

REFINITIV

## DELTA REPORT

### 10-Q

FHB - FIRST HAWAIIAN, INC.

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 2421

█ CHANGES 948

█ DELETIONS 1103

█ ADDITIONS 370

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 **June** **September** 30, 2023

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**

(State or Other Jurisdiction of Incorporation or Organization)

**99-0156159**

(I.R.S. Employer Identification No.)

**999 Bishop Street, 29th Floor**

**Honolulu, HI**

(Address of Principal Executive Offices)

**96813**

(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:**

Common Stock, par value \$0.01 per share

**Trading Symbol(s)**

FHB

**Name of each exchange on which registered:**

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

Non-accelerated filer

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: ~~127,609,611~~ 127,612,083 shares of Common Stock, par value \$0.01 per share, were outstanding as of ~~July 31, 2023~~ October 31, 2023.

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**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		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Interest income</b>								
Loans and lease financing	\$ 185,340	\$ 111,916	\$ 357,679	\$ 215,648	\$ 194,098	\$ 134,646	\$ 551,777	\$ 350,294
Available-for-sale investment securities	18,094	16,643	36,782	48,750	18,426	19,644	55,208	68,394
Held-to-maturity investment securities	18,282	18,289	37,239	18,289	18,271	17,950	55,510	36,239
Other	7,489	2,896	11,050	3,678	9,004	4,150	20,054	7,828
Total interest income	229,205	149,744	442,750	286,365	239,799	176,390	682,549	462,755
<b>Interest expense</b>								
Deposits	58,071	4,597	101,355	7,346	74,651	13,653	176,006	20,999
Short-term and long-term borrowings	10,656	—	13,219	—	6,838	1	20,057	1
Other	539	—	990	—	1,162	—	2,152	—
Total interest expense	69,266	4,597	115,564	7,346	82,651	13,654	198,215	21,000
Net interest income	159,939	145,147	327,186	279,019	157,148	162,736	484,334	441,755
Provision for credit losses	5,000	1,000	13,800	(4,747)	7,500	3,183	21,300	(1,564)
Net interest income after provision for credit losses	154,939	144,147	313,386	283,766	149,648	159,553	463,034	443,319
<b>Noninterest income</b>								
Service charges on deposit accounts	7,246	6,843	14,477	14,344	7,524	7,089	22,001	21,433
Credit and debit card fees	15,461	17,056	31,759	31,906	15,748	17,746	47,507	49,652
Other service charges and fees	9,056	9,018	18,218	18,672	9,546	9,179	27,764	27,851
Trust and investment services income	9,448	8,759	19,062	17,642	9,742	9,800	28,804	27,442
Bank-owned life insurance	3,271	(859)	8,391	(1,276)	1,872	(341)	10,263	(1,617)
Other	2,866	3,320	4,464	4,229	1,665	2,384	6,129	6,613
Total noninterest income	47,348	44,137	96,371	85,517	46,097	45,857	142,468	131,374
<b>Noninterest expense</b>								
Salaries and employee benefits	57,904	49,902	113,936	98,128	55,937	51,372	169,873	149,500

Contracted services and professional fees	17,498	18,617	33,811	35,764	16,393	16,625	50,204	52,389
Occupancy	7,554	7,334	15,336	14,744	6,711	8,115	22,047	22,859
Equipment	11,000	7,754	20,736	13,731	11,826	10,791	32,562	24,522
Regulatory assessment and fees	3,676	2,301	7,512	4,525	4,149	2,487	11,661	7,012
Advertising and marketing	1,891	1,994	3,885	4,022	2,289	1,902	6,174	5,924
Card rewards program	7,681	7,285	15,766	14,168	8,358	8,141	24,124	22,309
Other	13,677	13,988	28,466	28,135	13,720	13,899	42,186	42,034
Total noninterest expense	120,881	109,175	239,448	213,217	119,383	113,332	358,831	326,549
Income before provision for income taxes	81,406	79,109	170,309	156,066	76,362	92,078	246,671	248,144
Provision for income taxes	18,964	19,749	41,049	38,987	18,141	23,060	59,190	62,047
<b>Net income</b>	<b>\$ 62,442</b>	<b>\$ 59,360</b>	<b>\$ 129,260</b>	<b>\$ 117,079</b>	<b>\$ 58,221</b>	<b>\$ 69,018</b>	<b>\$ 187,481</b>	<b>\$ 186,097</b>
Basic earnings per share	\$ 0.49	\$ 0.46	\$ 1.01	\$ 0.92	\$ 0.46	\$ 0.54	\$ 1.47	\$ 1.46
Diluted earnings per share	\$ 0.49	\$ 0.46	\$ 1.01	\$ 0.91	\$ 0.46	\$ 0.54	\$ 1.47	\$ 1.45
Basic weighted-average outstanding shares	127,591,371	127,672,244	127,522,975	127,614,564	127,609,860	127,377,713	127,552,255	127,534,746
Diluted weighted-average outstanding shares	127,832,351	128,014,777	127,901,225	128,108,630	127,936,440	127,796,617	127,897,829	127,996,672

