of such commitments are deferred and amortized on a straight-line basis over the term of the commitment.

Financial instruments with off-balance sheet risk at March 31, 2024 and December 31, 2023 were as follows:

(dollars in thousands)	March 31, 2024	December 31, 2023
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	**$ 6,243,969**	$ 6,308,343
Standby letters of credit	**250,803**	234,102
Commercial letters of credit	**4,105**	3,629

Guarantees

The Company sells residential mortgage loans in the secondary market primarily to the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation that may potentially require repurchase under certain conditions. This risk is managed through the Company's underwriting practices. The Company services loans sold to investors and loans originated by other originators under agreements that may include repurchase remedies if certain servicing requirements are not met. This risk is managed through the Company's quality assurance and monitoring procedures. Management does not anticipate any material losses as a result of these transactions.

Foreign Exchange Contracts

The Company has forward foreign exchange contracts that represent commitments to purchase or sell foreign currencies at a future date at a specified price. The Company's utilization of forward foreign exchange contracts is subject to the primary underlying risk of movements in foreign currency exchange rates and to additional counterparty risk should its counterparties fail to meet the terms of their contracts. Forward foreign exchange contracts are utilized to mitigate the Company's risk to satisfy customer demand for foreign currencies and are not used for trading purposes. See "Note 11. Derivative Financial Instruments" for more information.

Reorganization Transactions

On April 1, 2016, a series of reorganization transactions were undertaken to facilitate FHI's initial public offering. In connection with the reorganization transactions, FHI distributed its interest in BancWest Holding Inc. ("BWHI"), including Bank of the West ("BOW") to BNP Paribas ("BNPP") so that BWHI was held directly by BNPP. As a result of the reorganization transactions that occurred on April 1, 2016, various tax or other contingent liabilities could arise related to the business of BOW, or related to the Company's operations prior to the restructuring when it was known as BancWest Corporation, including its then wholly owned subsidiary, BOW. The Company is not able to determine the ultimate outcome or estimate the amounts of these contingent liabilities, if any, at this time.

13. Revenue from Contracts with Customers

Revenue Recognition

In accordance with Topic 606, *Revenue from Contracts with Customers*, revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services that are promised within each contract and identifies those that contain performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Disaggregation of Revenue

The following table summarizes the Company's revenues, which includes net interest income on financial instruments and noninterest income, disaggregated by type of service and business segments for the periods indicated:

	Three Months Ended March 31, 2024			
(dollars in thousands)	Retail Banking	Commercial Banking	Treasury and Other	Total
Net interest income (expense)[1]	**$ 128,057**	**$ 45,381**	**$ (19,011)**	**$ 154,427**
Service charges on deposit accounts	**6,675**	**824**	**47**	**7,546**
Credit and debit card fees	**—**	**14,592**	**1,006**	**15,598**
Other service charges and fees	**6,938**	**398**	**570**	**7,906**
Trust and investment services income	**10,354**	**—**	**—**	**10,354**
Other	**220**	**1,148**	**2,640**	**4,008**
Not in scope of Topic 606[1]	**1,848**	**996**	**3,115**	**5,959**
Total noninterest income	**26,035**	**17,958**	**7,378**	**51,371**
Total revenue	**$ 154,092**	**$ 63,339**	**$ (11,633)**	**$ 205,798**

(1) Most of the Company's revenue is not within the scope of ASU No. 2014-09, *Revenue from Contracts with Customers*. The guidance explicitly excludes net interest income from financial assets and liabilities as well as other noninterest income from loans, leases, investment securities, derivative financial instruments and bank-owned life insurance.

	Three Months Ended March 31, 2023			
(dollars in thousands)	Retail Banking	Commercial Banking	Treasury and Other	Total
Net interest income[1]	$ 108,920	$ 40,939	$ 17,388	$ 167,247
Service charges on deposit accounts	6,541	626	64	7,231
Credit and debit card fees	—	14,414	1,296	15,710
Other service charges and fees	6,171	420	513	7,104
Trust and investment services income	9,614	—	—	9,614
Other	239	1,317	1,649	3,205
Not in scope of Topic 606[1]	1,702	1,111	3,346	6,159
Total noninterest income	24,267	17,888	6,868	49,023
Total revenue	$ 133,187	$ 58,827	$ 24,256	$ 216,270

(1) Most of the Company's revenue is not within the scope of ASU No. 2014-09, *Revenue from Contracts with Customers*. The guidance explicitly excludes net interest income from financial assets and liabilities as well as other noninterest income from loans, leases, investment securities, derivative financial instruments and bank-owned life insurance.

For the three months ended March 31, 2024 and 2023, substantially all of the Company’s revenues under the scope of Topic 606 were related to performance obligations satisfied at a point in time.

The following is a discussion of revenues within the scope of Topic 606.

Service Charges on Deposit Accounts

Service charges on deposit accounts relate to fees generated from a variety of deposit products and services rendered to customers. Charges include, but are not limited to, overdraft fees, non-sufficient fund fees, dormant fees and monthly service charges. Such fees are recognized concurrent with the event on a daily basis or on a monthly basis depending upon the customer’s cycle date.

Credit and Debit Card Fees

Credit and debit card fees primarily represent revenues earned from interchange fees, ATM fees and merchant processing fees. Interchange and network revenues are earned on credit and debit card transactions conducted with payment networks. ATM fees are primarily earned as a result of surcharges assessed to non-FHB customers who use an FHB ATM. Merchant processing fees are primarily earned on transactions in which FHB is the acquiring bank. Such fees are generally recognized concurrently with the delivery of services on a daily basis.

Trust and Investment Services Fees

Trust and investment services fees represent revenue earned by directing, holding and managing customers’ assets. Fees are generally computed based on a percentage of the previous period’s value of assets under management. The transaction price (i.e., percentage of assets under management) is established at the inception of each contract. Trust and investment services fees also include fees collected when the Company acts as agent or personal representative and executes security transactions, performs collection and disbursement of income, and completes investment management and other administrative tasks.

Other Fees

Other fees primarily include revenues generated from wire transfers, lockboxes, bank issuance of checks and insurance commissions. Such fees are recognized concurrent with the event or on a monthly basis.

Contract Balances

A contract liability is an entity’s obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. The Company received signing bonuses from two vendors in prior years, which are being amortized over the term of the respective contracts. As of March 31, 2024 and December 31, 2023, the Company had contract liabilities of $1.8 million and $1.9 million, respectively, which it expects to recognize over the remaining term of the respective contracts with the vendors. For the three months ended March 31, 2024, the Company’s recognized revenues increased and contract liabilities decreased by approximately $0.2 million due to the passage of time. For the three months ended March 31, 2023, the Company’s recognized revenues increased and contract liabilities decreased by approximately $0.2 million due to the passage of time. There were no changes in contract liabilities due to changes in transaction price estimates.

A contract asset is the right to consideration for transferred goods or services when the amount is conditioned on something other than the passage of time. As of March 31, 2024 and December 31, 2023, there were no material receivables from contracts with customers or contract assets recorded on the Company’s unaudited interim consolidated balance sheets.

Other

Except for the contract liabilities noted above, the Company did not have any significant performance obligations as of March 31, 2024 and December 31, 2023. The Company also did not have any material contract acquisition costs or use any significant judgments or estimates in recognizing revenue for financial reporting purposes.

14. Earnings per Share

For the three months ended March 31, 2024, the Company made no adjustments to net income for the purpose of computing earnings per share and there were 115,000 antidilutive securities. For the three months ended March 31, 2023, the Company made no adjustments to net income for the purpose of computing earnings per share and there were 221,000 antidilutive securities. For the three months ended March 31, 2024 and 2023, the computations of basic and diluted earnings per share were as follows:

(dollars in thousands, except shares and per share amounts)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Numerator:		
Net income	**$ 54,220**	$ 66,818
Denominator:		
Basic: weighted-average shares outstanding	**127,707,354**	127,453,820
Add: weighted-average equity-based awards	**510,335**	579,992
Diluted: weighted-average shares outstanding	**128,217,689**	128,033,812
Basic earnings per share	**$ 0.42**	$ 0.52
Diluted earnings per share	**$ 0.42**	$ 0.52

15. Noninterest Income and Noninterest Expense

Benefit Plans

The following table sets forth the components of net periodic benefit cost for the Company's pension and postretirement benefit plans for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Income line item where recognized in the consolidated statements of income	Pension Benefits 2024	Pension Benefits 2023	Other Benefits 2024	Other Benefits 2023
Three Months Ended March 31,					
Service cost	Salaries and employee benefits	**$ —**	$ —	**$ 137**	$ 147
Interest cost	Other noninterest expense	**1,906**	2,059	**211**	220
Expected return on plan assets	Other noninterest expense	**(878)**	(883)	**—**	—
Recognized net actuarial loss (gain)	Other noninterest expense	**503**	719	**(322)**	(379)
Total net periodic benefit cost		**$ 1,531**	$ 1,895	**$ 26**	$ (12)

Leases

The Company recognized operating lease income related to lease payments of $1.6 million for both the three months ended March 31, 2024 and 2023. In addition, the Company recognized $1.6 million and $1.8 million of lease income related to variable lease payments for the three months ended March 31, 2024 and 2023, respectively.

16. Fair Value

The Company determines the fair values of its financial instruments based on the requirements established in Accounting Standards Codification Topic 820 ("Topic 820"), *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Topic 820 defines fair value as the exit price, the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date under current market conditions.

Fair Value Hierarchy

Topic 820 establishes three levels of fair values based on the markets in which the assets or liabilities are traded and the reliability of the assumptions used to determine fair value. The levels are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability ("Company-level data"). Level 3 assets and liabilities include financial instruments whose value is determined using unobservable inputs to pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Topic 820 requires that the Company disclose estimated fair values for certain financial instruments. Financial instruments include such items as investment securities, loans, deposits, interest rate and foreign exchange contracts, swaps and other instruments as defined by the standard. The Company has an organized and established process for determining and reviewing the fair value of financial instruments reported in the Company's financial statements. The fair value measurements are reviewed to ensure they are reasonable and in line with market experience in similar asset and liability classes.

Additionally, the Company may be required to record at fair value other assets on a nonrecurring basis, such as collateral-dependent loans, other real estate owned, other customer relationships, and other intangible assets. These nonrecurring fair value adjustments typically involve the application of lower-of-cost-or-fair-value accounting or write-downs of individual assets.

Disclosure of fair values is not required for certain items such as lease financing, obligations for pension and other postretirement benefits, premises and equipment, prepaid expenses, deposit liabilities with no defined or contractual maturity, and income tax assets and liabilities.

Reasonable comparisons of fair value information with that of other financial institutions cannot necessarily be made because the standard permits many alternative calculation techniques, and numerous assumptions have been used to estimate the Company's fair values.

Valuation Techniques Used in the Fair Value Measurement of Assets and Liabilities Carried at Fair Value

For the assets and liabilities measured at fair value on a recurring basis (categorized in the valuation hierarchy table below), the Company applies the following valuation techniques:

Available-for-sale securities

Available-for-sale debt securities are recorded at fair value on a recurring basis. Fair value measurement is based on quoted prices, including estimates by third-party pricing services, if available. If quoted prices are not available, fair values are measured using proprietary valuation models that utilize market observable parameters from active market makers and inter-dealer brokers whereby securities are valued based upon available market data for securities with similar characteristics. Management reviews the pricing information received from the Company's third-party pricing service to evaluate the inputs and valuation methodologies used to place securities into the appropriate level of the fair value hierarchy and transfers of securities within the fair value hierarchy are made if necessary. On a monthly basis, management reviews the pricing information received from the third-party pricing service which includes a comparison to non-binding third-party broker quotes, as well as a review of market-related conditions impacting the information provided by the third-party pricing service. Management also identifies investment securities which may have traded in illiquid or inactive markets by identifying instances of a significant decrease in the volume or frequency of trades, relative to historical levels, as well as instances of a significant widening of the bid-ask spread in the brokered markets. The Company's third-party pricing service has also established processes for the Company to submit inquiries regarding quoted prices. Periodically, the Company will challenge the quoted prices provided by the third-party pricing service. The Company's third-party pricing service will review the inputs to the evaluation in light of the new market data presented by the Company. The Company's third-party pricing service may then affirm the original quoted price or may update the evaluation on a going forward basis. The Company classifies all available-for-sale securities as Level 2.

Derivatives

Most of the Company's derivatives are traded in over-the-counter markets where quoted market prices are not readily available. For those derivatives, the Company measures fair value on a recurring basis using proprietary valuation models that primarily use market observable inputs, such as yield curves, and option volatilities. The fair value of derivatives includes values associated with counterparty credit risk and the Company's own credit standing. The Company classifies these derivatives, included in other assets and other liabilities, as Level 2.

Concurrent with the sale of the Visa Class B restricted shares, the Company entered into an agreement with the buyer that requires payment to the buyer in the event Visa reduces each member bank's Class B conversion rate to unrestricted Class A common shares. During 2018 through 2023, Visa funded its litigation escrow account, thereby reducing each member bank's Class B conversion rate to unrestricted Class A common shares from 1.6483 to the current conversion rate of 1.5875. The Visa derivative of $2.3 million was included in the unaudited interim consolidated balance sheets at both March 31, 2024 and December 31, 2023, to provide for the fair value of this liability. The potential liability related to this funding swap agreement was determined based on management's estimate of the timing and the amount of Visa's litigation settlement and the resulting payments due to the counterparty under the terms of the contract. As such, the funding swap agreement is classified as Level 3 in the fair value hierarchy. The significant unobservable inputs used in the fair value measurement of the Company's funding swap agreement are the potential future changes in the conversion rate, expected term and growth rate of the market price of Visa Class A common shares. Material increases (or decreases) in any of those inputs may result in a significantly higher (or lower) fair value measurement.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023 are summarized below:

	Fair Value Measurements as of March 31, 2024			
(dollars in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
U.S. Treasury and government agency debt securities	$ —	$ 12,821	$ —	$ 12,821
Government-sponsored enterprises debt securities	—	19,629	—	19,629
Mortgage-backed securities:				
Residential - Government agency[1]	—	9,609	—	9,609
Residential - Government-sponsored enterprises[1]	—	753,385	—	753,385
Commercial - Government agency	—	213,394	—	213,394
Commercial - Government-sponsored enterprises	—	83,490	—	83,490
Commercial - Non-agency	—	22,110	—	22,110
Collateralized mortgage obligations:				
Government agency	—	452,163	—	452,163
Government-sponsored enterprises	—	353,061	—	353,061
Collateralized loan obligations	—	239,676	—	239,676
Total available-for-sale securities	—	2,159,338	—	2,159,338
Other assets[2]	216	13,021	—	13,237
Liabilities				
Other liabilities[3]	—	(4,746)	(2,300)	(7,046)
Total	$ 216	$ 2,167,613	$ (2,300)	$ 2,165,529

(1) Backed by residential real estate.

(2) Other assets classified as Level 1 include money market funds that have quoted prices in active markets and are related to the Company's deferred compensation plans. Other assets classified as Level 2 include derivative assets.

(3) Other liabilities include derivative liabilities.

(dollars in thousands)	Fair Value Measurements as of December 31, 2023 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
U.S. Treasury and government agency debt securities	$ —	$ 32,503	$ —	$ 32,503
Government-sponsored enterprises debt securities	—	19,592	—	19,592
Mortgage-backed securities:				
Residential - Government agency[1]	—	10,182	—	10,182
Residential - Government-sponsored enterprises[1]	—	783,297	—	783,297
Commercial - Government agency	—	218,674	—	218,674
Commercial - Government-sponsored enterprises	—	86,431	—	86,431
Commercial - Non-agency	—	21,683	—	21,683
Collateralized mortgage obligations:				
Government agency	—	471,150	—	471,150
Government-sponsored enterprises	—	363,970	—	363,970
Collateralized loan obligations	—	247,854	—	247,854
Total available-for-sale securities	—	2,255,336	—	2,255,336
Other assets[2]	517	12,768	—	13,285
Liabilities				
Other liabilities[3]	—	(2,320)	(2,300)	(4,620)
Total	$ 517	$ 2,265,784	$ (2,300)	$ 2,264,001

(1) Backed by residential real estate.
(2) Other assets classified as Level 1 include money market funds that have quoted prices in active markets and are related to the Company's deferred compensation plans. Other assets classified as Level 2 include derivative assets.
(3) Other liabilities include derivative liabilities.

For Level 3 assets and liabilities measured at fair value on a recurring or nonrecurring basis as of March 31, 2024 and December 31, 2023, the significant unobservable inputs used in the fair value measurements were as follows:

(dollars in thousands)	**Quantitative Information about Level 3 Fair Value Measurements at March 31, 2024** **Fair value**	**Valuation Technique**	**Significant Unobservable Input**	**Range**
Collateral-dependent loans	**$ 14,623**	**Financial Statement Values**	**Discounts to reflect estimated selling costs**	**0% - 50%**
Visa derivative	**$ (2,300)**	**Discounted Cash Flow**	**Expected Conversion Rate - 1.5875[1]**	**1.5289-1.5875**
			Expected Term - 6 months[2]	**n/m[2]**
			Growth Rate - 9%[3]	**-7% - 22%**

(dollars in thousands)	**Quantitative Information about Level 3 Fair Value Measurements at December 31, 2023** **Fair value**	**Valuation Technique**	**Significant Unobservable Input**	**Range**
Visa derivative	$ (2,300)	Discounted Cash Flow	Expected Conversion Rate - 1.5875[1]	1.5289-1.5875
			Expected Term - 5 months[2]	n/m[2]
			Growth Rate - 10%[3]	-6% - 25%

(1) Due to the uncertainty in the movement of the conversion rate, the current conversion rate as of the respective consolidated balance sheet dates was utilized in the fair value calculation.
(2) The expected terms are based on a May 2024 claim filing deadline and subsequent period for claims to be processed. As such, a range is not meaningful to disclose.
(3) The growth rate was based on the arithmetic average of analyst price targets.

Changes in Fair Value Levels

For the three months ended March 31, 2024 and 2023, there were no transfers between fair value hierarchy levels.

The changes in Level 3 liabilities measured at fair value on a recurring basis for the three months ended March 31, 2024 and 2023 are summarized below:

(dollars in thousands)	Visa Derivative 2024	Visa Derivative 2023
Three Months Ended March 31,		
Balance as of January 1,	**$ (2,300)**	$ (851)
Total net losses included in other noninterest income	**(1,476)**	(1,963)
Settlements	**1,476**	1,614
Balance as of March 31,	**$ (2,300)**	$ (1,200)
Total net losses included in net income attributable to the change in unrealized losses related to liabilities still held as of March 31,	**$ (1,476)**	$ (1,963)

Assets and Liabilities Carried at Other Than Fair Value

The following tables summarize for the periods indicated the estimated fair value of the Company's financial instruments that are not required to be carried at fair value on a recurring basis, excluding leases and deposit liabilities with no defined or contractual maturity.

	March 31, 2024				
		Fair Value Measurements			
(dollars in thousands)	Book Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets:					
Cash and cash equivalents	**$ 1,274,266**	**$ 202,121**	**$ 1,072,145**	**$ —**	**$ 1,274,266**
Investment securities held-to-maturity	**3,988,011**	**—**	**3,470,710**	**—**	**3,470,710**
Loans[1]	**13,926,199**	**—**	**—**	**13,250,470**	**13,250,470**
Financial liabilities:					
Time deposits[2]	**$ 3,284,045**	**$ —**	**$ 3,259,350**	**$ —**	**$ 3,259,350**
Short-term borrowings	**500,000**	**—**	**498,175**	**—**	**498,175**

	December 31, 2023				
		Fair Value Measurements			
(dollars in thousands)	Book Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets:					
Cash and cash equivalents	$ 1,739,897	$ 185,015	$ 1,554,882	$ —	$ 1,739,897
Investment securities held-to-maturity	4,041,449	—	3,574,856	—	3,574,856
Loans held for sale	190	—	192	—	192
Loans[1]	13,973,688	—	—	13,385,683	13,385,683
Financial liabilities:					
Time deposits[2]	$ 3,456,158	$ —	$ 3,432,330	$ —	$ 3,432,330
Short-term borrowings	500,000	—	495,306	—	495,306

(1) Excludes financing leases of $394.0 million at March 31, 2024 and $379.8 million at December 31, 2023.
(2) Excludes deposit liabilities with no defined or contractual maturity of $17.4 billion as of March 31, 2024 and $17.9 billion as of December 31, 2023.

Unfunded loan and lease commitments and letters of credit are not included in the tables above. As of both March 31, 2024 and December 31, 2023, the Company had $6.5 billion, of unfunded loan and lease commitments and letters of credit. The Company believes that a reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related reserve for unfunded commitments, which totaled $48.3 million and $49.8 million at March 31, 2024 and December 31, 2023, respectively. No active trading market exists for these instruments, and the estimated fair value does not include value associated with the borrower relationship. The Company does not estimate the fair values of certain unfunded loan and lease commitments that can be canceled by providing notice to the borrower. As Company-level data is incorporated into the fair value measurement, unfunded loan and lease commitments and letters of credit are classified as Level 3.

Valuation Techniques Used in the Fair Value Measurement of Assets and Liabilities Carried at the Lower of Cost or Fair Value

The Company applies the following valuation techniques to assets measured at the lower of cost or fair value:

Mortgage servicing rights

MSRs are carried at the lower of cost or fair value and are therefore subject to fair value measurements on a nonrecurring basis. The fair value of MSRs is determined using models which use significant unobservable inputs, such as estimates of prepayment rates, the resultant weighted average lives of the MSRs and the option-adjusted spread levels. Accordingly, the Company classifies MSRs as Level 3.

Collateral-dependent loans

Collateral-dependent loans are those for which repayment is expected to be provided substantially through the operation or sale of the collateral. These loans are measured at fair value on a nonrecurring basis using collateral values as a practical expedient. The fair values of collateral are primarily based on real estate appraisal reports prepared by third-party appraisers less estimated selling costs. The fair value of other collateral such as business assets is typically ascertained by assessing inventory listings and borrower's financial statements less estimated selling costs. The Company measures the estimated credit losses on collateral-dependent loans by performing a lower of cost or fair value analysis. If the estimated credit losses are determined by the value of the collateral, the net carrying amount is adjusted to fair value on a nonrecurring basis as Level 3 by recognizing an ACL.

Other real estate owned

The Company values these properties at fair value at the time the Company acquires them, which establishes their new cost basis. After acquisition, the Company carries such properties at the lower of cost or fair value less estimated selling costs on a nonrecurring basis. Fair value is measured on a nonrecurring basis using collateral values as a practical expedient. The fair values of collateral for other real estate owned are primarily based on real estate appraisal reports prepared by third-party appraisers less disposition costs, and are classified as Level 3.

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The Company may be required to record certain assets at fair value on a nonrecurring basis in accordance with GAAP. These assets are subject to fair value adjustments that result from the application of lower of cost or fair value accounting or write-downs of individual assets to fair value.

The following table provides the level of valuation inputs used to determine each fair value adjustment and the fair value of the related individual assets or portfolio of assets with fair value adjustments on a nonrecurring basis as of March 31, 2024:

(dollars in thousands)	Level 1	Level 2	Level 3
March 31, 2024			
Collateral-dependent loans	**$ —**	**$ —**	**$ 14,623**

Total expected credit losses recognized on collateral-dependent loans were $1.0 million for the three months ended March 31, 2024.

There were no assets with nonrecurring fair value adjustments held as of December 31, 2023. Additionally, there were no nonrecurring fair value adjustments for the three months ended March 31, 2023.

17. Reportable Operating Segments

The Company's operations are organized into three business segments – Retail Banking, Commercial Banking, and Treasury and Other. These segments reflect how discrete financial information is currently evaluated by the chief operating decision maker and how performance is assessed and resources allocated. The Company's internal management process measures the performance of these business segments. This process, which is not necessarily comparable with similar information for any other financial institution, uses various techniques to assign balance sheet and income statement amounts to the business segments, including allocations of income, expense, the provision for credit losses, and capital. This process is dynamic and requires certain allocations based on judgment and other subjective factors. Unlike financial accounting, there is no comprehensive authoritative guidance for management accounting that is equivalent to GAAP.

The net interest income of the business segments reflects the results of a funds transfer pricing process that matches assets and liabilities with similar interest rate sensitivity and maturity characteristics and reflects the allocation of net interest income related to the Company's overall asset and liability management activities on a proportionate basis. The basis for the allocation of net interest income is a function of the Company's assumptions that are subject to change based on changes in current interest rates and market conditions. Funds transfer pricing also serves to transfer interest rate risk to Treasury.

The Company allocates the provision for credit losses from the Treasury and Other business segment (which is comprised of many of the Company's support units) to the Retail and Commercial business segments. These allocations are based on direct costs incurred by the Retail and Commercial business segments.

Noninterest income and expense includes allocations from support units to the business segments. These allocations are based on actual usage where practicably calculated or by management's estimate of such usage. Income tax expense is allocated to each business segment based on the consolidated effective income tax rate for the period shown.

Business Segments

Retail Banking

Retail Banking offers a broad range of financial products and services to consumers and small businesses. Loan and lease products offered include residential and commercial mortgage loans, home equity lines of credit and loans, automobile loans and leases, secured and unsecured lines of credit, installment loans and small business loans and leases. Deposit products offered include checking, savings, and time deposit accounts. Retail Banking also offers wealth management services. Products and services from Retail Banking are delivered to customers through 50 banking locations throughout the State of Hawaii, Guam and Saipan.

Commercial Banking

Commercial Banking offers products that include corporate banking related products, commercial real estate loans, commercial lease financing, secured and unsecured lines of credit, automobile loans and auto dealer financing, business deposit products and credit cards. Commercial lending and deposit products are offered primarily to middle-market and large companies locally, nationally and internationally.

Treasury and Other

Treasury consists of corporate asset and liability management activities including interest rate risk management. The segment's assets and liabilities (and related interest income and expense) consist of interest-bearing deposits, investment securities, federal funds sold and purchased, government deposits, short- and long-term borrowings and bank-owned properties. The primary sources of noninterest income are from bank-owned life insurance, net gains from the sale of investment securities, foreign exchange income related to customer-driven cross-border wires for business and personal reasons and management of bank-owned properties. The net residual effect of the transfer pricing of assets and liabilities is included in Treasury, along with the elimination of intercompany transactions.

Other organizational units (Technology, Operations, Credit and Risk Management, Human Resources, Finance, Administration, Marketing, and Corporate and Regulatory Administration) provide a wide range of support to the Company's other income earning segments. Expenses incurred by these support units are charged to the business segments through an internal cost allocation process.

The following tables present selected business segment financial information for the periods indicated.

(dollars in thousands)	Retail Banking	Commercial Banking	Treasury and Other	Total
Three Months Ended March 31, 2024				
Net interest income (expense)	**$ 128,057**	**$ 45,381**	**$ (19,011)**	**$ 154,427**
(Provision) benefit for credit losses	**(3,379)**	**(3,713)**	**792**	**(6,300)**
Net interest income (expense) after (provision) benefit for credit losses	**124,678**	**41,668**	**(18,219)**	**148,127**
Noninterest income	**26,035**	**17,958**	**7,378**	**51,371**
Noninterest expense	**(76,640)**	**(25,685)**	**(26,488)**	**(128,813)**
Income (loss) before (provision) benefit for income taxes	**74,073**	**33,941**	**(37,329)**	**70,685**
(Provision) benefit for income taxes	**(17,928)**	**(7,273)**	**8,736**	**(16,465)**
Net income (loss)	**$ 56,145**	**$ 26,668**	**$ (28,593)**	**$ 54,220**

(dollars in thousands)	Retail Banking	Commercial Banking	Treasury and Other	Total
Three Months Ended March 31, 2023				
Net interest income	$ 108,920	$ 40,939	$ 17,388	$ 167,247
Provision for credit losses	(2,563)	(3,873)	(2,364)	(8,800)
Net interest income after provision for credit losses	106,357	37,066	15,024	158,447
Noninterest income	24,267	17,888	6,868	49,023
Noninterest expense	(75,843)	(27,770)	(14,954)	(118,567)
Income before provision for income taxes	54,781	27,184	6,938	88,903
Provision for income taxes	(13,266)	(6,330)	(2,489)	(22,085)
Net income	$ 41,515	$ 20,854	$ 4,449	$ 66,818

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

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the documents incorporated by reference herein, contains, and from time to time our management may make, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "might," "should," "could," "predict," "potential," "believe," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would," "annualized" and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. Statements that are not historical or current facts, are forward-looking statements, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

A number of important factors could cause our actual results to differ materially from those indicated in these forward-looking statements, including the following: current and future market and economic conditions generally or in Hawaii, Guam and Saipan in particular, including inflationary pressures and interest rate environment; our dependence on the real estate markets in which we operate; concentrated exposures to certain asset classes and individual obligors; the effect of changes in interest rates on our business, including our net interest income, net interest margin, the fair value of our investment securities, and our mortgage loan originations, mortgage servicing rights and mortgage loans held for sale; the future value of the investment securities that we own; the possibility of a deterioration in credit quality in our portfolio; the possibility we might underestimate the credit losses inherent in our loan and lease portfolio; our ability to attract and retain customer deposits; our inability to receive dividends from our bank, pay dividends to our common stockholders and satisfy obligations as they become due; our access to sources of liquidity and capital to address our liquidity needs; our ability to attract and retain skilled employees or changes in our management personnel; our ability to maintain our Bank's reputation; the effectiveness of our risk management and internal disclosure controls and procedures; the occurrence of fraudulent activity or effect of a material breach of, or disruption to, the security of any of our or our vendors' systems; the possibility of employee misconduct or mistakes; any failure or interruption of external vendors on which we rely; our ability to effectively compete with other financial services companies and the effects of competition in the financial services industry on our business; our ability to identify and address cybersecurity risks; risks associated with the sale of loans and with our use of appraisals in valuing and monitoring loans; the effects of the failure of any component of our business infrastructure provided by a third party; the possibility that actual results may differ from estimates and forecasts; fluctuations in the fair value of our assets and liabilities and off-balance sheet exposures; the geographic concentration of our business; our ability to keep pace with technological changes; the challenges posed by the development and use of artificial intelligence; our ability to successfully develop and commercialize new or enhanced products and services; changes in the demand for our products and services; the impact of, and changes in, applicable laws, regulations and accounting standards and policies; possible changes in trade, monetary and fiscal policies of, and other activities undertaken by, governments, agencies, central banks and similar organizations; the potential scrutiny of overdraft fees; our ability to continue to pay dividends on our common stock; the failure to comply with applicable laws or regulations; the failure to properly use and protect our customer and employee information and data; the risk of being subject to litigation and our likelihood of success in, and the impact of, litigation or regulatory actions; the potential for environmental liability; the effects of severe weather, geopolitical instability, including war, terrorist attacks, pandemics or other severe health emergencies and man-made natural disasters; the potential risks of climate change; contingent liabilities and unexpected tax liabilities that may be applicable to us as a result of the Reorganization Transactions; the potential anti-takeover effects of certain banking laws and certain provisions of our certificate of incorporation; and damage to our reputation from any of the factors described above.

The foregoing factors should not be considered an exhaustive list and should be read together with the risk factors and other cautionary statements included in our Annual Report on Form 10-K for the year ended December 31, 2023. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Company Overview

FHI is a bank holding company, which owns 100% of the outstanding common stock of FHB, its only direct, wholly owned subsidiary. FHB was founded in 1858 under the name Bishop & Company and was the first successful banking partnership in the Kingdom of Hawaii and the second oldest bank formed west of the Mississippi River. The Bank operates its business through three operating segments: Retail Banking, Commercial Banking and Treasury and Other.

References to “we,” “our,” “us,” or the “Company” refer to the Parent and its subsidiary that are consolidated for financial reporting purposes.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements of the Company reflect the results of operations, financial position and cash flows of FHI and its wholly owned subsidiary, FHB. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and accompanying notes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited interim consolidated financial statements reflect normal recurring adjustments necessary for a fair presentation of the results for the interim periods.

The accompanying unaudited interim consolidated financial statements of the Company should be read in conjunction with the audited consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 and filed with the U.S. Securities and Exchange Commission (the “SEC”).

Hawaii Economy

Hawaii’s economy remains relatively resilient in the wake of high consumer prices and the wildfires that struck, and continue to affect, the island of Maui in early August 2023. According to the State of Hawaii Department of Labor and Industrial Relations, the statewide seasonally adjusted unemployment rate decreased to 3.1% at March 31, 2024, compared to 3.5% at March 31, 2023. Nationally, the seasonally adjusted unemployment rate was 3.8% at March 31, 2024 compared to 3.5% at March 31, 2023.

Domestic visitor arrivals for the state continue to remain strong, with the average daily domestic passenger counts for the first three months of 2024 similar to the average daily passenger counts during the first three months of 2023, according to the Hawaii Tourism Authority. International visitor arrivals from Japan in the first three months of 2024 were the highest for a first calendar quarter in the last three years, but the recovery of arrivals from Japan to pre-pandemic levels remains slow due to the weak yen.

The housing market has remained relatively stable. According to the Honolulu Board of Realtors, the volume of single-family home sales increased by 6.1%, while condominium sales decreased by 7.1%, when comparing the first three months of 2024 with the same period in 2023. The median price of a single-family home sold on Oahu in the first three months of 2024 was $1,070,000, an increase of 4.4% from the same period in 2023. The median price of a condominium sold on Oahu in the first three months of 2024 was $505,000, an increase of 1.0% from the same period in 2023. As of March 31, 2024, months of inventory of single-family homes and condominiums on Oahu remained low at approximately 2.7 and 4.0 months, respectively.

State general excise and use tax revenues increased by 2.4% for the three months ended March 31, 2024 as compared to the same period in 2023, according to the Hawaii Department of Business, Economic Development & Tourism.

Effect of Recent Natural Disasters

In early August of 2023, wildfires swept across several areas of Maui, impacting residents in upcountry Maui and devastating the historic town of Lahaina. As part of the relief efforts, we contributed $250,000 to the Hawaii Community Foundation’s Maui Strong Fund and continue to offer various loan payment deferral options to our affected borrowers. Our operations on Maui also recovered quickly and we are in process of re-opening a temporary location for the Lahaina branch.

The outstanding balance of real estate-secured loans in the Maui fire zones totaled approximately $102 million as of March 31, 2024. We require our borrowers to maintain adequate levels of insurance, including fire insurance on residential mortgages. Although we are working closely with our resident and business borrowers to navigate the post-disaster period, there still remains a great deal of uncertainty regarding their recovery, including how long it will be before rebuilding can start, the amounts of available insurance coverage, the availability of government assistance for our borrowers in the long run or whether their longer-term ability to repay their loans has been diminished.