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

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

(dollars in thousands)	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Net income	\$ 62,442	\$ 59,360	\$ 129,260	\$ 117,079	\$ 58,221	\$ 69,018	\$ 187,481	\$ 186,097
Other comprehensive (loss) income, net of tax:								
Other comprehensive loss, net of tax:								
Net change in investment securities	(705)	(52,371)	26,239	(446,922)	(36,985)	(84,164)	(10,746)	(531,086)
Net change in cash flow derivative hedges	(352)	(1,584)	279	(2,842)	990	(3,135)	1,269	(5,977)
Other comprehensive (loss) income	(1,057)	(53,955)	26,518	(449,764)				
Other comprehensive loss					(35,995)	(87,299)	(9,477)	(537,063)
<b>Total comprehensive income (loss)</b>	<b>\$ 61,385</b>	<b>\$ 5,405</b>	<b>\$ 155,778</b>	<b>\$ (332,685)</b>	<b>\$ 22,226</b>	<b>\$ (18,281)</b>	<b>\$ 178,004</b>	<b>\$ (350,966)</b>

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

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

(dollars in thousands, except share amount)	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Assets</b>				
Cash and due from banks	\$ 318,333	\$ 297,502	\$ 246,028	\$ 297,502
Interest-bearing deposits in other banks	239,798	229,122	967,400	229,122
Investment securities:				
Available-for-sale, at fair value (amortized cost: \$3,296,825 as of June 30, 2023 and \$3,549,599 as of December 31, 2022)	2,909,372	3,151,133		
Held-to-maturity, at amortized cost (fair value: \$3,697,261 as of June 30, 2023 and \$3,814,822 as of December 31, 2022)	4,180,408	4,320,639		
Available-for-sale, at fair value (amortized cost: \$3,172,031 as of September 30, 2023 and \$3,549,599 as of December 31, 2022)			2,722,704	3,151,133
Held-to-maturity, at amortized cost (fair value: \$3,433,029 as of September 30, 2023 and \$3,814,822 as of December 31, 2022)			4,104,114	4,320,639
Loans and leases	14,362,832	14,092,012	14,332,335	14,092,012
Less: allowance for credit losses	148,581	143,900	154,795	143,900
Net loans and leases	14,214,251	13,948,112	14,177,540	13,948,112
Premises and equipment, net	277,817	280,355	277,805	280,355
Other real estate owned and repossessed personal property	—	91	—	91
Accrued interest receivable	80,710	78,194	84,327	78,194
Bank-owned life insurance	476,177	473,067	477,698	473,067
Goodwill	995,492	995,492	995,492	995,492
Mortgage servicing rights	6,072	6,562	5,855	6,562
Other assets	813,136	796,954	853,561	796,954
<b>Total assets</b>	<b>\$ 24,511,566</b>	<b>\$ 24,577,223</b>	<b>\$24,912,524</b>	<b>\$24,577,223</b>
<b>Liabilities and Stockholders' Equity</b>				
Deposits:				
Interest-bearing	\$ 12,911,539	\$ 12,824,383	\$13,612,493	\$12,824,383
Noninterest-bearing	8,166,627	8,864,646	7,898,996	8,864,646
Total deposits	21,078,166	21,689,029	21,511,489	21,689,029
Short-term borrowings	—	75,000	500,000	75,000
Long-term borrowings	500,000	—	—	—
Retirement benefits payable	100,671	102,577	99,685	102,577
Other liabilities	472,991	441,612	450,341	441,612
<b>Total liabilities</b>	<b>22,151,828</b>	<b>22,308,218</b>	<b>22,561,515</b>	<b>22,308,218</b>
Commitments and contingent liabilities (Note 13)				
Commitments and contingent liabilities (Note 12)				
Stockholders' equity				
Common stock (\$0.01 par value; authorized 300,000,000 shares; issued/outstanding: 141,327,860 / 127,608,037 as of June 30, 2023; issued/outstanding: 140,963,918 / 127,363,327 as of December 31, 2022)	1,413	1,410		