We also expect that the aftermath of the wildfires will continue to impact commercial activity throughout the island of Maui, but there remains much uncertainty as to how long it will take Maui to rebuild, return tourism to historic levels, and recover economically. Visitor counts to Maui in the first quarter of 2024 are up from August 2023, especially with the re-opening of West Maui in late 2023, but are still lower than in the first quarter of 2023 and before the COVID-19 pandemic in 2019.

Since there is significant uncertainty with respect to the full extent of the negative impacts of the wildfires, the Company’s estimates concerning the impact of the wildfires, including those with respect to the loan portfolio potentially impacted, are based on judgment as of the date of this report and subject to change as conditions evolve. We will continue to closely monitor the impact that the wildfires has on our customers and will adjust the means by which we assist our customers during this period of financial and emotional hardship.

Other Economic Developments

The closures and adverse developments affecting certain banks in the first half of 2023 resulted in heightened levels of market activity and volatility, as well as the potential for increased regulation and more stringent capital requirements going forward. In November 2023, the FDIC approved a final rule for a special assessment to replenish the deposit insurance fund following bank failures occurring earlier in the year. As a result, the Company previously recorded a related loss of $16.3 million in the fourth quarter of 2023. During the first quarter of 2024, the FDIC issued a notice that the original loss estimate related to the 2023 bank failures was subsequently increased and that this increase would result in an additional assessment expense to affected institutions. The Company estimated a related loss of $4.1 million, which was recorded in the first quarter of 2024. In light of ongoing economic and geopolitical uncertainties, we continue to carefully monitor our capital and liquidity positions.

As of March 31, 2024, the Company was “well-capitalized” and met all applicable regulatory capital requirements, including a Common Equity Tier 1 capital ratio of 12.55%, compared to the minimum requirement of 4.50%. For additional discussions regarding our capital and liquidity positions and related risks, refer to the sections titled “Liquidity and Capital Resources” and “Capital” in this MD&A.

Economic conditions and therefore our results of operations may be impacted by a variety of other factors as well, such as other natural disasters, an economic slowdown or recession, financial market volatility, supply chain disruptions, monetary and fiscal policy measures, heightened geopolitical tensions, fluctuations in interest rates and foreign currency exchange rates, the political and regulatory environment, changes to the U.S. Federal budget and potential changes in tax laws.

These and other key factors could impact our profitability in future reporting periods. See Item 1A. Risk Factors, beginning in the section captioned “Summary of Risk Factors,” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 28, 2024.

Selected Financial Data

Our financial highlights for the periods indicated are presented in Table 1:

Financial Highlights **Table 1**

(dollars in thousands, except per share data)	For the Three Months Ended March 31, 2024	2023
Income Statement Data:		
Interest income	**$ 244,952**	$ 213,545
Interest expense	**90,525**	46,298
Net interest income	**154,427**	167,247
Provision for credit losses	**6,300**	8,800
Net interest income after provision for credit losses	**148,127**	158,447
Noninterest income	**51,371**	49,023
Noninterest expense	**128,813**	118,567
Income before provision for income taxes	**70,685**	88,903
Provision for income taxes	**16,465**	22,085
Net income	**$ 54,220**	$ 66,818
Basic earnings per share	**$ 0.42**	$ 0.52
Diluted earnings per share	**$ 0.42**	$ 0.52
Basic weighted-average outstanding shares	**127,707,354**	127,453,820
Diluted weighted-average outstanding shares	**128,217,689**	128,033,812
Dividends declared per share	**$ 0.26**	$ 0.26
Dividend payout ratio	**61.90 %**	50.00 %
Other Financial Information / Performance Ratios[1]:		
Net interest margin	**2.91 %**	3.11 %
Efficiency ratio	**62.15 %**	54.46 %
Return on average total assets	**0.90 %**	1.10 %
Return on average tangible assets (non-GAAP)[2]	**0.94 %**	1.15 %
Return on average total stockholders' equity	**8.73 %**	11.78 %
Return on average tangible stockholders' equity (non-GAAP)[2]	**14.53 %**	20.78 %
Noninterest expense to average assets	**2.14 %**	1.96 %

(continued)

(continued) (dollars in thousands, except per share data)	March 31, 2024	December 31, 2023
Balance Sheet Data:		
Cash and cash equivalents	**$ 1,274,266**	$ 1,739,897
Investment securities available-for-sale	**2,159,338**	2,255,336
Investment securities held-to-maturity	**3,988,011**	4,041,449
Loans and leases	**14,320,208**	14,353,497
Allowance for credit losses for loans and leases	**159,836**	156,533
Goodwill	**995,492**	995,492
Total assets	**24,279,186**	24,926,474
Total deposits	**20,669,481**	21,332,657
Short-term borrowings	**500,000**	500,000
Total liabilities	**21,765,425**	22,440,408
Total stockholders' equity	**2,513,761**	2,486,066
Book value per share	**$ 19.66**	$ 19.48
Tangible book value per share (non-GAAP)[2]	**$ 11.88**	$ 11.68
Asset Quality Ratios:		
Non-accrual loans and leases / total loans and leases	**0.13 %**	0.13 %
Allowance for credit losses for loans and leases / total loans and leases	**1.12 %**	1.09 %
Net charge-offs / average total loans and leases[3]	**0.11 %**	0.09 %

Capital Ratios:	March 31, 2024	December 31, 2023
Common Equity Tier 1 Capital Ratio	**12.55 %**	12.39 %
Tier 1 Capital Ratio	**12.55 %**	12.39 %
Total Capital Ratio	**13.75 %**	13.57 %
Tier 1 Leverage Ratio	**8.80 %**	8.64 %
Total stockholders' equity to total assets	**10.35 %**	9.97 %
Tangible stockholders' equity to tangible assets (non-GAAP)[2]	**6.52 %**	6.23 %

(1) Except for the efficiency ratio, amounts are annualized for the three months ended March 31, 2024 and 2023.

(2) Return on average tangible assets, return on average tangible stockholders’ equity, tangible book value per share and tangible stockholders’ equity to tangible assets are non-GAAP financial measures. We compute our return on average tangible assets as the ratio of net income to average tangible assets. We compute our return on average tangible stockholders’ equity as the ratio of net income to average tangible stockholders’ equity. We compute our tangible book value per share as the ratio of tangible stockholders’ equity to outstanding shares. We compute our tangible stockholders’ equity to tangible assets as the ratio of tangible stockholders’ equity to tangible assets. We believe that these financial measures are useful for investors, regulators, management and others to evaluate financial performance and capital adequacy relative to other financial institutions. Although these non-GAAP financial measures are frequently used by shareholders in the evaluation of a company, they have limitations as analytical tools and should not be considered in isolation or as a substitute for analyses of results as reported under GAAP.

(3) Net charge-offs / average total loans and leases is annualized for the three months ended March 31, 2024.

The following table provides a reconciliation of these non-GAAP financial measures with their most closely related GAAP measures for the periods indicated:

GAAP to Non-GAAP Reconciliation **Table 2**

(dollars in thousands)	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Income Statement Data:		
Noninterest expense	**$ 128,813**	$ 118,567
Net income	**$ 54,220**	$ 66,818
Average total stockholders' equity	**$ 2,496,840**	$ 2,299,422
Less: average goodwill	**995,492**	995,492
Average tangible stockholders' equity	**$ 1,501,348**	$ 1,303,930
Average total assets	**$ 24,187,207**	$ 24,548,124
Less: average goodwill	**995,492**	995,492
Average tangible assets	**$ 23,191,715**	$ 23,552,632
Return on average total stockholders' equity[a]	**8.73 %**	11.78 %
Return on average tangible stockholders' equity (non-GAAP)[a]	**14.53 %**	20.78 %
Return on average total assets[a]	**0.90 %**	1.10 %
Return on average tangible assets (non-GAAP)[a]	**0.94 %**	1.15 %
Noninterest expense to average assets[a]	**2.14 %**	1.96 %

(dollars in thousands, except per share data)	As of March 31, 2024	As of December 31, 2023
Balance Sheet Data:		
Total stockholders' equity	**$ 2,513,761**	$ 2,486,066
Less: goodwill	**995,492**	995,492
Tangible stockholders' equity	**$ 1,518,269**	$ 1,490,574
Total assets	**$ 24,279,186**	$ 24,926,474
Less: goodwill	**995,492**	995,492
Tangible assets	**$ 23,283,694**	$ 23,930,982
Shares outstanding	**127,841,908**	127,618,761
Total stockholders' equity to total assets	**10.35 %**	9.97 %
Tangible stockholders' equity to tangible assets (non-GAAP)	**6.52 %**	6.23 %
Book value per share	**$ 19.66**	$ 19.48
Tangible book value per share (non-GAAP)	**$ 11.88**	$ 11.68

(a) Annualized for the three months ended March 31, 2024 and 2023.

Financial Highlights

Net income was $54.2 million for the three months ended March 31, 2024, a decrease of $12.6 million or 19% as compared to the same period in 2023. Basic and diluted earnings per share were both $0.42 per share for the three months ended March 31, 2024, a decrease of $0.10 per share or 19% as compared to the same period in 2023. The decrease in net income was primarily due to a $12.8 million decrease in net interest income and a $10.2 million increase in noninterest expense. This was partially offset by a $5.6 million decrease in the provision for income taxes, a $2.5 million decrease in the provision for credit losses (the "Provision") and a $2.3 million increase in noninterest income.

Our return on average total assets was 0.90% for the three months ended March 31, 2024, a decrease of 20 basis points from the same period in 2023, and our return on average total stockholders' equity was 8.73% for the three months ended March 31, 2024, a decrease of 305 basis points from the same period in 2023. Our return on average tangible assets was 0.94% for the three months ended March 31, 2024, a decrease of 21 basis points from the same period in 2023, and our return on average tangible stockholders' equity was 14.53% for the three months ended March 31, 2024, a decrease of 625 basis points from the same period in 2023, primarily due to lower net income driven by higher deposit funding costs. Our efficiency ratio was 62.15% for the three months ended March 31, 2024 compared to 54.46% for the same period in 2023.

Our results for the three months ended March 31, 2024 were highlighted by the following:

- Net interest income was $154.4 million for the three months ended March 31, 2024, a decrease of $12.8 million or 8% as compared to the same period in 2023. Our net interest margin was 2.91% for the three months ended March 31, 2024, a decrease of 20 basis points as compared to the same period in 2023. The decrease in net interest income, on a fully taxable-equivalent basis, was primarily due to higher deposit funding costs and lower average balances in our investment securities portfolio, partially offset by higher yields in our loan and lease portfolio and higher average balances in our interest-bearing deposits in other banks.

- The Provision was $6.3 million for the three months ended March 31, 2024, a decrease of $2.5 million or 28% as compared to the same period in 2023. The decrease in the Provision was primarily due to decreases in the provision for consumer loans and home equity lines and the provision for unfunded construction and home equity line commitments. This was partially offset by increases in the provision for commercial real estate loans, commercial and industrial loans and construction loans. The Provision is recorded to maintain the allowance for credit losses for loans and leases (the "ACL") and the reserve for unfunded commitments at levels deemed adequate to absorb lifetime expected credit losses in our loan and lease portfolio and unfunded loan and lease commitments as of the balance sheet date.

- Noninterest income was $51.4 million for the three months ended March 31, 2024, an increase of $2.3 million or 5% as compared to the same period in 2023. The increase in noninterest income was primarily due to a $1.5 million increase in other noninterest income, a $0.7 million increase in other service charges and fees and a $0.7 million increase in trust and investment services income, partially offset by a $0.8 million decrease in Bank-owned life insurance ("BOLI") income.

- Noninterest expense was $128.8 million for the three months ended March 31, 2024, an increase of $10.2 million or 9% compared to the same period in 2023. The increase in noninterest expense was primarily due to a $4.3 million increase in regulatory assessment and fees, of which $4.1 million was attributable to the updated assessment calculation during the first quarter of 2024 of the deposit insurance fund from the FDIC, a $3.7 million increase in equipment expense and a $3.2 million increase in salaries and employee benefits, partially offset by a $0.8 million decrease in occupancy expense.

For the three months ended March 31, 2024, we continued to maintain high levels of liquidity and adequate reserves for credit losses. We also remained well-capitalized. Common Equity Tier 1 ("CET1") was 12.55% as of March 31, 2024, an increase of 16 basis points from December 31, 2023. The increase in CET1 was primarily due to earnings for the three months ended March 31, 2024, partially offset by the dividends declared and paid to the Company's stockholders.

- Total loans and leases were $14.3 billion as of March 31, 2024, a decrease of $33.3 million or less than 1% from December 31, 2023. The decrease in total loans and leases was primarily due to decreases in consumer loans, residential real estate loans and commercial real estate loans, partially offset by increases in construction loans, commercial and industrial loans and lease financing.

- The ACL was $159.8 million as of March 31, 2024, an increase of $3.3 million or 2% from December 31, 2023. The ratio of our ACL to total loans and leases outstanding was 1.12% as of March 31, 2024, an increase of three basis points compared to December 31, 2023.

- Our investment portfolio is comprised of high-grade investment securities, primarily collateralized mortgage obligations issued by the Government National Mortgage Association ("Ginnie Mae"), the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") and mortgage-backed securities issued by Ginnie Mae, Freddie Mac, Fannie Mae, Municipal Housing Authorities and non-agency entities. The total carrying value of our investment securities portfolio was $6.1 billion as of March 31, 2024, a decrease of $149.4 million or 2% from December 31, 2023. Maturities and payments on investment securities were used to fund loan originations and offset the decline in deposits.

- Total deposits were $20.7 billion as of March 31, 2024, a decrease of $663.2 million or 3% from December 31, 2023. The decrease in total deposits was primarily due to a $535.0 million decrease in demand deposit balances, a $172.1 million decrease in time deposit balances and a $167.4 million decrease in savings deposit balances, partially offset by a $211.4 million increase in money market deposit balances.

- Total borrowings consisted of $500.0 million of short-term borrowings as of both March 31, 2024 and December 31, 2023. For information with respect to the financial terms of such advances, see "*Analysis of Financial Condition – Short-term Borrowings.*"

- Total stockholders' equity was $2.5 billion as of March 31, 2024, an increase of $27.7 million or 1% from December 31, 2023. The increase in stockholders' equity was primarily due to earnings for the period of $54.2 million and net unrealized gains in our investment securities portfolio, net of tax, of $5.7 million, partially offset by dividends declared and paid to the Company's stockholders of $33.2 million during the three months ended March 31, 2024.

Analysis of Results of Operations

Net Interest Income

For the three months ended March 31, 2024 and 2023, average balances, related income and expenses, on a fully taxable-equivalent basis, and resulting yields and rates are presented in Table 3. An analysis of the change in net interest income, on a fully taxable-equivalent basis, is presented in Table 4.

Average Balances and Interest Rates **Table 3**

(dollars in millions)	Three Months Ended March 31, 2024 Average Balance	Income/ Expense	Average Yield/ Rate	Three Months Ended March 31, 2023 Average Balance	Income/ Expense	Average Yield/ Rate
Earning Assets						
Interest-Bearing Deposits in Other Banks	**$ 858.6**	**$ 11.6**	**5.45 %**	$ 299.6	$ 3.4	4.60 %
Available-for-Sale Investment Securities						
Taxable	**2,210.6**	**14.5**	**2.63**	3,081.4	18.4	2.39
Non-Taxable	**1.8**	**—**	**5.61**	31.1	0.4	5.55
Held-to-Maturity Investment Securities						
Taxable	**3,416.4**	**14.6**	**1.71**	3,683.8	15.7	1.70
Non-Taxable	**603.4**	**4.0**	**2.65**	612.2	4.1	2.74
Total Investment Securities	**6,232.2**	**33.1**	**2.13**	7,408.5	38.6	2.09
Loans Held for Sale	**0.7**	**—**	**6.92**	0.1	—	5.53
Loans and Leases[(1)]						
Commercial and industrial	**2,164.9**	**37.2**	**6.92**	2,192.9	32.4	5.98
Commercial real estate	**4,323.5**	**70.1**	**6.53**	4,105.7	58.3	5.76
Construction	**924.7**	**17.4**	**7.55**	873.9	14.7	6.83
Residential:						
Residential mortgage	**4,264.1**	**42.0**	**3.94**	4,307.0	38.4	3.57
Home equity line	**1,172.1**	**12.0**	**4.13**	1,074.9	8.7	3.27
Consumer	**1,083.5**	**18.1**	**6.71**	1,213.5	17.2	5.75
Lease financing	**379.8**	**3.7**	**3.91**	311.4	3.1	4.10
Total Loans and Leases	**14,312.6**	**200.5**	**5.63**	14,079.3	172.8	4.96
Other Earning Assets	**77.8**	**1.2**	**5.90**	85.8	0.2	0.76
Total Earning Assets[(2)]	**21,481.9**	**246.4**	**4.61**	21,873.3	215.0	3.97
Cash and Due from Banks	**244.3**			286.1		
Other Assets	**2,461.0**			2,388.7		
Total Assets	**$ 24,187.2**			$ 24,548.1		
Interest-Bearing Liabilities						
Interest-Bearing Deposits						
Savings	**$ 6,059.7**	**$ 23.4**	**1.56 %**	$ 6,354.3	$ 13.9	0.89 %
Money Market	**3,944.9**	**28.8**	**2.94**	3,853.5	14.3	1.50
Time	**3,325.3**	**31.9**	**3.86**	2,515.6	15.1	2.44
Total Interest-Bearing Deposits	**13,329.9**	**84.1**	**2.54**	12,723.4	43.3	1.38
Federal Funds Purchased	**—**	**—**	**—**	67.1	0.7	4.43
Other Short-Term Borrowings	**500.0**	**6.0**	**4.79**	52.8	0.7	5.02
Long-Term Borrowings	**—**	**—**	**—**	105.5	1.2	4.52
Other Interest-Bearing Liabilities	**33.0**	**0.4**	**5.22**	42.8	0.4	4.27
Total Interest-Bearing Liabilities	**13,862.9**	**90.5**	**2.63**	12,991.6	46.3	1.45
Net Interest Income		**$ 155.9**			$ 168.7	
Interest Rate Spread[(3)]			**1.98 %**			2.52 %
Net Interest Margin[(4)]			**2.91 %**			3.11 %
Noninterest-Bearing Demand Deposits	**7,242.0**			8,745.2		
Other Liabilities	**585.5**			511.9		
Stockholders' Equity	**2,496.8**			2,299.4		
Total Liabilities and Stockholders' Equity	**$ 24,187.2**			$ 24,548.1		

(1) Non-performing loans and leases are included in the respective average loan and lease balances. Income, if any, on such loans and leases is recognized on a cash basis.
(2) Interest income includes taxable-equivalent basis adjustments of $1.5 million and $1.4 million for the three months ended March 31, 2024 and 2023, respectively.
(3) Interest rate spread is the difference between the average yield on earning assets and the average rate paid on interest-bearing liabilities, on a fully taxable-equivalent basis.
(4) Net interest margin is net interest income annualized for the three months ended March 31, 2024 and 2023, on a fully taxable-equivalent basis, divided by average total earning assets.