Common stock (\$0.01 par value; authorized 300,000,000 shares; issued/outstanding: 141,330,663 / 127,609,934 as of September 30, 2023; issued/outstanding: 140,963,918 / 127,363,327 as of December 31, 2022)					1,413	1,410
Additional paid-in capital	2,543,226	2,538,336	2,545,659	2,538,336		
Retained earnings	799,045	736,544	823,895	736,544		
Accumulated other comprehensive loss, net	(612,736)	(639,254)	(648,731)	(639,254)		
Treasury stock (13,719,823 shares as of June 30, 2023 and 13,600,591 shares as of December 31, 2022)	(371,210)	(368,031)				
Treasury stock (13,720,729 shares as of September 30, 2023 and 13,600,591 shares as of December 31, 2022)			(371,227)	(368,031)		
Total stockholders' equity	2,359,738	2,269,005	2,351,009	2,269,005		
<b>Total liabilities and stockholders' equity</b>	<b>\$ 24,511,566</b>	<b>\$ 24,577,223</b>	<b>\$24,912,524</b>	<b>\$24,577,223</b>		

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

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

	Three Months Ended June 30, 2023						Three Months Ended September 30, 2023					
	Accumulated						Accumulated					
	Common Stock		Additional		Other		Common Stock		Additional		Other	
(dollars in thousands, except share amounts)	Shares	Amount	Capital	Earnings	Loss	Stock	Total	Shares	Amount	Capital	Earnings	Loss
Balance as of March 31, 2023	127,573,680	\$ 1,413	\$ 2,540,653	\$ 769,791	\$ (611,679)	\$ (371,166)	\$ 2,329,012					
Balance as of June 30, 2023								127,608,037	\$ 1,413	\$ 2,543,226	\$ 799,045	\$ (612,736)
<b>Net income</b>	—	—	—	<b>62,442</b>	—	—	<b>62,442</b>	—	—	—	<b>58,221</b>	—
<b>Cash dividends declared (\$0.26 per share)</b>	—	—	—	(33,175)	—	—	(33,175)	—	—	—	(33,178)	—
<b>Common stock issued under Employee Stock Purchase Plan</b>	9,548	—	163	—	—	—	163					
<b>Equity-based awards</b>	24,809	—	2,410	(13)	—	(44)	2,353	1,897	—	2,433	(193)	—
<b>Other comprehensive loss, net of tax</b>	—	—	—	—	(1,057)	—	(1,057)	—	—	—	—	(35,995)

<b>Balance as of</b>											
June 30, 2023	<u>127,608,037</u>	<u>\$1,413</u>	<u>\$2,543,226</u>	<u>\$799,045</u>	<u>\$ (612,736)</u>	<u>\$ (371,210)</u>	<u>\$2,359,738</u>				
<b>Balance as of</b>											
September 30, 2023								<u>127,609,934</u>	<u>\$1,413</u>	<u>\$2,545,659</u>	<u>\$823,895</u>

	Six Months Ended June 30, 2023							Nine Months Ended September 30, 2023						
	Accumulated							Accumulated						
	Common Stock		Additional		Other			Common Stock		Additional		Other		
(dollars in thousands, except share amounts)	Shares	Amount	Capital	Earnings	Income (Loss)	Stock	Total	Shares	Amount	Capital	Earnings	Comprehensive	Loss	1
Balance as of December 31, 2022	127,363,327	\$1,410	\$2,538,336	\$736,544	\$ (639,254)	\$ (368,031)	\$2,269,005	127,363,327	\$1,410	\$2,538,336	\$736,544	\$ (639,254)	\$ (368,031)	1
<b>Net income</b>	—	—	—	129,260	—	—	129,260	—	—	—	—	187,481	—	—
<b>Cash dividends declared (\$0.52 per share)</b>	—	—	—	(66,290)	—	—	(66,290)	—	—	—	—	(99,468)	—	—
<b>Cash dividends declared (\$0.78 per share)</b>	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Common stock issued under Employee Stock Purchase Plan</b>	9,548	—	163	—	—	—	163	9,548	—	163	—	—	—	—
<b>Equity-based awards</b>	235,162	3	4,727	(469)	—	(3,179)	1,082	237,059	3	7,160	(662)	—	—	—
<b>Other comprehensive income, net of tax</b>	—	—	—	—	26,518	—	26,518	—	—	—	—	—	—	—
<b>Balance as of June 30, 2023</b>	<u>127,608,037</u>	<u>\$1,413</u>	<u>\$2,543,226</u>	<u>\$799,045</u>	<u>\$ (612,736)</u>	<u>\$ (371,210)</u>	<u>\$2,359,738</u>							
<b>Other comprehensive loss, net of tax</b>	—	—	—	—	—	—	—	—	—	—	—	—	(9,477)	—
<b>Balance as of September 30, 2023</b>								<u>127,609,934</u>	<u>\$1,413</u>	<u>\$2,545,659</u>	<u>\$823,895</u>	<u>\$ (648,731)</u>	<u>\$ (371,210)</u>	

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)  
(Unaudited)

Three Months Ended June 30, 2022								
(dollars in thousands, except share amounts)	Accumulated							
	Common Stock		Additional		Other			
	Shares	Amount	Capital	Earnings	Loss	Stock	Total	
Balance as of March 31, 2022	127,686,307	\$ 1,409	\$ 2,530,795	\$ 628,642	\$ (517,502)	\$ (358,195)	\$ 2,285,149	
Net income	—	—	—	59,360	—	—	59,360	
Cash dividends declared (\$0.26 per share)	—	—	—	(33,212)	—	—	(33,212)	
Equity-based awards	55,338	—	2,612	(13)	—	(330)	2,269	
Common stock repurchased	(290,558)	—	—	—	—	(7,000)	(7,000)	
Other comprehensive loss, net of tax	—	—	—	—	(53,955)	—	(53,955)	
Balance as of June 30, 2022	127,451,087	\$ 1,409	\$ 2,533,407	\$ 654,777	\$ (571,457)	\$ (365,525)	\$ 2,252,611	
Three Months Ended September 30, 2022								
(dollars in thousands, except share amounts)	Accumulated							
	Common Stock		Additional		Other			
	Shares	Amount	Capital	Earnings	Loss	Stock	Total	
Balance as of June 30, 2022	127,451,087	\$ 1,409	\$ 2,533,407	\$ 654,777	\$ (571,457)	\$ (365,525)	\$ 2,252,611	
Net income	—	—	—	69,018	—	—	69,018	
Cash dividends declared (\$0.26 per share)	—	—	—	(33,112)	—	—	(33,112)	
Common stock issued under Employee Stock Purchase Plan	10,411	—	224	—	—	—	224	
Equity-based awards	2,809	1	1,970	(250)	—	(34)	1,687	
Common stock repurchased	(106,627)	—	—	—	—	(2,478)	(2,478)	
Other comprehensive loss, net of tax	—	—	—	—	(87,299)	—	(87,299)	
Balance as of September 30, 2022	127,357,680	\$ 1,410	\$ 2,535,601	\$ 690,433	\$ (658,756)	\$ (368,037)	\$ 2,200,651	
Six Months Ended June 30, 2022								
(dollars in thousands, except share amounts)	Accumulated							
	Common Stock		Additional		Other			
	Shares	Amount	Capital	Earnings	Loss	Stock	Total	
Balance as of December 31, 2021	127,502,472	\$ 1,406	\$ 2,527,663	\$ 604,534	\$ (121,693)	\$ (354,998)	\$ 2,656,912	
Net income	—	—	—	117,079	—	—	117,079	
Cash dividends declared (\$0.52 per share)	—	—	—	(66,363)	—	—	(66,363)	
Equity-based awards	239,173	3	5,744	(473)	—	(3,527)	1,747	
Common stock repurchased	(290,558)	—	—	—	—	(7,000)	(7,000)	
Other comprehensive loss, net of tax	—	—	—	—	(449,764)	—	(449,764)	
Balance as of June 30, 2022	127,451,087	\$ 1,409	\$ 2,533,407	\$ 654,777	\$ (571,457)	\$ (365,525)	\$ 2,252,611	
Nine Months Ended September 30, 2022								
(dollars in thousands, except share amounts)	Accumulated							
	Common Stock		Additional		Other			
	Shares	Amount	Capital	Earnings	Loss	Stock	Total	
Balance as of December 31, 2021	127,502,472	\$ 1,406	\$ 2,527,663	\$ 604,534	\$ (121,693)	\$ (354,998)	\$ 2,656,912	
Net income	—	—	—	186,097	—	—	186,097	

Cash dividends declared (\$0.78 per share)	—	—	—	(99,475)	—	—	(99,475)
Common stock issued under Employee Stock Purchase Plan	10,411	—	224	—	—	—	224
Equity-based awards	241,982	4	7,714	(723)	—	(3,561)	3,434
Common stock repurchased	(397,185)	—	—	—	—	(9,478)	(9,478)
Other comprehensive loss, net of tax	—	—	—	—	(537,063)	—	(537,063)
Balance as of September 30, 2022	<u>127,357,680</u>	<u>\$ 1,410</u>	<u>\$ 2,535,601</u>	<u>\$ 690,433</u>	<u>\$ (658,756)</u>	<u>\$ (368,037)</u>	<u>\$ 2,200,651</u>