Analysis of Change in Net Interest Income **Table 4**

(dollars in millions)	Three Months Ended March 31, 2024 Compared to March 31, 2023 Volume	Rate	Total [1]
Change in Interest Income:			
Interest-Bearing Deposits in Other Banks	$ 7.5	$ 0.7	$ 8.2
Available-for-Sale Investment Securities			
Taxable	(5.6)	1.7	(3.9)
Non-Taxable	(0.4)	—	(0.4)
Held-to-Maturity Investment Securities			
Taxable	(1.2)	0.1	(1.1)
Non-Taxable	—	(0.1)	(0.1)
Total Investment Securities	(7.2)	1.7	(5.5)
Loans and Leases			
Commercial and industrial	(0.4)	5.2	4.8
Commercial real estate	3.3	8.5	11.8
Construction	1.0	1.7	2.7
Residential:			
Residential mortgage	(0.4)	4.0	3.6
Home equity line	0.8	2.5	3.3
Consumer	(1.9)	2.8	0.9
Lease financing	0.7	(0.1)	0.6
Total Loans and Leases	3.1	24.6	27.7
Other Earning Assets	—	1.0	1.0
Total Change in Interest Income	3.4	28.0	31.4
Change in Interest Expense:			
Interest-Bearing Deposits			
Savings	(0.7)	10.2	9.5
Money Market	0.3	14.2	14.5
Time	6.0	10.8	16.8
Total Interest-Bearing Deposits	5.6	35.2	40.8
Federal Funds Purchased	(0.3)	(0.4)	(0.7)
Other Short-term Borrowings	5.3	—	5.3
Long-term Borrowings	(0.6)	(0.6)	(1.2)
Other Interest-Bearing Liabilities	(0.1)	0.1	—
Total Change in Interest Expense	9.9	34.3	44.2
Change in Net Interest Income	$ (6.5)	$ (6.3)	$ (12.8)

(1) The change in interest income and expense not solely due to changes in volume or rate has been allocated on a pro-rata basis to the volume and rate columns.

Net interest income, on a fully taxable-equivalent basis, was $155.9 million for the three months ended March 31, 2024, a decrease of $12.8 million or 8% compared to the same period in 2023. Our net interest margin was 2.91% for the three months ended March 31, 2024, a decrease of 20 basis points from the same period in 2023. The decrease in net interest income, on a fully taxable-equivalent basis, was primarily due to higher deposit funding costs and lower average balances in our investment securities portfolio, partially offset by higher yields in our loan and lease portfolio and higher average balances in our interest-bearing deposits in other banks during the three months ended March 31, 2024, compared to the same period in 2023. Deposit funding costs were $84.1 million for the three months ended March 31, 2024, an increase of $40.8 million or 94% compared to the same period in 2023, primarily due to an increase in interest rates. Rates paid on our interest-bearing deposits were 2.54% for the three months ended March 31, 2024, an increase of 116 basis points compared to the same period in 2023, primarily due to increases in our money market, time and savings deposits. For the three months ended March 31, 2024, the average balance of our investment securities portfolio was $6.2 billion, a decrease of $1.2 billion or 16% as compared to the same period in 2023, primarily due to the sales, maturities and payments of investment securities in 2023. The yield on our loan and lease portfolio was 5.63% for the three months ended March 31, 2024, an increase of 67 basis points as compared to the same period in 2023. We experienced an increase in our yields from total loans and leases primarily due to increases in yields from our adjustable-rate commercial real estate loans and commercial and industrial loans, which are largely based on the Secured Overnight Financing Rate ("SOFR"). For the three months ended March 31, 2024, the average balance of our interest-bearing deposits in other banks was $858.6 million, an increase of $559.0 million as compared to the same period in 2023.

The Federal Reserve influences the general market rates of interest, including the deposit and loan rates offered by many financial institutions. Our loan portfolio is affected by changes in the prime interest rate. The prime rate began in 2023 at 7.50% and increased 100 basis points (25 basis points each in February, March, May and July) to end the year at 8.50%, where it remained as at the end of the first quarter of 2024. As noted above, our loan portfolio is also impacted by changes in the SOFR. At March 31, 2024, the one-month and three-month CME Term SOFR interest rates were 5.33% and 5.30%, respectively. At March 31, 2023, the one-month and three-month CME Term SOFR interest rates were 4.80% and 4.91%, respectively. The target range for the federal funds rate, which is the cost of immediately available overnight funds, began in 2023 at 4.25% to 4.50%, and increased 100 basis points to end the year at 5.25% to 5.50%, where it remained as at the end of the first quarter of 2024.

Provision for Credit Losses

The Provision was $6.3 million for the three months ended March 31, 2024, a decrease of $2.5 million or 28% as compared to the same period in 2023. The decrease in the Provision was primarily due to decreases in the provision for consumer loans and home equity lines and the provision for unfunded construction and home equity line commitments. This was partially offset by increases in the provision for commercial real estate loans, commercial and industrial loans and construction loans. We recorded net charge-offs of loans and leases of $3.8 million and $3.2 million for the three months ended March 31, 2024 and 2023, respectively. This represented net charge-offs of 0.11% and 0.09% of average loans and leases, on an annualized basis, for the three months ended March 31, 2024 and 2023, respectively. The ACL was $159.8 million as of March 31, 2024, an increase of $3.3 million or 2% from December 31, 2023 and represented 1.12% of total outstanding loans and leases as of March 31, 2024 compared to 1.09% of total outstanding loans and leases as of December 31, 2023. The reserve for unfunded commitments was $34.8 million as of March 31, 2024, compared to $35.6 million as of December 31, 2023. The Provision is recorded to maintain the ACL and the reserve for unfunded commitments at levels deemed adequate by management based on the factors noted in the “Risk Governance and Quantitative and Qualitative Disclosures About Market Risk — Credit Risk” section of this MD&A.

Noninterest Income

Table 5 presents the major components of noninterest income for the three months ended March 31, 2024 and 2023:

Noninterest Income **Table 5**

(dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Dollar Change	Percent Change
Service charges on deposit accounts	**$ 7,546**	$ 7,231	$ 315	4 %
Credit and debit card fees	**16,173**	16,298	(125)	(1)
Other service charges and fees	**9,904**	9,162	742	8
Trust and investment services income	**10,354**	9,614	740	8
Bank-owned life insurance	**4,286**	5,120	(834)	(16)
Other	**3,108**	1,598	1,510	94
Total noninterest income	**$ 51,371**	$ 49,023	$ 2,348	5 %

Total noninterest income was $51.4 million for the three months ended March 31, 2024, an increase of $2.3 million or 5% as compared to the same period in 2023.

Service charges on deposit accounts were $7.5 million for the three months ended March 31, 2024, an increase of $0.3 million or 4% as compared to the same period in 2023.

Credit and debit card fees were $16.2 million for the three months ended March 31, 2024, a decrease of $0.1 million or 1% as compared to the same period in 2023.

Other service charges and fees were $9.9 million for the three months ended March 31, 2024, an increase of $0.7 million or 8% as compared to the same period in 2023. This increase was primarily due to a $0.6 million increase in fees from annuities and securities.

Trust and investment services income was $10.4 million for the three months ended March 31, 2024, an increase of $0.7 million or 8% as compared to the same period in 2023. This increase was primarily due to a $0.3 million increase in investment management fees, a $0.1 million increase in irrevocable trust fees, a $0.1 million increase in business cash management fees and a $0.1 million increase in money market fund management fees.

BOLI income was $4.3 million for the three months ended March 31, 2024, a decrease of $0.8 million or 16% as compared to the same period in 2023. This decrease was primarily due to a $2.0 million decrease in death benefit proceeds from life insurance policies, partially offset by a $1.1 million increase in BOLI earnings.

Other noninterest income was $3.1 million for the three months ended March 31, 2024, an increase of $1.5 million or 94% as compared to the same period in 2023. This increase was primarily due to $2.0 million in insurance proceeds received in the three months ended March 31, 2024 due to the destruction of the Lahaina branch in the Maui wildfires, a $0.5 million decrease in net losses recognized in income related to derivative contracts and a $0.4 million decrease in interest paid on collateral payments related to derivative instruments, partially offset by a $0.7 million decrease in income due to adjustments to certain liabilities assumed as a result of the Reorganization Transactions, a $0.3 million decrease in market adjustments on mutual funds purchased and a $0.2 million decrease in net credit card equipment sales.

Noninterest Expense

Table 6 presents the major components of noninterest expense for the three months ended March 31, 2024 and 2023:

Noninterest Expense **Table 6**

(dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Dollar Change	Percentage Change
Salaries and employee benefits	**$ 59,262**	$ 56,032	$ 3,230	6 %
Contracted services and professional fees	**15,739**	16,313	(574)	(4)
Occupancy	**6,941**	7,782	(841)	(11)
Equipment	**13,413**	9,736	3,677	38
Regulatory assessment and fees	**8,120**	3,836	4,284	n/m
Advertising and marketing	**2,612**	1,994	618	31
Card rewards program	**8,508**	8,085	423	5
Other	**14,218**	14,789	(571)	(4)
Total noninterest expense	**$ 128,813**	$ 118,567	$ 10,246	9 %

n/m – Denotes a variance that is not a meaningful metric to inform the change in noninterest expense for the three months ended March 31, 2024 to the same period in 2023.

Total noninterest expense was $128.8 million for the three months ended March 31, 2024, an increase of $10.2 million or 9% as compared to the same period in 2023.

Salaries and employee benefits expense was $59.3 million for the three months ended March 31, 2024, an increase of $3.2 million or 6% as compared to the same period in 2023. This increase was primarily due to a $1.2 million decrease in payroll and benefit costs being deferred as loan origination costs, a $1.0 million increase in base salaries and related payroll taxes, a $0.6 million increase in incentive compensation and a $0.3 million increase in state unemployment tax expense.

Contracted services and professional fees were $15.7 million for the three months ended March 31, 2024, a decrease of $0.6 million or 4% as compared to the same period in 2023. This decrease was primarily due to a $0.7 million decrease in outside services, primarily attributable to technology-related projects, marketing and new customer services and a $0.2 million decrease in contracted data processing expenses. This was partially offset by a $0.3 million increase in audit, legal and consultant fees.

Occupancy expense was $6.9 million for the three months ended March 31, 2024, a decrease of $0.8 million or 11% as compared to the same period in 2023. This decrease was primarily due to a $0.4 million decrease in building maintenance expense, a $0.2 million increase in net sublease rental income and a $0.2 million decrease in building depreciation.

Equipment expense was $13.4 million for the three months ended March 31, 2024, an increase of $3.7 million or 38% as compared to the same period in 2023. This increase was primarily due to a $3.6 million increase in technology-related amortization and licensing and maintenance fees.

Regulatory assessment and fees were $8.1 million for the three months ended March 31, 2024, an increase of $4.3 million as compared to the same period in 2023. This increase was primarily due to increases in the FDIC insurance assessment. During 2023, the FDIC approved a final rule for a special assessment to replenish the deposit insurance fund following bank failures occurring earlier in the year. As a result, the Company previously recorded a related loss of $16.3 million in the fourth quarter of 2023. During the first quarter of 2024, the FDIC issued a notice that the original loss estimate related to the 2023 bank failures was subsequently increased and that this increase would result in an additional assessment expense to affected institutions. The Company estimated a related loss of $4.1 million, which was recorded in the first quarter of 2024.

Advertising and marketing expense was $2.6 million for the three months ended March 31, 2024, an increase of $0.6 million or 31% as compared to the same period in 2023. This increase was primarily due to a $0.6 million increase in advertising costs.

Card rewards program expense was $8.5 million for the three months ended March 31, 2024, an increase of $0.4 million or 5% as compared to the same period in 2023. This increase was primarily due to a $0.4 million increase in interchange fees paid to our credit card partners and a $0.3 million increase in credit card cash reward redemptions, partially offset by a $0.2 million decrease in priority rewards card redemptions.

Other noninterest expense was $14.2 million for the three months ended March 31, 2024, a decrease of $0.6 million or 4% as compared to the same period in 2023. This decrease was primarily due to a $1.1 million decrease in operational losses, a $0.3 million decrease in pension-related expenses and a $0.2 million decrease in management recruiting expenses. This was partially offset by a settlement expense in connection to a lawsuit against the Company and $0.5 million in costs associated with a fund acquired by the Company.

Provision for Income Taxes

The provision for income taxes was $16.5 million (an effective tax rate of 23.29%) for the three months ended March 31, 2024, compared with a provision for income taxes of $22.1 million (an effective tax rate of 24.84%) for the same period in 2023. The change in the effective tax rate was partially due to a reduction in pre-tax income and an increase in non-taxable income for the three months ended March 31, 2024.

Analysis of Business Segments

Our business segments are Retail Banking, Commercial Banking and Treasury and Other. Table 7 summarizes net income from our business segments for the three months ended March 31, 2024 and 2023. Additional information about operating segment performance is presented in "Note 17. Reportable Operating Segments" contained in our unaudited interim consolidated financial statements.

Business Segment Net Income (Loss) — **Table 7**

(dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Retail Banking	**$ 56,145**	$ 41,515
Commercial Banking	**26,668**	20,854
Treasury and Other	**(28,593)**	4,449
Total	**$ 54,220**	$ 66,818

Retail Banking. Our Retail Banking segment includes the financial products and services we provide to consumers and small businesses. Loan and lease products offered include residential and commercial mortgage loans, home equity lines of credit and loans, automobile loans and leases, secured and unsecured lines of credit, installment loans and small business loans and leases. Deposit products offered include checking, savings and time deposit accounts. Our Retail Banking segment also includes our wealth management services.

Net income for the Retail Banking segment was $56.1 million for the three months ended March 31, 2024, an increase of $14.6 million or 35% as compared to the same period in 2023. The increase in net income for the Retail Banking segment was primarily due to a $19.1 million increase in net interest income and a $1.8 million increase in noninterest income, partially offset by a $4.7 million increase in the provision for income taxes, a $0.8 million increase in the Provision and a $0.8 million increase in noninterest expense. The increase in net interest income was primarily due to higher deposit spreads and higher loan spreads. The increase in noninterest income was primarily due to increases in other services charges and fees and trust and investment services income. The increase in the provision for income taxes was primarily due to the increase in pretax income. The increase in the provision was primarily due to an increase in the provision for our consumer lending portfolio segment. The increase in noninterest expense was primarily due to increases in salaries and benefits expense and regulatory assessment and fees, partially offset by lower overall expenses that were allocated to the Retail Banking segment.

Commercial Banking. Our Commercial Banking segment includes our corporate banking related products, commercial real estate loans, commercial lease financing, secured and unsecured lines of credit, automobile loans and auto dealer financing, business deposit products and credit cards that we provide primarily to middle market and large companies locally, nationally and internationally.

Net income for the Commercial Banking segment was $26.7 million for the three months ended March 31, 2024, an increase of $5.8 million or 28% as compared to the same period in 2023. The increase in net income for the Commercial Banking segment was primarily due to a $4.4 million increase in net interest income and a $2.1 million decrease in noninterest expense, partially offset by a $0.9 million increase in the provision for income taxes. The increase in net interest income was primarily due to higher deposit spreads, partially offset by lower loan and lease spreads. The decrease in noninterest expense was primarily due to lower overall expenses that were allocated to the Commercial Banking segment, partially offset by increases in regulatory assessment and fees and salaries and benefits expense. The increase in the provision for income taxes was primarily due to the increase in pretax income.

Treasury and Other. Our Treasury and Other segment includes our treasury business, which consists of corporate asset and liability management activities, including interest rate risk management. The assets and liabilities (and related interest income and expense) of our treasury business consist of interest-bearing deposits, investment securities, federal funds sold and purchased, government deposits, short- and long-term borrowings and bank-owned properties. Our primary sources of noninterest income are from bank-owned life insurance, net gains from the sale of investment securities, foreign exchange income related to customer driven cross-border wires for business and personal reasons and management of bank-owned properties. The net residual effect of the transfer pricing of assets and liabilities is included in Treasury and Other, along with the elimination of intercompany transactions.

Other organizational units (Technology, Operations, Credit and Risk Management, Human Resources, Finance, Administration, Marketing and Corporate and Regulatory Administration) provide a wide range of support to our other income earning segments. Expenses incurred by these support units are charged to the applicable business segments through an internal cost allocation process.

Net loss for the Treasury and Other segment was $28.6 million for the three months ended March 31, 2024, an increase in loss of $33.0 million as compared to the same period in 2023. The increase in net loss for the Treasury and Other segment was primarily due to a $36.4 million increase in net interest expense and an $11.5 million increase in noninterest expense. This was partially offset by a $11.2 million increase in the benefit for income taxes, a $3.2 million decrease in the Provision and a $0.5 million increase in noninterest income. The increase in net interest expense was primarily due to an increase in net transfer pricing charges that reside in the Treasury and Other segment and lower average balances in our investment securities portfolio, partially offset by higher average balances on our interest-bearing deposits in other banks. The increase in noninterest expense was primarily due to lower credit allocations to the Treasury and Other segment and increases in equipment expense and regulatory assessment and fees, partially offset by a decrease in contracted services expense. The increase in the benefit for income taxes was primarily due to the increase in pretax loss. The decrease in the Provision was primarily due to the decrease in the provision for unfunded construction and home equity line commitments. The increase in noninterest income was primarily due to insurance proceeds received in the three months ended March 31, 2024, due to the destruction of the Lahaina branch in the Maui wildfires, partially offset by decreases in BOLI income and income due to adjustments to certain liabilities assumed as a result of the Reorganization Transactions.

Analysis of Financial Condition

Liquidity and Capital Resources

Liquidity refers to our ability to maintain cash flow that is adequate to fund operations and meet present and future financial obligations through either the sale or maturity of existing assets or by obtaining additional funding through liability management. We consider the effective and prudent management of liquidity to be fundamental to our health and strength. Our objective is to manage our cash flow and liquidity reserves so that they are adequate to fund our obligations and other commitments on a timely basis and at a reasonable cost.

Liquidity is managed to ensure stable, reliable and cost-effective sources of funds to satisfy demand for credit, deposit withdrawals and investment opportunities. Funding requirements are impacted by loan originations and refinancings, deposit balance changes, liability issuances and settlements and off-balance sheet funding commitments. We consider and comply with various regulatory and internal guidelines regarding required liquidity levels and periodically monitor our liquidity position in light of the changing economic environment and customer activity. Based on periodic liquidity assessments, we may alter our asset, liability and off-balance sheet positions. The Company's Asset Liability Management Committee ("ALCO") monitors sources and uses of funds and modifies asset and liability positions as liquidity requirements change. This process, combined with our ability to raise funds in money and capital markets and through private placements, provides flexibility in managing the exposure to liquidity risk.

Immediate liquid resources are available in cash, which is primarily on deposit with the FRB. As of March 31, 2024 and December 31, 2023, cash and cash equivalents were $1.3 billion and $1.7 billion, respectively. Potential sources of liquidity also include investment securities in our available-for-sale portfolio and held-to-maturity portfolio. The carrying values of our available-for-sale investment securities and held-to-maturity investment securities were $2.2 billion and $4.0 billion as of March 31, 2024, respectively. The carrying values of our available-for-sale investment securities and held-to-maturity investment securities were $2.3 billion and $4.0 billion as of December 31, 2023, respectively. As of March 31, 2024 and December 31, 2023, we maintained our excess liquidity primarily in collateralized mortgage obligations issued by Ginnie Mae, Fannie Mae and Freddie Mac and mortgage-backed securities issued by Ginnie Mae, Freddie Mac, Fannie Mae, Municipal Housing Authorities and non-agency entities. As of March 31, 2024, our available-for-sale investment securities portfolio was comprised of securities with a weighted average life of approximately 4.4 years and our held-to-maturity investment securities portfolio was comprised of securities with a weighted average life of approximately 7.9 years. These funds offer substantial resources to meet either new loan demand or to help offset reductions in our deposit funding base as they provide quick sources of liquidity by pledging to obtain secured borrowings and repurchase agreements or sales of our available-for-sale securities portfolio. Liquidity is further enhanced by our ability to pledge loans to access secured borrowings from the FHLB and the FRB. As of March 31, 2024, we have borrowing capacity of $2.9 billion from the FHLB and $3.2 billion from the FRB based on the amount of collateral pledged.

Our core deposits have historically provided us with a long-term source of stable and relatively lower cost of funding. Our core deposits, defined as all deposits exclusive of time deposits exceeding $250,000, totaled $19.2 billion and $19.5 billion as of March 31, 2024 and December 31, 2023, respectively, which represented 93% and 91% of our total deposits as of March 31, 2024 and December 31, 2023, respectively. These core deposits are normally less volatile and are often with customer relationships tied to other products offered by the Company. However, deposit levels could decrease if interest rates increase significantly or if corporate customers increase investing activities, including alternative investment options, that reduce deposit balances.

In March 2023, to enhance liquidity as a precaution in light of recent volatility in the banking sector, the Bank took $500.0 million in FHLB advances. For information with respect to the financial terms of such advances, see " – Short-term Borrowings." We also utilize short-term advances to help manage liquidity needs that may arise from time to time.

The Company's routine funding requirements are expected to consist primarily of general corporate needs and capital to be returned to our shareholders. We expect to meet these obligations from dividends paid by the Bank to the Parent. Additional sources of liquidity available to us include selling residential real estate loans in the secondary market, taking out short- and long-term borrowings and issuing long-term debt and equity securities.

Our material cash requirements from our current and long-term contractual obligations have not changed materially since previously reported as of December 31, 2023. We believe that our existing cash, cash equivalents, investments, and cash expected to be generated from operations, are still sufficient to meet our cash requirements within the next 12 months and beyond.

Potential Demands on Liquidity from Off-Balance Sheet Arrangements

We have off-balance sheet arrangements, such as variable interest entities, guarantees, and certain financial instruments with off-balance sheet risk, that may affect the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Variable Interest Entities

We hold interests in several unconsolidated variable interest entities ("VIEs"). These unconsolidated VIEs are primarily low-income housing tax credit investments in partnerships and limited liability companies. Variable interests are defined as contractual ownership or other interests in an entity that change with fluctuations in an entity's net asset value. The primary beneficiary consolidates the VIE. Based on our analysis, we have determined that the Company is not the primary beneficiary of these entities. As a result, we do not consolidate these VIEs. Unfunded commitments to fund these low-income housing tax credit investments were $77.2 million and $80.7 million as of March 31, 2024 and December 31, 2023, respectively.

Guarantees

We sell residential mortgage loans on the secondary market, primarily to Fannie Mae or Freddie Mac. The agreements under which we sell residential mortgage loans to Fannie Mae or Freddie Mac contain provisions that include various representations and warranties regarding the origination and characteristics of the residential mortgage loans. Although the specific representations and warranties vary among investors, insurance or guarantee agreements, they typically cover ownership of the loan, validity of the lien securing the loan, the absence of delinquent taxes or liens against the property securing the loan, compliance with loan criteria set forth in the applicable agreement, compliance with applicable federal, state and local laws and other matters. The unpaid principal balance of our portfolio of residential mortgage loans sold was $1.3 billion as of both March 31, 2024 and December 31, 2023. The agreements under which we sell residential mortgage loans require delivery of various documents to the investor or its document custodian. Although these loans are primarily sold on a non-recourse basis, we may be obligated to repurchase residential mortgage loans or reimburse investors for losses incurred if a loan review reveals that underwriting and documentation standards were potentially not met in the origination of those loans. Upon receipt of a repurchase request, we work with investors to arrive at a mutually agreeable resolution. Repurchase demands are typically reviewed on an individual loan by loan basis to validate the claims made by the investor to determine if a contractually required repurchase event has occurred. We manage the risk associated with potential repurchases or other forms of settlement through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor and secondary market standards. For the three months ended March 31, 2024, there were no residential mortgage loan repurchases and there were no pending repurchase requests.

In addition to servicing loans in our portfolio, substantially all of the loans we sell to investors are sold with servicing rights retained. We also service loans originated by other mortgage loan originators. As servicer, our primary duties are to: (1) collect payments due from borrowers; (2) advance certain delinquent payments of principal and interest; (3) maintain and administer any hazard, title or primary mortgage insurance policies relating to the mortgage loans; (4) maintain any required escrow accounts for payment of taxes and insurance and administer escrow payments; and (5) foreclose on defaulted mortgage loans, or loan modifications or short sales. Each agreement under which we act as servicer generally specifies a standard of responsibility for actions taken by the Company in such capacity and provides protection against expenses and liabilities incurred by the Company when acting in compliance with the respective servicing agreements. However, if we commit a material breach of obligations as servicer, we may be subject to termination if the breach is not cured within a specified period following notice. The standards governing servicing and the possible remedies for violations of such standards vary by investor. These standards and remedies are determined by servicing guides issued by the investors as well as the contract provisions established between the investors and the Company. Remedies could include repurchase of an affected loan. For the three months ended March 31, 2024, we had no repurchase requests related to loan servicing activities, nor were there any pending repurchase requests as of March 31, 2024.

Although to-date repurchase requests related to representation and warranty provisions and servicing activities have been limited, it is possible that requests to repurchase mortgage loans may increase in frequency as investors more aggressively pursue all means of recovering losses on their purchased loans. However, as of March 31, 2024, management believes that this exposure is not material due to the historical level of repurchase requests and loss trends and thus has not established a liability for losses related to mortgage loan repurchases. As of March 31, 2024, 99% of our residential mortgage loans serviced for investors were current. We maintain ongoing communications with investors and continue to evaluate this exposure by monitoring the level and number of repurchase requests as well as the delinquency rates in loans sold to investors.

Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby and commercial letters of credit which are not reflected in the consolidated financial statements.

See “Note 12. Commitments and Contingent Liabilities” contained in our unaudited interim consolidated financial statements for more information on our financial instruments with off-balance sheet risk.

Investment Securities

Table 8 presents the estimated fair value of our available-for-sale investment securities portfolio and amortized cost of our held-to-maturity investment securities portfolio as of March 31, 2024 and December 31, 2023:

Investment Securities **Table 8**

(dollars in thousands)	March 31, 2024	December 31, 2023
U.S. Treasury and government agency debt securities	**$ 12,821**	$ 32,503
Government-sponsored enterprises debt securities	**19,629**	19,592
Mortgage-backed securities:		
Residential - Government agency	**9,609**	10,182
Residential - Government-sponsored enterprises	**753,385**	783,297
Commercial - Government agency	**213,394**	218,674
Commercial - Government-sponsored enterprises	**83,490**	86,431
Commercial - Non-agency	**22,110**	21,683
Collateralized mortgage obligations:		
Government agency	**452,163**	471,150
Government-sponsored enterprises	**353,061**	363,970
Collateralized loan obligations	**239,676**	247,854
Total available-for-sale securities	**$ 2,159,338**	$ 2,255,336
Government agency debt securities	**$ 51,904**	$ 52,051
Mortgage-backed securities:		
Residential - Government agency	**42,961**	43,885
Residential - Government-sponsored enterprises	**97,914**	99,379
Commercial - Government agency	**30,853**	30,795
Commercial - Government-sponsored enterprises	**1,127,321**	1,129,738
Collateralized mortgage obligations:		
Government agency	**972,199**	989,130
Government-sponsored enterprises	**1,610,563**	1,642,274
Debt securities issued by states and political subdivisions	**54,296**	54,197
Total held-to-maturity securities	**$ 3,988,011**	$ 4,041,449

Table 9 presents the maturity distribution at amortized cost and weighted-average yield to maturity of our investment securities portfolio as of March 31, 2024:

Maturities and Weighted-Average Yield on Securities[1] **Table 9**

	1 Year or Less		After 1 Year - 5 Years		After 5 Years - 10 Years		Over 10 Years		Total		
(dollars in millions)	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Amount	Weighted Average Yield	Fair Value
As of March 31, 2024											
Available-for-sale securities											
U.S. Treasury and government agency debt securities	$ 13.2	1.03 %	$ —	— %	$ —	— %	$ —	— %	$ 13.2	1.03 %	$ 12.8
Government-sponsored enterprises debt securities	—	—	20.0	3.33	—	—	—	—	20.0	3.33	19.6
Mortgage-backed securities:											
Residential - Government agency[2]	—	—	—	—	11.0	2.84	—	—	11.0	2.84	9.6
Residential - Government-sponsored enterprises[2]	—	—	843.2	1.35	24.8	1.29	—	—	868.0	1.34	753.4
Commercial - Government agency[2]	3.3	3.11	228.7	1.89	32.7	1.77	—	—	264.7	1.89	213.4
Commercial - Government-sponsored enterprises[2]	27.6	2.99	62.8	1.30	—	—	—	—	90.4	1.82	83.5
Commercial - Non-agency	—	—	—	—	—	—	22.0	7.59	22.0	7.59	22.1
Collateralized mortgage obligations[2]:											
Government agency	8.7	1.58	159.8	2.00	354.7	1.74	—	—	523.2	1.82	452.2
Government-sponsored enterprises	7.0	1.43	230.4	1.30	176.3	1.81	—	—	413.7	1.52	353.0
Collateralized loan obligations	—	—	9.3	6.26	87.7	6.20	142.9	6.66	239.9	6.48	239.7
Total available-for-sale securities as of March 31, 2024	$ 59.8	2.18 %	$ 1,554.2	1.54 %	$ 687.2	2.33 %	$ 164.9	6.79 %	$ 2,466.1	2.13 %	$ 2,159.3
Held-to-maturity securities											
Government agency debt securities	$ —	— %	$ —	— %	$ —	— %	$ 51.9	1.58 %	$ 51.9	1.58 %	$ 46.6
Mortgage-backed securities[2]:											
Residential - Government agency	—	—	—	—	43.0	2.14	—	—	43.0	2.14	36.8
Residential - Government-sponsored enterprises	—	—	—	—	52.0	1.54	45.9	1.66	97.9	1.60	84.4
Commercial - Government agency	—	—	6.3	1.65	24.6	2.02	—	—	30.9	1.95	23.2
Commercial - Government-sponsored enterprises	—	—	263.6	1.72	459.2	1.77	404.5	2.43	1,127.3	2.00	983.1
Collateralized mortgage obligations[2]:											
Government agency	—	—	—	—	884.6	1.40	87.6	1.35	972.2	1.40	847.0
Government-sponsored enterprises	—	—	204.5	1.53	1,177.1	1.52	228.9	1.41	1,610.5	1.51	1,400.9
Debt securities issued by state and political subdivisions	—	—	—	—	22.1	2.13	32.2	2.37	54.3	2.27	48.7
Total held-to-maturity securities as of March 31, 2024	$ —	— %	$ 474.4	1.64 %	$ 2,662.6	1.55 %	$ 851.0	1.95 %	$ 3,988.0	1.64 %	$ 3,470.7

(1) Weighted-average yields were computed on a fully taxable-equivalent basis.
(2) Maturities for mortgage-backed securities and collateralized mortgage obligations anticipate future prepayments.

The carrying value of our investment securities portfolio was $6.1 billion as of March 31, 2024, a decrease of $149.4 million or 2% compared to December 31, 2023. Our available-for-sale investment securities are carried at fair value with changes in fair value reflected in other comprehensive income or through the Provision. Our held-to-maturity investment securities are carried at amortized cost.

As of March 31, 2024, we maintained all of our investment securities in either the available-for-sale category (recorded at fair value) or the held-to-maturity category (recorded at amortized cost) in the unaudited interim consolidated balance sheets, with $3.4 billion invested in collateralized mortgage obligations issued by Ginnie Mae, Fannie Mae and Freddie Mac. Our investment securities portfolio also included $2.4 billion in mortgage-backed securities issued by Ginnie Mae, Freddie Mac, Fannie Mae, Municipal Housing Authorities and non-agency entities, $239.7 million in collateralized loan obligations, $84.4 million in debt securities issued by the U.S. Treasury, government agencies (U.S. International Development Finance Corporation bonds) and government-sponsored enterprises and $54.3 million in debt securities issued by states and political subdivisions.

We continually evaluate our investment securities portfolio in response to established asset/liability management objectives, changing market conditions that could affect profitability and the level of interest rate risk to which we are exposed. These evaluations may cause us to change the level of funds we deploy into investment securities and change the composition of our investment securities portfolio.

Gross unrealized gains in our investment securities portfolio were $0.7 million and $0.2 million as of March 31, 2024 and December 31, 2023, respectively. Gross unrealized losses in our investment securities portfolio were $824.8 million and $770.2 million as of March 31, 2024 and December 31, 2023, respectively. The increase in unrealized loss was primarily due to higher market interest rates as of March 31, 2024, relative to December 31, 2023, resulting in a lower valuation. Additionally, the increase in unrealized loss positions were primarily related to our collateralized mortgage obligations, commercial mortgage-backed securities and residential mortgage-backed securities, the fair value of which is sensitive to changes in market interest rates.

For our available-for-sale investment securities, we conduct a regular assessment of our investment securities portfolio to determine whether any securities are impaired. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through the allowance for credit losses is recognized in other comprehensive income. For the three months ended March 31, 2024, we did not record any credit losses related to our available-for-sale investment securities portfolio.