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

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

(dollars in thousands)	Six Months Ended		Nine Months Ended	
	June 30, 2023	2022	September 30, 2023	2022
<b>Cash flows from operating activities</b>				
Net income	\$ 129,260	\$ 117,079	\$ 187,481	\$ 186,097
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses	13,800	(4,747)		
Provision (benefit) for credit losses			21,300	(1,564)
Depreciation, amortization and accretion, net	21,985	30,872	32,425	44,142
Deferred income tax (benefit) provision	(2,024)	14,228	(13,322)	13,807
Stock-based compensation	4,730	5,747	7,163	7,718
Other losses	1,122	2,304	1,243	2,780
Originations of loans held for sale	(5,613)	(10,256)	(11,483)	(14,243)
Proceeds from sales of loans held for sale	6,726	9,744	12,613	13,452
Net losses on sales of loans originated for investment and held for sale	20	36		
Change in assets and liabilities:				
Net decrease (increase) in other assets	29,087	(49,614)		
Net decrease in other assets			20,495	7,348
Net (decrease) increase in other liabilities	(11,483)	50,351	(44,095)	62,054
Net cash provided by operating activities	<u>187,610</u>	<u>165,744</u>	<u>213,820</u>	<u>321,591</u>
<b>Cash flows from investing activities</b>				
Available-for-sale securities:				
Proceeds from maturities and principal repayments	223,102	598,865	345,798	752,306
Proceeds from calls and sales	25,237	1,080	25,236	1,080
Purchases	—	(913,268)	—	(938,268)
Held-to-maturity securities:				
Proceeds from maturities and principal repayments	153,133	137,014	238,722	254,157
Proceeds from calls	7,705	110	7,950	395
Purchases	—	(79,470)	—	(79,470)

Other investments:				
Proceeds from sales	61,985	4,132	78,746	5,496
Purchases	(81,240)	(21,386)	(102,639)	(29,514)
Loans:				
Net increase in loans and leases resulting from originations and principal repayments	(240,357)	(168,986)	(214,539)	(521,025)
Purchases of loans	(48,741)	(149,512)	(48,911)	(225,844)
Proceeds from bank-owned life insurance	5,281	—	5,632	—
Purchases of premises, equipment and software	(4,191)	(5,966)	(8,283)	(10,747)
Proceeds from sales of other real estate owned	34	176		
Other	(2,882)	(1,744)	313	(2,994)
Net cash provided by (used in) investing activities	99,066	(598,955)	328,025	(794,428)
<b>Cash flows from financing activities</b>				
Net (decrease) increase in deposits	(610,863)	785,308	(177,540)	275,592
Net decrease in short-term borrowings	(75,000)	—		
Proceeds from long-term borrowings	500,000	—	500,000	—
Net decrease in other short-term borrowings			(75,000)	—
Dividends paid	(66,290)	(66,363)	(99,468)	(99,475)
Stock tendered for payment of withholding taxes	(3,179)	(3,527)	(3,196)	(3,561)
Proceeds from employee stock purchase plan	163	—	163	224
Common stock repurchased	—	(7,000)	—	(9,478)
Net cash (used in) provided by financing activities	(255,169)	708,418		
Net increase in cash and cash equivalents	31,507	275,207		
Net cash provided by financing activities			144,959	163,302
Net increase (decrease) in cash and cash equivalents			686,804	(309,535)
Cash and cash equivalents at beginning of period	526,624	1,258,469	526,624	1,258,469
<b>Cash and cash equivalents at end of period</b>	<b>\$ 558,131</b>	<b>\$ 1,533,676</b>	<b>\$ 1,213,428</b>	<b>\$ 948,934</b>
<b>Supplemental disclosures</b>				
Interest paid	\$ 97,867	\$ 8,015	\$ 173,712	\$ 21,006
Income taxes paid, net of income tax refunds	29,928	5,356	50,098	23,471
Noncash investing and financing activities:				
Operating lease right-of-use assets obtained in exchange for new lease obligations	1,680	4,979	3,239	5,603
Transfers to loans and leases from loans held for sale	—	834	—	834
Transfers to loans held for sale from loans and leases	1,133	—	1,133	—
Obligation to fund low-income housing partnerships			25,836	3,569
Transfers of securities from available-for-sale to held-to-maturity	—	4,133,363	—	4,550,748

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

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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, 2022.

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.

#### **Loan Modifications to Borrowers Experiencing Financial Difficulty**

Loan modifications are assessed by the Company to determine: (1) whether the borrower is experiencing financial difficulty and (2) whether the Company granted the borrower a modification or combination of modifications in the form of one or more of the following modification types: principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay and/or a term extension. If both criteria are met, then the loan modification is subject to additional evaluation for credit losses and enhanced disclosure requirements.