For our held-to-maturity investment securities, we utilize the Current Expected Credit Loss ("CECL") approach to estimate lifetime expected credit losses. Substantially all of our held-to-maturity securities are issued by the U.S. Government, its agencies and government-sponsored enterprises. These securities have a long history of no credit losses and carry the explicit or implicit guarantee of the U.S. government. Therefore, as of March 31, 2024, we did not record an allowance for credit losses related to our held-to-maturity investment securities portfolio.

We are required to hold non-marketable equity securities, comprised of FHLB stock, as a condition of our membership in the FHLB system. Our FHLB stock is accounted for at cost, which equals par or redemption value. As of both March 31, 2024 and December 31, 2023, we held $32.6 million in FHLB stock, which is recorded as a component of other assets in our unaudited interim consolidated balance sheets.

See "Note 2. Investment Securities" contained in our unaudited interim consolidated financial statements for more information on our investment securities portfolio.

Loans and Leases

Table 10 presents the composition of our loan and lease portfolio by major categories as of March 31, 2024 and December 31, 2023:

Loans and Leases **Table 10**

(dollars in thousands)	March 31, 2024	December 31, 2023
Commercial and industrial	**$ 2,189,875**	$ 2,165,349
Commercial real estate	**4,301,300**	4,340,243
Construction	**972,517**	900,292
Residential:		
Residential mortgage	**4,242,502**	4,283,315
Home equity line	**1,165,778**	1,174,588
Total residential	**5,408,280**	5,457,903
Consumer	**1,054,227**	1,109,901
Lease financing	**394,009**	379,809
Total loans and leases	**$ 14,320,208**	$ 14,353,497

Total loans and leases were $14.3 billion as of March 31, 2024, a decrease of $33.3 million or less than 1% from December 31, 2023. The decrease in total loans and leases was primarily due to decreases in consumer loans, residential real estate loans and commercial real estate loans, partially offset by increases in construction loans, commercial and industrial loans and lease financing.

Commercial and industrial loans are made primarily to corporations, middle market and small businesses for the purpose of financing equipment acquisition, expansion, working capital and other general business purposes. We also offer a variety of automobile dealer flooring lines to our customers in Hawaii and California to assist with the financing of their inventory. Commercial and industrial loans were $2.2 billion as of March 31, 2024, an increase of $24.5 million or 1% from December 31, 2023.

Commercial real estate loans are secured by first mortgages on commercial real estate at loan to value ("LTV") ratios generally not exceeding 75% and a minimum debt service coverage ratio of 1.20 to 1. The commercial properties are predominantly apartments, neighborhood and grocery anchored retail, industrial, office, and to a lesser extent, specialized properties such as hotels. The primary source of repayment for investor property and owner-occupied property is cash flow from the property and operating cash flow from the business, respectively. Commercial real estate loans were $4.3 billion as of March 31, 2024, a decrease of $38.9 million or 1% from December 31, 2023.

Construction loans are for the purchase or construction of a property for which repayment will be generated by the property. Loans in this portfolio are primarily for the purchase of land, as well as for the development of commercial properties, single family homes and condominiums. We classify loans as construction until the completion of the construction phase. Following completion of the construction phase, if a loan is retained by the Bank, the loan is converted to the commercial real estate or residential real estate classes of loans. Construction loans were $972.5 million as of March 31, 2024, an increase of $72.2 million or 8% from December 31, 2023. The increase in construction loans was primarily due to draws on existing lines during the three months ended March 31, 2024.

Residential real estate loans are generally secured by 1-4 unit residential properties and are underwritten using traditional underwriting systems to assess the credit risks and financial capacity and repayment ability of the consumer. Decisions are primarily based on LTV ratios, debt-to-income ("DTI") ratios, liquidity and credit scores. LTV ratios generally do not exceed 80%, although higher levels are permitted with mortgage insurance. We offer fixed rate mortgage products and variable rate mortgage products including HELOC. Since our transition from LIBOR in late 2021, we now offer variable rate mortgage products based on SOFR with interest rates that are subject to change every six months after the third, fifth, seventh or tenth year, depending on the product. Prior to this, we offered variable rate mortgage products based on LIBOR with interest rates that were subject to change every year after the first, third, fifth or tenth year, depending on the product. Variable rate residential mortgage loans are underwritten at fully-indexed interest rates. We generally do not offer interest-only, payment-option facilities, Alt-A loans or any product with negative amortization. Residential real estate loans were $5.4 billion as of March 31, 2024, a decrease of $49.6 million or 1% from December 31, 2023.

Consumer loans consist primarily of open- and closed-end direct and indirect credit facilities for personal, automobile and household purchases as well as credit card loans. We seek to maintain reasonable levels of risk in consumer lending by following prudent underwriting guidelines, which include an evaluation of personal credit history, cash flow and collateral values based on existing market conditions. Consumer loans were $1.1 billion as of March 31, 2024, a decrease of $55.7 million or 5% from December 31, 2023.

Lease financing consists of commercial single investor leases and leveraged leases. Underwriting of new lease transactions is based on our lending policy, including but not limited to an analysis of customer cash flows and secondary sources of repayment, including the value of leased equipment, the guarantors' cash flows and/or other credit enhancements. No new leveraged leases are being added to the portfolio and all remaining leveraged leases are running off. Lease financing was $394.0 million as of March 31, 2024, an increase of $14.2 million or 4% from December 31, 2023. The increase was primarily due to the closing of several large lease transactions during the three months ended March 31, 2024.

See "Note 3. Loans and Leases" and "Note 4. Allowance for Credit Losses" contained in our unaudited interim consolidated financial statements and the discussion in "Analysis of Financial Condition — Allowance for Credit Losses" of this MD&A for more information on our loan and lease portfolio.

The Company's loan and lease portfolio includes adjustable-rate loans, primarily tied to SOFR, Prime and Bloomberg Short-Term Bank Yield Index ("BSBY"), hybrid-rate loans, for which the initial rate is fixed for a period from one year to as much as ten years, and fixed rate loans, for which the interest rate does not change through the life of the loan or the remaining life of the loan. Table 11 presents the recorded investment in our loan and lease portfolio as of March 31, 2024 by rate type:

Loans and Leases by Rate Type **Table 11**

	March 31, 2024									
	Adjustable Rate									
(dollars in thousands)	Treasury	LIBOR[1]	BSBY	Prime	SOFR[2]	Other	Total	Hybrid Rate	Fixed Rate	Total
Commercial and industrial	$ —	$ —	$ 39,462	$ 287,621	$ 911,340	$ 651,047	$ 1,889,470	$ 22,752	$ 277,653	$ 2,189,875
Commercial real estate	—	—	84,953	479,797	2,359,878	911,884	3,836,512	131,897	332,891	4,301,300
Construction	7	—	36,791	106,308	676,957	14,727	834,790	5,136	132,591	972,517
Residential:										
Residential mortgage	5,841	83,710	—	10,286	147,072	68,644	315,553	552,137	3,374,812	4,242,502
Home equity line	—	—	—	497	—	—	497	917,765	247,516	1,165,778
Total residential	5,841	83,710	—	10,783	147,072	68,644	316,050	1,469,902	3,622,328	5,408,280
Consumer	967	—	—	325,121	175	1,111	327,374	726	726,127	1,054,227
Lease financing	—	—	—	—	—	—	—	—	394,009	394,009
Total loans and leases	$ 6,815	$ 83,710	$ 161,206	$ 1,209,630	$ 4,095,422	$ 1,647,413	$ 7,204,196	$ 1,630,413	$ 5,485,599	$ 14,320,208
% by rate type at March 31, 2024	1 %	1 %	1 %	8 %	28 %	12 %	51 %	11 %	38 %	100 %

(1) Represents ARMs that will adjust to SOFR at the next rate reset.
(2) Includes $3.3 billion in CME Term SOFR loans.

Tables 12 and 13 present the geographic distribution of our loan and lease portfolio as of March 31, 2024 and December 31, 2023:

Geographic Distribution of Loan and Lease Portfolio **Table 12**

	March 31, 2024				
(dollars in thousands)	Hawaii	U.S. Mainland[1]	Guam & Saipan	Foreign & Other	Total
Commercial and industrial	$ 911,723	$ 1,151,188	$ 101,483	$ 25,481	$ 2,189,875
Commercial real estate	2,339,802	1,585,140	376,358	—	4,301,300
Construction	387,942	530,264	54,311	—	972,517
Residential:					
Residential mortgage	4,092,771	2,669	147,062	—	4,242,502
Home equity line	1,122,322	259	43,197	—	1,165,778
Total residential	5,215,093	2,928	190,259	—	5,408,280
Consumer	709,567	40,365	301,587	2,708	1,054,227
Lease financing	179,086	201,211	13,712	—	394,009
Total Loans and Leases	$ 9,743,213	$ 3,511,096	$ 1,037,710	$ 28,189	$ 14,320,208
Percentage of Total Loans and Leases	68%	24%	7%	1%	100%

(1) For secured loans and leases, classification as U.S. Mainland is made based on where the collateral is located. For unsecured loans and leases, classification as U.S. Mainland is made based on the location where the majority of the borrower's business operations are conducted.

Geographic Distribution of Loan and Lease Portfolio **Table 13**

	December 31, 2023				
(dollars in thousands)	Hawaii	U.S. Mainland(1)	Guam & Saipan	Foreign & Other	Total
Commercial and industrial	$ 862,698	$ 1,179,343	$ 97,416	$ 25,892	$ 2,165,349
Commercial real estate	2,353,847	1,599,984	386,412	—	4,340,243
Construction	392,328	459,314	48,650	—	900,292
Residential:					
Residential mortgage	4,134,062	2,682	146,571	—	4,283,315
Home equity line	1,130,999	313	43,276	—	1,174,588
Total residential	5,265,061	2,995	189,847	—	5,457,903
Consumer	761,328	38,577	307,358	2,638	1,109,901
Lease financing	171,629	193,740	14,440	—	379,809
Total Loans and Leases	$ 9,806,891	$ 3,473,953	$ 1,044,123	$ 28,530	$ 14,353,497
Percentage of Total Loans and Leases	68%	24%	7%	1%	100%

(1) For secured loans and leases, classification as U.S. Mainland is made based on where the collateral is located. For unsecured loans and leases, classification as U.S. Mainland is made based on the location where the majority of the borrower's business operations are conducted.

Our lending activities are concentrated primarily in Hawaii. However, we also have lending activities on the U.S. mainland, Guam and Saipan. Our commercial lending activities on the U.S. mainland include automobile dealer flooring activities in California, participation in the Shared National Credits Program and selective commercial real estate projects based on existing customer relationships. Our lease financing portfolio includes commercial leveraged and single investor lease financing activities both in Hawaii and on the U.S. mainland. However, no new leveraged leases are being added to the portfolio and all remaining leveraged leases are running off. Our consumer lending activities are concentrated primarily in Hawaii and, to a smaller extent, in Guam and Saipan.

Table 14 presents the contractual maturities of our loan and lease portfolio by major categories and the sensitivities to changes in interest rates as of March 31, 2024:

Maturities for Loan and Lease Portfolio(1) **Table 14**

	March 31, 2024				
(dollars in thousands)	Due in One Year or Less	Due After One to Five Years	Due After Five to Fifteen Years	Due After Fifteen Years	Total
Commercial and industrial	**$ 775,846**	**$ 1,109,951**	**$ 236,719**	**$ 67,359**	**$ 2,189,875**
Commercial real estate	**823,734**	**2,055,587**	**1,395,324**	**26,655**	**4,301,300**
Construction	**331,441**	**505,946**	**106,824**	**28,306**	**972,517**
Residential:					
Residential mortgage	**17,909**	**44,821**	**443,775**	**3,735,997**	**4,242,502**
Home equity line	**19,861**	**101,795**	**139,485**	**904,637**	**1,165,778**
Total residential	**37,770**	**146,616**	**583,260**	**4,640,634**	**5,408,280**
Consumer	**191,574**	**714,314**	**148,339**	**—**	**1,054,227**
Lease financing	**26,113**	**182,665**	**122,018**	**63,213**	**394,009**
Total Loans and Leases	**$ 2,186,478**	**$ 4,715,079**	**$ 2,592,484**	**$ 4,826,167**	**$ 14,320,208**
Total of loans and leases with:					
Adjustable interest rates	**$ 2,014,111**	**$ 3,456,063**	**$ 1,486,062**	**$ 247,960**	**$ 7,204,196**
Hybrid interest rates	**41,241**	**161,957**	**142,954**	**1,284,261**	**1,630,413**
Fixed interest rates	**131,126**	**1,097,059**	**963,468**	**3,293,946**	**5,485,599**
Total Loans and Leases	**$ 2,186,478**	**$ 4,715,079**	**$ 2,592,484**	**$ 4,826,167**	**$ 14,320,208**

(1) Based on contractual maturities, including extension and renewal options that are not unconditionally cancellable by the Company.

Credit Quality

We perform an internal loan review and grading or scoring procedures on an ongoing basis. The review provides management with periodic information as to the quality of the loan portfolio and effectiveness of our lending policies and procedures. The objective of the loan review and grading or scoring procedures is to identify, in a timely manner, existing or emerging credit quality issues so that appropriate steps can be initiated to avoid or minimize future losses.

For purposes of managing credit risk and estimating the ACL, management has identified three portfolio segments (commercial, residential and consumer) that we use to develop our systematic methodology to determine the ACL. The categorization of loans for the evaluation of credit risk is specific to our credit risk evaluation process and these loan categories are not necessarily the same as the loan categories used for other evaluations of our loan portfolio. See “Note 4. Allowance for Credit Losses” contained in our unaudited interim consolidated financial statements for more information about our approach to estimating the ACL.

The following tables and discussion address non-performing assets and loans and leases that are 90 days past due but are still accruing interest.

Non-Performing Assets and Loans and Leases Past Due 90 Days or More and Still Accruing Interest

Table 15 presents information on our non-performing assets and accruing loans and leases past due 90 days or more as of March 31, 2024 and December 31, 2023:

Non-Performing Assets and Accruing Loans and Leases Past Due 90 Days or More **Table 15**

(dollars in thousands)	March 31, 2024	December 31, 2023
Non-Performing Assets		
Non-Accrual Loans and Leases		
Commercial Loans:		
Commercial and industrial	**$ 942**	$ 970
Commercial real estate	**2,953**	2,953
Total Commercial Loans	**3,895**	3,923
Residential Loans:		
Residential mortgage	**7,777**	7,620
Home equity line	**6,345**	7,052
Total Residential Loans	**14,122**	14,672
Total Non-Accrual Loans and Leases	**18,017**	18,595
Total Non-Performing Assets	**$ 18,017**	$ 18,595
Accruing Loans and Leases Past Due 90 Days or More		
Commercial Loans:		
Commercial and industrial	**$ 529**	$ 494
Commercial real estate	**—**	300
Construction	**606**	—
Total Commercial Loans	**1,135**	794
Residential mortgage	**359**	—
Consumer	**2,126**	2,702
Total Accruing Loans and Leases Past Due 90 Days or More	**$ 3,620**	$ 3,496
Total Loans and Leases	**$ 14,320,208**	$ 14,353,497
Ratio of Non-Accrual Loans and Leases to Total Loans and Leases	**0.13 %**	0.13 %
Ratio of Non-Performing Assets to Total Loans and Leases and OREO	**0.13 %**	0.13 %
Ratio of Non-Performing Assets and Accruing Loans and Leases Past Due 90 Days or More to Total Loans and Leases and OREO	**0.15 %**	0.15 %

Table 16 presents the activity in Non-Performing Assets ("NPAs") for the three months ended March 31, 2024 and 2023:

Non-Performing Assets **Table 16**

(dollars in thousands)	Three Months Ended March 31, 2024	2023
Balance at beginning of period	**$ 18,595**	$ 11,996
Additions	**1,405**	3,233
Reductions		
Payments	**(1,235)**	(350)
Return to accrual status	**(651)**	(968)
Sales of other real estate owned	**(75)**	—
Charge-offs/write-downs	**(22)**	(136)
Total Reductions	**(1,983)**	(1,454)
Balance at end of period	**$ 18,017**	$ 13,775

The level of NPAs represents an indicator of the potential for future credit losses. NPAs consist of non-accrual loans and leases and other real estate owned ("OREO"). Changes in the level of non-accrual loans and leases typically represent increases for loans and leases that reach a specified past due status, offset by reductions for loans and leases that are charged-off, paid down, sold, transferred to held for sale classification, transferred to OREO or are no longer classified as non-accrual because they have returned to accrual status as a result of continued performance and an improvement in the borrower's financial condition and loan repayment capabilities.

Total NPAs were $18.0 million as of March 31, 2024, a decrease of $0.6 million or 3% from December 31, 2023. The ratio of our NPAs to total loans and leases and OREO was 0.13% as of both March 31, 2024 and December 31, 2023. The decrease in NPAs during the three months ended March 31, 2024, was primarily due a decrease in home equity line non-accrual loans of $0.7 million, partially offset by an increase in residential mortgage non-accrual loans of $0.2 million.

The largest component of our NPAs is typically residential mortgage loans. The level of these NPAs can remain elevated due to a lengthy judicial foreclosure process in Hawaii. As of March 31, 2024, residential mortgage non-accrual loans were $7.8 million, an increase of $0.2 million or 2% from December 31, 2023. This increase was due to additions of $1.0 million, partially offset by payments of $0.4 million, returns to accrual status of $0.3 million and a transfer to OREO of $0.1 million. As of March 31, 2024, our residential mortgage non-accrual loans were comprised of 35 loans with a weighted average current LTV ratio of 35%.