Generally, a non-accrual loan that has been modified with a borrower experiencing financial difficulty remains on non-accrual status for at least six months to demonstrate that the borrower is able to meet the terms of the modified loan. However, performance prior to the modification, or significant events that coincide with the modification, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status at the time of loan modification or after a shorter performance period. If the borrower's ability to meet the revised payment terms is uncertain, the loan remains on non-accrual status.

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#### **Allowance for Credit Losses**

The allowance for credit losses for loans and leases (the "ACL") is a valuation account that is deducted from the amortized cost basis of loans and leases to present the net amount expected to be collected from loans and leases. Loans and leases are charged-off against the ACL when management believes the loan or lease balance is deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. The Company's ACL and the reserve for unfunded commitments under the Current Expected Credit

Losses ("CECL") approach consist of quantitative and qualitative estimates. The Company's methodology leverages two quantitative models: a one-variable forward-looking macroeconomic model that estimates the impact of management's economic outlook and a transition probability matrix that estimates expected losses over the long run. The quantitative estimation is overlaid with qualitative adjustments to account for current conditions and forward-looking factors not captured in the quantitative model. Qualitative adjustments that are considered include adjustments for regulatory determinants, model limitations, model maturity, and other current or anticipated events that are not captured in the Company's historical loss experience.

The Company generally evaluates loans and leases on a collective or pool basis when similar risk characteristics exist. However, loans and leases that do not share similar risk characteristics are evaluated on an individual basis. Such loans and leases evaluated individually are excluded from the collective evaluation. Individually assessed loans are measured for estimated credit loss ("ECL") based on the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral, less estimated selling costs, if the loan is collateral-dependent.

Management reviews relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts about the future. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The Company utilizes a Probability of Default ("PD")/Loss Given Default ("LGD") framework to estimate the ACL and the reserve for unfunded commitments. The PD represents the percentage expectation to default, measured by assessing loans and leases that migrate to default status (i.e., nonaccrual status, ~~loan modifications to borrowers experiencing financial difficulty~~, 90 days or more past due, partial or full charge-offs or bankruptcy). LGD is defined as the percentage of the exposure at default ("EAD") lost at the time of default, net of any recoveries, and will be unique to each of the collateral types securing the Company's loans. PD and LGD's are based on past experience of the Company. The ECL on loans and leases is calculated by taking the product of the credit exposure, lifetime default probability ("LDP") and the LGD.

The ECL model is applied to current credit exposures at the account level, using assumptions calibrated at the portfolio segment level using internal historical loan and lease level data. The Company estimates the default risk of a credit exposure over the remaining life of each account using a transition probability matrix approach which captures both the average rate of up/down-grade and default transitions, as well as withdrawal rates which capture the historical rate of exposure decline due to loan and lease amortization and prepayment. To apply the transition matrices, each credit exposure's remaining life is split into two time segments. The first time segment is for the reasonable and supportable forecast period over which the transition matrices which are applied have been adjusted to incorporate current and forecasted conditions over that period. Management has determined that using a one-year time horizon for the reasonable and supportable forecast period for all classes of loans and leases is a reasonable forecast horizon given the difficulty in predicting future economic conditions with a high degree of certainty. The second time segment is the reversion period from the end of the reasonable and supportable forecast period to the maturity of the exposure, over which long-run average transition matrices are applied. Management elected to use an immediate reversion to the mean approach. Lifetime loss rates are applied against the amortized cost basis of loans and leases and unfunded commitments to estimate the ACL and the reserve for unfunded commitments, respectively.

On at least a quarterly basis, management convenes the Bank's forecasting team which is responsible for reviewing the economic forecast model inputs and outputs and approving the resulting economic adjustment. The model uses a one-variable econometric model to produce factors that modify the long-run default rate assumptions used in the CECL model. These factors are applied to calculate the economic adjustment over the Reasonable and Supportable Forecast Period. At the meeting, management is presented with the economic forecast model input and output as well as the resulting economic adjustment. Depending on the current economic conditions, a range of inputs and outputs may be presented, in which case, using judgment, management will select an input and output.

The economic forecast framework also allows management to use judgment in selecting the economic model input in cases where management's outlook diverges from the official forecasts, and to apply qualitative dollar overlays to account for other economic related conditions not captured in the economic forecast model but are expected to potentially impact losses.

The team also reviews other relevant economic variables and economic factors at the time of the meeting that could potentially impact future losses. These materials are presented to the economic forecasting team as they are economic in nature. If determined to be relevant and needing to be considered in the ACL estimate, these risks will be included in the ACL estimate through a qualitative dollar overlay that is determined using either quantitative analysis or qualitative judgment, or a mix of both. These other factors could include inflation indicators, personal income, or visitor arrivals, for example.

At present, the Company has identified three portfolio segments in estimating the ACL: commercial, residential real estate and consumer lending. The Company's commercial portfolio segment is comprised of four distinct classes: commercial and industrial loans, commercial real estate loans, construction loans and lease financing. The key risk drivers related to this portfolio segment include risk rating, collateral type, and remaining maturity. The Company's residential real estate portfolio segment is comprised of two distinct classes: residential real estate loans and home equity lines of credit. Specific risk characteristics related to this portfolio include the value of the underlying collateral, credit score and remaining maturity. Finally, the Company's consumer portfolio segment is not further segmented, but consists primarily of automobile loans, credit cards and other installment loans. Automobile loans constitute the majority of this segment and are monitored using credit scores, collateral values and remaining maturity. The remainder of the consumer portfolio is predominantly unsecured.

Regarding accrued interest receivable, the Company made accounting policy elections to (1) not measure an ACL on accrued interest receivable, (2) write-off accrued interest receivable by reversing interest income and (3) present accrued interest receivable separately from the related financial asset on the balance sheet. Furthermore, regarding collateral-dependent financial assets, the Company elected the practical expedient to use the fair value of collateral at the reporting date when recording the net carrying amount of the asset and determining the ACL for a financial asset for which the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty based on the Company's assessment as of the reporting date.

#### **Accounting Standards Adopted in 2023**

In March 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2022-01, *Derivatives and Hedging (Topic 815), Fair Value Hedging –Portfolio Layer Method*. This update clarifies the guidance in Topic 815 on fair value hedge accounting of interest rate risk for portfolios of financial assets. Under current hedge accounting guidance, the "last-of-layer" method enables an entity to apply fair value hedging to a stated amount of a closed portfolio of prepayable financial assets without having to consider prepayment risk or credit risk when measuring those assets. The hedged item represents a single layer within that closed portfolio. This update expands the scope of this guidance to allow entities to apply the "portfolio layer" method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets. The current model is expanded to (1) explicitly allow entities to designate multiple layers in a single portfolio as individual hedged items and (2) also allow entities the flexibility to use any type of derivative (or combination of derivatives) by applying the multiple-layer model that aligns with its risk management strategy. Although no assets may be added to a closed portfolio once it is designated in a portfolio layer method hedge, at any time after the initial hedge designation, new hedging relationships associated with the portfolio may be designated and existing hedging relationships associated with the portfolio may be redesignated to align with an entity's evolving strategy for managing interest rate risk on a timely basis. Under the portfolio layer method, the basis of the portfolio assets is generally adjusted at the portfolio level rather than being allocated to individual assets within the portfolio, except when the allocation of basis adjustments is required by other areas of GAAP. The intent of this update is consistent with the FASB's efforts to better align an entity's financial reporting with the results of its risk management strategy and to further simplify the hedge accounting model. The Company adopted the provisions of ASU No. 2022-01 on January 1, 2023, and it did not have a material impact on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures*. This update eliminates the accounting guidance on troubled debt restructurings ("TDRs") for creditors in Subtopic 310-40 and amends the guidance on vintage disclosures to require disclosure of current-period gross charge-offs by year of origination. This ASU also updates the requirements related to accounting for credit losses under Topic 326 and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. The Company adopted the provisions of ASU No. 2022-02 on January 1, 2023, and it did not have a material impact on the Company's consolidated financial statements. See "Note 4. Allowance for Credit Losses" for required disclosures related to this new guidance.

#### ***Enactment of the Inflation Reduction Act of 2022***

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act (IRA) which, among other changes, created a new corporate alternative minimum tax (AMT) based on adjusted financial statement income and imposes a 1% excise tax on corporate stock repurchases. These provisions became effective January 1, 2023. The enactment of the IRA did not have a material impact on the Company's consolidated financial statements.

#### **Recent Accounting Pronouncements**

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

In March 2023, the FASB issued 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*. This update is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The adoption of ASU No. 2023-01 is not expected to 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 current 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. This update is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The adoption of ASU No. 2023-02 is not expected to have a material impact on the Company's consolidated financial statements.