As of March 31, 2024, home equity line non-accrual loans were $6.3 million, a decrease of $0.7 million or 10% from December 31, 2023. This decrease was due to payments totaling $0.8 million and returns to accrual status of $0.3 million, partially offset by additions of $0.4 million.

OREO represents property acquired as the result of borrower defaults on loans. OREO is recorded at fair value, less estimated selling costs, at the time of foreclosure. On an ongoing basis, properties are appraised as required by market conditions and applicable regulations. There was no OREO held as of March 31, 2024 and December 31, 2023.

Loans and Leases Past Due 90 Days or More and Still Accruing Interest. Loans and leases in this category are 90 days or more past due, as to principal or interest, and are still accruing interest because they are well secured and in the process of collection.

Loans and leases past due 90 days or more and still accruing interest were $3.6 million as of March 31, 2024, an increase of $0.1 million or 4% from December 31, 2023. This increase was primarily due to increases in construction loans of $0.6 million and residential mortgage loans of $0.4 million, partially offset by decreases in consumer loans of $0.6 million and commercial real estate loans of $0.3 million, that were past due 90 days or more and still accruing interest.

Allowance for Credit Losses for Loans and Leases & Reserve for Unfunded Commitments

Table 17 presents an analysis of our ACL for the periods indicated:

Allowance for Credit Losses and Reserve for Unfunded Commitments — **Table 17**

(dollars in thousands)	Three Months Ended March 31, 2024	2023
Balance at Beginning of Period	**$ 192,138**	$ 177,735
Loans and Leases Charged-Off		
Commercial Loans:		
Commercial and industrial	**(909)**	(791)
Residential Loans:		
Residential mortgage	**—**	(122)
Home equity line	**—**	(135)
Total Residential Loans	**—**	(257)
Consumer	**(4,854)**	(4,782)
Total Loans and Leases Charged-Off	**(5,763)**	(5,830)
Recoveries on Loans and Leases Previously Charged-Off		
Commercial Loans:		
Commercial and industrial	**211**	246
Residential Loans:		
Residential mortgage	**30**	27
Home equity line	**44**	177
Total Residential Loans	**74**	204
Consumer	**1,689**	2,166
Total Recoveries on Loans and Leases Previously Charged-Off	**1,974**	2,616
Net Loans and Leases Charged-Off	**(3,789)**	(3,214)
Provision for Credit Losses	**6,300**	8,800
Balance at End of Period	**$ 194,649**	$ 183,321
Components:		
Allowance for Credit Losses	**$ 159,836**	$ 147,122
Reserve for Unfunded Commitments	**34,813**	36,199
Total Allowance for Credit Losses and Reserve for Unfunded Commitments	**$ 194,649**	$ 183,321
Average Loans and Leases Outstanding	**$ 14,312,563**	$ 14,079,337
Ratio of Net Loans and Leases Charged-Off to Average Loans and Leases Outstanding[1]	**0.11 %**	0.09 %
Ratio of Allowance for Credit Losses for Loans and Leases to Loans and Leases Outstanding	**1.12 %**	1.03 %
Ratio of Allowance for Credit Losses for Loans and Leases to Non-accrual Loans and Leases	**8.87x**	10.75x

(1) Annualized for the three months ended March 31, 2024 and 2023.

Tables 18 and 19 present the allocation of the ACL by loan and lease category, in both dollars and as a percentage of total loans and leases outstanding as of March 31, 2024 and December 31, 2023:

Allocation of the Allowance for Credit Losses by Loan and Lease Category — **Table 18**

	March 31, 2024		
(dollars in thousands)	Amount	Allocated ACL as % of loan or lease category	Loan category as % of total loans and leases
Commercial and industrial	**$ 17,087**	**0.78 %**	**15.29 %**
Commercial real estate	**43,526**	**1.01**	**30.04**
Construction	**12,441**	**1.28**	**6.79**
Lease financing	**2,485**	**0.63**	**2.75**
Total commercial	**75,539**	**0.96**	**54.87**
Residential mortgage	**36,790**	**0.87**	**29.63**
Home equity line	**11,447**	**0.98**	**8.14**
Total residential	**48,237**	**0.89**	**37.77**
Consumer	**36,060**	**3.42**	**7.36**
Total	**$ 159,836**	**1.12 %**	**100.00 %**

Allocation of the Allowance for Credit Losses by Loan and Lease Category **Table 19**

	December 31, 2023		
(dollars in thousands)	Amount	Allocated ACL as % of loan or lease category	Loan category as % of total loans and leases
Commercial and industrial	$ 14,956	0.69 %	15.09 %
Commercial real estate	43,944	1.01	30.24
Construction	10,392	1.15	6.27
Lease financing	1,754	0.46	2.65
Total commercial	71,046	0.91	54.25
Residential mortgage	36,880	0.86	29.84
Home equity line	11,728	1.00	8.18
Total residential	48,608	0.89	38.02
Consumer	36,879	3.32	7.73
Total	$ 156,533	1.09 %	100.00 %

Table 20 presents the net charge-offs (recoveries) to average loans and leases by category during the three months ended March 31, 2024 and 2023:

Net Charge-Offs (Recoveries) to Average Loans and Leases By Category(1) **Table 20**

	Three Months Ended March 31,	
	2024	2023
Commercial and industrial	**0.13 %**	0.10 %
Commercial real estate	—	—
Construction	—	—
Lease financing	—	—
Total commercial	**0.04**	0.03
Residential mortgage	—	0.01
Home equity line	**(0.02)**	(0.02)
Total residential	**(0.01)**	—
Consumer	**1.17**	0.87
Total loans and leases	**0.11 %**	0.09 %

(1) Annualized for the three months ended March 31, 2024 and 2023.

As of March 31, 2024, the ACL was $159.8 million or 1.12% of total loans and leases outstanding, compared with an ACL of $156.5 million or 1.09% of total loans and leases outstanding as of December 31, 2023. The reserve for unfunded commitments was $34.8 million as of March 31, 2024, compared to $35.6 million as of December 31, 2023.

Net charge-offs of loans and leases were $3.8 million or 0.11% of total average loans and leases, on an annualized basis, for the three months ended March 31, 2024, compared to net charge-offs of $3.2 million or 0.09% for the three months ended March 31, 2023. Net charge-offs in our commercial lending portfolio were $0.7 million and $0.5 million for the three months ended March 31, 2024 and 2023, respectively. Net recoveries in our residential lending portfolio were $0.1 million for the three months ended March 31, 2024 compared to net charge-offs of $0.1 million for March 31, 2023. Net charge-offs in our consumer lending portfolio were $3.2 million and $2.6 million for the three months ended March 31, 2024 and 2023, respectively. Net charge-offs in our consumer portfolio segment include those related to credit cards, automobile loans, installment loans and small business lines of credit and reflect the inherent risk associated with these loans.

Although we determine the amount of each component of the ACL separately, the ACL as a whole was considered appropriate by management as of March 31, 2024 and December 31, 2023. Furthermore, as of March 31, 2024, the ACL was considered adequate based on our ongoing analysis of estimated expected credit losses, credit risk profiles, current economic outlook, coverage ratios and other relevant factors. The ACL anticipates cyclical losses consistent with a recession and includes a qualitative overlay for potential macroeconomic impacts. We will continue to monitor factors that drive expected credit losses including the uncertainty of the economy, inflation and geopolitical instability. See “Note 4. Allowance for Credit Losses” contained in our unaudited interim consolidated financial statements for more information on the ACL.

Goodwill

Goodwill was $995.5 million as of both March 31, 2024 and December 31, 2023. Our goodwill originated from the acquisition of the Company by BNP Paribas in December of 2001. Goodwill generated in that acquisition was recorded on the balance sheet of the Bank as a result of push down accounting treatment, and remains on our consolidated balance sheets.

The Company's policy is to assess goodwill for impairment at the reporting unit level on an annual basis or between annual assessments if a triggering event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Impairment is the condition that exists when the carrying amount of a reporting unit exceeds its fair value. There was no impairment in our goodwill for the three months ended March 31, 2024. Future events, including geopolitical concerns, inflation concerns, global supply chain issues, and other factors affecting the economy, that could cause a significant decline in our expected future cash flows or a significant adverse change in our business or the business climate may necessitate taking charges in future reporting periods related to the impairment of our goodwill.

Other Assets

Other assets were $845.1 million as of March 31, 2024, a decrease of $0.6 million or less than 1% from December 31, 2023. The decrease in other assets was primarily due to decreases of $21.0 million in suspense and clearing accounts and $7.6 million in current tax receivables and deferred tax assets. This was partially offset by an increase of $26.8 million in prepaid assets.

Deposits

Deposits are the primary funding source for the Bank and are acquired from a broad base of local markets, including both individual and corporate customers. We obtain funds from depositors by offering a range of deposit types, including demand, savings, money market and time.

Table 21 presents the composition of our deposits as of March 31, 2024 and December 31, 2023:

Deposits **Table 21**

(dollars in thousands)	**March 31, 2024**	**December 31, 2023**
U.S.:		
Demand	**$ 6,212,216**	$ 6,609,483
Savings	**5,826,037**	5,986,066
Money Market	**3,686,061**	3,583,191
Time	**2,939,002**	3,162,658
Foreign[1]:		
Demand	**836,337**	974,079
Savings	**451,642**	459,018
Money Market	**373,143**	264,662
Time	**345,043**	293,500
Total Deposits[2]	**$ 20,669,481**	$ 21,332,657

(1) Foreign deposits were comprised of Guam and Saipan deposit accounts.
(2) Public deposits were $1.3 billion as of March 31, 2024, a decrease of $450.4 million or 25% compared to December 31, 2023.

Total deposits were $20.7 billion as of March 31, 2024, a decrease of $663.2 million or 3% from December 31, 2023. The decrease in deposit balances stemmed primarily from a $538.9 million decrease in non-public demand deposit balances, a $469.7 million decrease in public time deposit balances and a $164.8 million decrease in non-public savings deposit balances. These decreases were partially offset by a $297.6 million increase in non-public time deposit balances, a $193.3 million increase in non-public money market deposit balances and a $18.0 million increase in public money market deposit balances.

As of March 31, 2024 and December 31, 2023, the amount of deposits that exceeded FDIC insurance limits were estimated to be $10.1 billion, or 49% of total deposits, and $10.8 billion, or 51% of total deposits, respectively. At March 31, 2024 and December 31, 2023, the Company had $1.3 billion and $1.8 billion, respectively, of public deposits, all of which were fully collateralized with investment securities. As of March 31, 2024 and December 31, 2023, the amount of deposits excluding public deposits that exceeded FDIC insurance limits were estimated to be $8.8 billion, or 43% of total deposits, and $9.1 billion, or 42% of total deposits, respectively. As of March 31, 2024 and December 31, 2023, deposit accounts above $250,000 were estimated to be $11.9 billion and $12.6 billion, respectively. As of March 31, 2024 and December 31, 2023, deposit balances over $250,000 in corporate operating accounts were estimated to be $2.1 billion and $2.3 billion, respectively.

Table 22 presents the estimated amount of time deposits that were in excess of the FDIC insurance limit, further segregated by time remaining until maturity, as of March 31, 2024:

Uninsured Time Deposits **Table 22**

(dollars in thousands)		March 31, 2024
Three months or less	$	**489,431**
Over three through six months		**413,449**
Over six through twelve months		**397,568**
Over twelve months		**23,344**
Total(1)	**$**	**1,323,792**

(1) Includes $0.4 billion in public time deposits that are fully collateralized with investment securities.

Short-term Borrowings

As of both March 31, 2024 and December 31, 2023, the Company's short-term borrowings consisted of $500.0 million in short-term FHLB fixed-rate advances with a weighted average interest rate of 4.71% and maturity dates in September 2024.

As of March 31, 2024 and December 31, 2023, the Company had a remaining line of credit of $2.9 billion and $2.5 billion available from the FHLB, respectively. The FHLB borrowing capacity was secured by commercial real estate and residential real estate loan collateral as of both March 31, 2024 and December 31, 2023.

Pension and Postretirement Plan Obligations

We have a noncontributory qualified defined benefit pension plan, an unfunded supplemental executive retirement plan ("SERP"), a directors' retirement plan (a non-qualified pension plan for eligible directors) and a postretirement benefit plan providing life insurance and healthcare benefits that we offer to our directors and employees, as applicable. The noncontributory qualified defined benefit pension plan, the unfunded supplemental executive retirement plan and the directors' retirement plan are all frozen to new participants. On March 11, 2019, the Company's board of directors approved an amendment to the SERP to freeze the SERP. As a result of such amendment, effective July 1, 2019, there are no new accruals of benefits, including service accruals. To calculate annual pension costs, we use the following key variables: (1) size of the employee population, length of service and estimated compensation increases; (2) actuarial assumptions and estimates; (3) expected long-term rate of return on plan assets; and (4) discount rate.

Pension and postretirement benefit plan obligations, net of pension plan assets, were $92.1 million as of March 31, 2024, a nominal decrease from December 31, 2023. This decrease was primarily due to payments of $2.2 million, offset by net periodic benefit costs for the three months ended March 31, 2024 of $1.6 million.

See "Note 15. Noninterest Income and Noninterest Expense" contained in our unaudited interim consolidated financial statements for more information on our pension and postretirement benefit plans.

Capital

The bank regulators currently use a combination of risk-based ratios and a leverage ratio to evaluate capital adequacy. The Company and the Bank are subject to the federal bank regulators' final rules implementing Basel III and various provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Capital Rules").

The Capital Rules, among other things impose a capital measure called CET1, to which most deductions/adjustments to regulatory capital must be made. In addition, the Capital Rules specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting certain specified requirements.

Under the Capital Rules, the minimum capital ratios are as follows:

- 4.5% CET1 capital to risk-weighted assets,
- 6.0% Tier 1 capital (that is, CET1 capital plus Additional Tier 1 capital) to risk-weighted assets,
- 8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets, and
- 4.0% Tier 1 capital to average quarterly assets.

The Capital Rules also require a 2.5% capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is composed entirely of CET1, on top of these minimum risk weighted asset ratios, effectively resulting in minimum ratios of (i) 7% CET1 to risk-weighted assets, (ii) 8.5% Tier 1 capital to risk-weighted assets, and (iii) 10.5% total capital to risk-weighted assets.

As of March 31, 2024, the Company's capital levels remained characterized as "well-capitalized" under the Capital Rules. Our regulatory capital ratios, calculated in accordance with the Capital Rules, are presented in Table 23 below. There have been no conditions or events since March 31, 2024 that management believes have changed either the Company's or the Bank's capital classifications. CET1 was 12.55% as of March 31, 2024, an increase of 16 basis points from December 31, 2023. The increase in CET1 was primarily due to earnings for the three months ended March 31, 2024, partially offset by the dividends declared and paid to the Company's stockholders.

Regulatory Capital **Table 23**

(dollars in thousands)	**March 31, 2024**	December 31, 2023
Stockholders' Equity	**$ 2,513,761**	$ 2,486,066
Less:		
Goodwill	**995,492**	995,492
Accumulated other comprehensive loss, net	**(523,780)**	(530,210)
Tax credit carryforward	**1,178**	—
Common Equity Tier 1 Capital and Tier 1 Capital	**$ 2,040,871**	$ 2,020,784
Add:		
Qualifying allowance for credit losses and reserve for unfunded commitments	**194,649**	192,138
Total Capital	**$ 2,235,520**	$ 2,212,922
Risk-Weighted Assets	**$ 16,263,053**	$ 16,308,345
FHI's Key Regulatory Capital Ratios		
Common Equity Tier 1 Capital Ratio	**12.55 %**	12.39 %
Tier 1 Capital Ratio	**12.55 %**	12.39 %
Total Capital Ratio	**13.75 %**	13.57 %
Tier 1 Leverage Ratio	**8.80 %**	8.64 %

Total stockholders' equity was $2.5 billion as of March 31, 2024, an increase of $27.7 million or 1% from December 31, 2023. The increase in stockholders' equity was primarily due to earnings for the period of $54.2 million and net unrealized gains in our investment securities portfolio, net of tax, of $5.7 million, partially offset by dividends declared and paid to the Company's stockholders of $33.2 million during the three months ended March 31, 2024.

In January 2024, the Company announced a stock repurchase program for up to $40.0 million of its outstanding common stock during 2024. The Company did not repurchase any common stock outstanding under this stock repurchase program during the three months ended March 31, 2024 and, as a result, $40.0 million remained of the $40.0 million total repurchase amount authorized under the stock repurchase program for 2024 as of March 31, 2024. The timing and exact amount of stock repurchases, if any, will be subject to management's discretion and various factors, including the Company's capital position and financial performance, as well as market conditions. The stock repurchase program may be suspended, terminated or modified at any time for any reason.

In April 2024, the Company's Board of Directors declared a quarterly cash dividend of $0.26 per share on our outstanding shares. The dividend will be paid on May 31, 2024 to shareholders of record at the close of business on May 20, 2024.

Future Application of Accounting Pronouncements

For a discussion of the expected impact of accounting pronouncements recently issued but not adopted by us as of March 31, 2024, see "Note 1. Organization and Basis of Presentation — Recent Accounting Pronouncements" to the unaudited interim consolidated financial statements for more information.

Risk Governance and Quantitative and Qualitative Disclosures About Market Risk

Managing risk is an essential part of successfully operating our business. Management believes that the most prominent risk exposures for the Company are credit risk, market risk, liquidity risk management, capital management and operational risk. See "Analysis of Financial Condition — Liquidity and Capital Resources" and "—Capital" sections of this MD&A for further discussions of liquidity risk management and capital management, respectively.

Credit Risk

Credit risk is the risk that borrowers or counterparties will be unable or unwilling to repay their obligations in accordance with the underlying contractual terms. We manage and control credit risk in the loan and lease portfolio by adhering to well-defined underwriting criteria and account administration standards established by management. Written credit policies document underwriting standards, approval levels, exposure limits and other limits or standards deemed necessary and prudent. Portfolio diversification at the obligor, industry, product, and/or geographic location levels is actively managed to mitigate concentration risk. In addition, credit risk management includes an independent credit review process that assesses compliance with commercial, real estate and consumer credit policies, risk ratings and other critical credit information. In addition to implementing risk management practices that are based upon established and sound lending practices, we adhere to sound credit principles. We understand and evaluate our customers' borrowing needs and capacity to repay, in conjunction with their character and history.

Management has identified three categories of loans that we use to develop our systematic methodology to determine the ACL: commercial, residential and consumer.

Commercial lending is further categorized into four distinct classes based on characteristics relating to the borrower, transaction and collateral. These classes are: commercial and industrial, commercial real estate, construction and lease financing. Commercial and industrial loans are primarily for the purpose of financing equipment acquisition, expansion, working capital and other general business purposes by medium to larger Hawaii based corporations, as well as U.S. mainland and international companies. Commercial and industrial loans are typically secured by non-real estate assets whereby the collateral is trading assets, enterprise value or inventory. As with many of our customers, our commercial and industrial loan customers are heavily dependent on tourism, government expenditures and real estate values. Commercial real estate loans are secured by real estate, including but not limited to structures and facilities to support activities designated as retail, health care, general office space, warehouse and industrial space. Our Bank's underwriting policy generally requires that net cash flows from the property be sufficient to service the debt while still maintaining an appropriate amount of reserves. Commercial real estate loans in Hawaii are characterized by having a limited supply of real estate at commercially attractive locations, long delivery time frames for development and high interest rate sensitivity. Our construction lending portfolio consists primarily of land loans, single family and condominium development loans. Financing of construction loans is subject to a high degree of credit risk given the long delivery time frames for such projects. Construction lending activities are underwritten on a project financing basis whereby the cash flows or lease rents from the underlying real estate collateral or the sale of the finished inventory is the primary source of repayment. Market feasibility analysis is typically performed by assessing market comparables, market conditions and demand in the specific lending area and general community. We require presales of finished inventory or preleasing requirements prior to loan funding. However, because this analysis is typically performed on a forward looking basis, real estate construction projects typically present a higher risk profile in our lending activities. Lease financing activities include commercial single investor leases and leveraged leases used to purchase items ranging from computer equipment to transportation equipment. Underwriting of new leasing arrangements typically includes analyzing customer cash flows, evaluating secondary sources of repayment, such as the value of the leased asset, the guarantors' net cash flows as well as other credit enhancements provided by the lessee.

Residential lending is further categorized into the following classes: residential mortgages (loans secured by 1-4 family residential properties and home equity loans) and home equity lines of credit. Our Bank's underwriting standards typically require LTV ratios of not more than 80%, although higher levels are permitted with accompanying mortgage insurance. First mortgage loans secured by residential properties generally carry a moderate level of credit risk, with an average loan size of approximately $394,000 at March 31, 2024. Residential mortgage loan production is added to our loan portfolio or is sold in the secondary market, based on management's evaluation of our liquidity, capital and loan portfolio mix as well as market conditions. Changes in interest rates, the economic environment and other market factors have impacted, and will likely continue to impact, the marketability and value of collateral and the financial condition of our borrowers which impacts the level of credit risk inherent in this portfolio, although we remain in a supply constrained housing environment in Hawaii. Geographic concentrations exist for this portfolio as nearly all residential mortgage loans and home equity lines of credit are for residences located in Hawaii, Guam or Saipan. These island locales are susceptible to a wide array of potential natural disasters including, but not limited to, hurricanes, floods, tsunamis and earthquakes. We offer home equity lines of credit with variable rates; fixed rate lock options may be available post-closing. All lines are underwritten at 0.95% of the credit line amount. Our procedures for underwriting home equity lines of credit include an assessment of an applicant's overall financial capacity and repayment ability. Decisions are primarily based on repayment ability via debt-to-income ratios, LTV ratios and an evaluation of credit history.

Consumer lending is further categorized into the following classes of loans: credit cards, automobile loans and other consumer-related installment loans. Consumer loans are either unsecured or secured by the borrower's personal assets. The average loan size is generally small, and risk is diversified among many borrowers. We offer a wide array of credit cards for business and personal use. In general, our customers are attracted to our credit card offerings on the basis of price, credit limit, reward programs and other product features. Credit card underwriting decisions are generally based on repayment ability of our borrower via DTI ratios, credit bureau information, including payment history, debt burden and credit scores, such as FICO, and analysis of financial capacity. Automobile lending activities include loans and leases secured by new or used automobiles. We originate the majority of our automobile loans and leases on an indirect basis through selected dealerships. Our procedures for underwriting automobile loans include an assessment of an applicant's overall financial capacity and repayment ability, credit history and the ability to meet existing obligations and payments on the proposed loan or lease. Although an applicant's creditworthiness is the primary consideration, the underwriting process also includes a comparison of the value of the collateral security to the proposed loan amount. We require borrowers to maintain full coverage automobile insurance on automobile loans and leases, with the Bank listed as either the loss payee or additional insured. Installment loans consist of open and closed end facilities for personal and household purchases. We seek to maintain reasonable levels of risk in installment lending by following prudent underwriting guidelines which include an evaluation of personal credit history and cash flow.

Market Risk

Market risk is the potential of loss arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices, including the correlation among these factors and their volatility. When the value of an instrument is tied to such external factors, the holder faces market risk. We are exposed to market risk primarily from interest rate risk, which is defined as the risk of loss of net interest income or net interest margin because of changes in interest rates.

The potential cash flows, sales or replacement value of many of our assets and liabilities, especially those that earn or pay interest, are sensitive to changes in the general level of interest rates. In the banking industry, changes in interest rates can significantly impact earnings and the safety and soundness of an entity.

Interest rate risk arises primarily from our core business activities of extending loans and accepting deposits. This occurs when our interest earning loans and interest-bearing deposits mature or reprice at different times, on a different basis or in unequal amounts. Interest rates may also affect loan demand, credit losses, mortgage origination volume, pre- payment speeds and other items affecting earnings.

Many factors affect our exposure to changes in interest rates, such as general economic and financial conditions, customer preferences, historical pricing relationships and repricing characteristics of financial instruments. Our earnings are affected not only by general economic conditions, but also by the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve. The monetary policies of the Federal Reserve can influence the overall growth of loans, investment securities and deposits and the level of interest rates earned on assets and paid for liabilities.

Market Risk Measurement

We primarily use net interest income simulation analysis to measure and analyze interest rate risk. We run various hypothetical interest rate scenarios and compare these results against a measured base case scenario. Our net interest income simulation analysis incorporates various assumptions, which we believe are reasonable but which may have a significant impact on results. These assumptions include: (1) the timing of changes in interest rates, (2) shifts or rotations in the yield curve, (3) re-pricing characteristics for market rate sensitive instruments on and off-balance sheet, (4) differing sensitivities of financial instruments due to differing underlying rate indices and (5) varying loan prepayment speeds for different interest rate scenarios. Because of limitations inherent in any approach used to measure interest rate risk, simulation results are not intended as a forecast of the actual effect of a change in market interest rates on our results but rather as a means to better plan and execute appropriate asset liability management strategies to manage our interest rate risk.

Table 24 presents, for the twelve months subsequent to March 31, 2024 and December 31, 2023, an estimate of the changes in net interest income that would result from ramps (gradual changes) and shocks (immediate changes) in market interest rates, moving in a parallel fashion over the entire yield curve, relative to the measured base case scenario. Ramp scenarios assume interest rates move gradually in parallel across the yield curve relative to the base case scenario. Shock scenarios assume an immediate and sustained parallel shift in interest rates across the entire yield curve, relative to the base case scenario. The base case scenario assumes that the balance sheet and interest rates are generally unchanged. We evaluate the sensitivity by using a static forecast, where the balance sheets as of March 31, 2024 and December 31, 2023 are held constant.

Net Interest Income Sensitivity Profile - Estimated Percentage Change Over 12 Months **Table 24**

	Static Forecast March 31, 2024	Static Forecast December 31, 2023
Gradual Change in Interest Rates (basis points)		
+200	**3.0 %**	3.8 %
+100	**1.6**	1.9
+50	**0.9**	1.0
(50)	**(0.7)**	(1.0)
(100)	**(1.5)**	(2.1)
Immediate Change in Interest Rates (basis points)		
+200	**6.1 %**	7.3 %
+100	**3.1**	3.6
+50	**1.7**	1.8
(50)	**(1.5)**	(2.0)
(100)	**(3.2)**	(4.0)

The table above shows the effects of a simulation which estimates the effect of a gradual and immediate sustained parallel shift in the yield curve of −100, −50, +50, +100 and +200 basis points in market interest rates over a twelve-month period on our net interest income.

Currently, our interest rate profile, assuming a constant balance sheet, is such that we project net interest income will benefit from higher interest rates as our assets would reprice faster and to a greater degree than our liabilities, while in the case of lower interest rates, our assets would reprice downward and to a greater degree than our liabilities. Other factors such as changes in balance sheet composition or deposit rate behavior could result in a change in repricing sensitivity.

Under the static balance sheet forecast as of March 31, 2024, our net interest income sensitivity profile is slightly lower in higher interest rate scenarios compared to similar forecasts as of December 31, 2023. The sensitivity outcome described above is primarily due to the impact of changes in deposit mix from December 31, 2023.

The comparisons above provide insight into the potential effects of changes in interest rates on net interest income. The Company believes that its approach to interest rate risk has appropriately considered its susceptibility to both rising and falling rates and has adopted strategies which minimize the impact of such risks.

We also have longer term interest rate risk exposures which may not be appropriately measured by net interest income simulation analysis. We use market value of equity ("MVE") sensitivity analysis to study the impact of long-term cash flows on earnings and capital. MVE involves discounting present values of all cash flows of on-balance sheet and off-balance sheet items under different interest rate scenarios. The discounted present value of all cash flows represents our MVE. MVE analysis requires modifying the expected cash flows in each interest rate scenario, which will impact the discounted present value. The amount of base case measurement and its sensitivity to shifts in the yield curve allow management to measure longer term repricing option risk in the balance sheet.

Limitations of Market Risk Measures

The results of our simulation analyses are hypothetical, and a variety of factors might cause actual results to differ substantially from what is depicted. For example, if the timing and magnitude of interest rate changes differ from those projected, our net interest income might vary significantly. Non parallel yield curve shifts such as a flattening or steepening of the yield curve or changes in interest rate spreads would also cause our net interest income to be different from that depicted. An increasing interest rate environment could reduce projected net interest income if deposits and other short-term liabilities re-price faster than expected or faster than our assets re-price. Actual results could differ from those projected if we grow assets and liabilities faster or slower than estimated if we experience a net outflow of deposits or if our mix of assets and liabilities otherwise changes. For example, while we maintain relatively high levels of liquidity, a faster than expected withdrawal of deposits out of the bank may cause us to seek higher cost sources of funding. Actual results could also differ from those projected if we experience substantially different prepayment speeds in our loan portfolio than those assumed in the simulation analyses. Finally, these simulation results do not consider all the actions that we may undertake in response to potential or actual changes in interest rates, such as changes to our loan, investment, deposit, funding or hedging strategies.

Market Risk Governance

We seek to achieve consistent growth in net interest income and capital while managing volatility arising from changes in market interest rates. The objective of our interest rate risk management process is to increase net interest income while operating within acceptable limits established for interest rate risk and maintaining adequate levels of funding and liquidity.

To manage the impact on net interest income, we manage our exposure to changes in interest rates through our asset and liability management activities within guidelines established by our ALCO and approved by our board of directors. The ALCO has the responsibility for approving and ensuring compliance with the ALCO management policies, including interest rate risk exposures. The objective of our interest rate risk management process is to maximize net interest income while operating within acceptable limits established for interest rate risk and maintaining adequate levels of funding and liquidity.

Through review and oversight by the ALCO, we attempt to engage in strategies that neutralize interest rate risk as much as possible. Our use of derivative financial instruments, as detailed in "Note 11. Derivative Financial Instruments" to the unaudited interim consolidated financial statements, has generally been limited. This is due to natural on balance sheet hedges arising out of offsetting interest rate exposures from loans and investment securities with deposits and other interest-bearing liabilities. In particular, the investment securities portfolio is utilized to manage the interest rate exposure and sensitivity to within the guidelines and limits established by the ALCO. We utilize natural and offsetting economic hedges in an effort to reduce the need to employ off-balance sheet derivative financial instruments to hedge interest rate risk exposures. Expected movements in interest rates are also considered in managing interest rate risk. Thus, as interest rates change, we may use different techniques to manage interest rate risk.

Management uses the results of its various simulation analyses to formulate strategies to achieve a desired risk profile within the parameters of our capital and liquidity guidelines.

In addition, our business relied upon a large volume of loans, derivative contracts and other financial instruments with attributes that were either directly or indirectly dependent on LIBOR to establish their interest rate and/or value. According to the United Kingdom's Financial Conduct Authority, which regulates LIBOR, U.S. Dollar LIBOR settings have ceased to be provided or ceased to be representative after June 30, 2023. The publication of all other LIBOR settings ceased to be provided or ceased to be representative as of December 31, 2021. We transitioned our financial instruments associated to LIBOR currencies and tenors that ceased or became nonrepresentative on December 31, 2021, to alternative reference rates (collectively, "Alternative Rates"), with limited exceptions. As such, effective December 31, 2021, we have ceased the use of U.S Dollar LIBOR as a reference rate on all new contracts and continue to increase the usage of Alternative Rates such as the SOFR. A working group of key stakeholders from throughout the Company spearheaded the transition from LIBOR to Alternative Rates. There are risks inherent with the transition to any Alternative Rate as the rate may behave differently than LIBOR in reaction to monetary, market and economic events. The working group disbanded after the conclusion of the transition in December 2023.

Our LIBOR transition plan included work to ensure that our technology systems were prepared for the transition, our loan documents that reference LIBOR-based rates were appropriately amended to reference other methods of interest rate determinations and internal and external stakeholders were apprised of the transition. We have implemented certain Prime Rate and SOFR conventions as we transitioned our products and transaction agreements to reference rates other than LIBOR. Commercial loans and investment securities have fully transitioned to SOFR rates. Residential mortgages with adjustable rates will fully transition off LIBOR during the fourth quarter of 2024. To see the recorded investment in our loan and lease portfolio by rate type, refer to Table 11 in the section titled "Loans and Leases" in this MD&A.

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed processes, people or systems, external events (such as natural disasters), or compliance, reputational or legal matters, including the risk of loss resulting from fraud, litigation and breaches in data security. Operational risk is inherent in all of our business ventures and the management of that risk is important to the achievement of our objectives. We have a framework in place that includes the reporting and assessment of any operational risk events, and the assessment of our mitigating strategies within our key business lines. This framework is implemented through our policies, processes and reporting requirements. We measure and report operational risk using the seven operational risk event types projected by the Basel Committee on Banking Supervision in Basel II: (1) external fraud; (2) internal fraud; (3) employment practices and workplace safety; (4) clients, products and business practices; (5) damage to physical assets; (6) business disruption and system failures; and (7) execution, delivery and process management. Our operational risk review process is also a core part of our assessment of material new products or activities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See “Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Governance and Quantitative and Qualitative Disclosures About Market Risk.”

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company’s management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of March 31, 2024. The Company’s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company operates in a highly regulated environment. From time to time, the Company is party to various litigation matters incidental to the conduct of our business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

ITEM 1A. RISK FACTORS

Item 1A of Part I of the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 28, 2024 contain a discussion of our risk factors. Except to the extent that additional factual information disclosed in this Quarterly Report on Form 10-Q relates to such risk factors, there are no material changes from the risk factors as disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 5. OTHER INFORMATION

During the three months ended March 31, 2024, none of the Company’s directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of the Company’s securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement,” as defined in Item 408(c) of Regulation S-K.

ITEM 6. EXHIBITS

A list of exhibits to this Form 10-Q is set forth on the Exhibit Index and is incorporated herein by reference.

Exhibit Index

Exhibit Number	
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Amended, Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Amended, Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101)

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 6, 2024		First Hawaiian, Inc.
	By:	/s/ Robert S. Harrison Robert S. Harrison Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
	By:	/s/ James M. Moses James M. Moses Vice Chairman and Chief Financial Officer

Exhibit 31.1

**Certification of Chief Executive Officer Pursuant to
Rule 13a-14(a) of the Securities Exchange Act of 1934, as Amended,
Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert S. Harrison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Hawaiian, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2024

/s/ Robert S. Harrison
Robert S. Harrison
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Amended, Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James M. Moses, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Hawaiian, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2024

/s/ James M. Moses
James M. Moses
Vice Chairman and Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Quarterly Report on Form 10-Q of First Hawaiian, Inc. (the "Company") for the quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2024

/s/ Robert S. Harrison
Robert S. Harrison
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

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 U.S. Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Quarterly Report on Form 10-Q of First Hawaiian, Inc. (the "Company") for the quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2024	/s/ James M. Moses
	James M. Moses
	Vice Chairman and Chief Financial Officer

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 U.S. Securities and Exchange Commission or its staff upon request.