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**2. Investment Securities**

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 **June 30, 2023** **September 30, 2023** and December 31, 2022 were as follows:

(dollars in thousands)	June 30, 2023				December 31, 2022				September 30, 2023				December 31, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	
U.S. Treasury and government agency debt securities	\$ 128,594	\$ —	\$ (11,709)	\$ 116,885	\$ 163,309	\$ —	\$ (12,327)	\$ 150,982	\$ 126,264	\$ —	\$ (12,105)	\$ 114,159	\$ 163,309	\$ —	\$ (12,105)	\$ 114,159
Government-sponsored enterprises debt securities	45,000	—	(760)	44,240	45,000	—	(699)	44,301	20,000	—	(740)	19,260	45,000	—	0	19,260
Mortgage-backed securities:																
Residential - Government agency	63,486	—	(6,284)	57,202	66,792	—	(7,069)	59,723	61,768	—	(9,406)	52,362	66,792	—	(7,069)	52,362
Residential - Government-sponsored enterprises	1,229,375	—	(146,383)	1,082,992	1,317,718	—	(157,263)	1,160,455	1,185,269	—	(179,487)	1,005,782	1,317,718	—	(157,263)	1,005,782
Commercial - Government agency	276,365	—	(50,903)	225,462	282,700	—	(44,847)	237,853	272,432	—	(60,535)	211,897	282,700	—	(44,847)	211,897

Commercial -																
Government-sponsored enterprises	96,441	—	(8,544)	87,897	130,612	—	(11,039)	119,573	94,021	—	(9,101)	84,920	130,612	—	(11,039)	
Commercial - Non-agency	21,964	—	(585)	21,379	21,964	—	(493)	21,471	21,964	—	(362)	21,602	21,964	—	(493)	
Collateralized mortgage obligations:																
Government agency	688,844	—	(83,623)	605,221	738,524	—	(85,202)	653,322	661,207	—	(95,355)	565,852	738,524	—	(85,202)	
Government-sponsored enterprises	496,867	—	(69,387)	427,480	533,103	—	(70,971)	462,132	479,217	—	(78,469)	400,748	533,103	—	(70,971)	
Collateralized loan obligations	249,889	—	(9,275)	240,614	249,877	50	(8,606)	241,321	249,889	21	(3,788)	246,122	249,877	50	(8,606)	
<b>Total available-for-sale securities</b>	<b>\$3,296,825</b>	<b>\$</b>	<b>—</b>	<b>\$ (387,453)</b>	<b>\$ 2,909,372</b>	<b>\$ 3,549,599</b>	<b>\$ 50</b>	<b>\$ (398,516)</b>	<b>\$ 3,151,133</b>	<b>\$3,172,031</b>	<b>\$ 21</b>	<b>\$ (449,348)</b>	<b>\$ 2,722,704</b>	<b>\$ 3,549,599</b>	<b>\$ 50</b>	<b>\$ (398,516)</b>
Government agency debt securities	\$ 53,189	\$	—	\$ (5,675)	\$ 47,514	\$ 54,318	\$ —	\$ (5,674)	\$ 48,644	\$ 53,105	\$ —	\$ (7,901)	\$ 45,204	\$ 54,318	\$ —	\$ (5,674)
Mortgage-backed securities:																
Residential - Government agency	45,097	—	(5,484)	39,613	46,302	—	(6,294)	40,008	44,379	—	(8,024)	36,355	46,302	—	(6,294)	
Residential - Government-sponsored enterprises	102,940	—	(11,898)	91,042	106,534	—	(12,978)	93,556	100,905	—	(18,151)	82,754	106,534	—	(12,978)	
Commercial - Government agency	30,675	—	(6,381)	24,294	30,544	—	(5,229)	25,315	30,733	—	(8,756)	21,977	30,544	—	(5,229)	
Commercial - Government-sponsored enterprises	1,137,157	196	(129,963)	1,007,390	1,150,449	—	(138,451)	1,011,998	1,132,818	153	(194,471)	938,500	1,150,449	—	(138,451)	
Collateralized mortgage obligations:																
Government agency	1,036,671	—	(119,506)	917,165	1,080,492	—	(122,378)	958,114	1,010,551	—	(153,260)	857,291	1,080,492	—	(122,378)	
Government-sponsored enterprises	1,720,672	—	(198,450)	1,522,222	1,798,178	—	(207,045)	1,591,133	1,677,519	—	(271,248)	1,406,271	1,798,178	—	(207,045)	

Debt securities issued by states and political subdivisions	54,007	—	(5,986)	48,021	53,822	—	(7,768)	46,054	54,104	—	(9,427)	44,677	53,822	—	(7,
<b>Total held- to- maturity securities</b>	<b>\$4,180,408</b>	<b>\$ 196</b>	<b>\$ (483,343)</b>	<b>\$3,697,261</b>	<b>\$4,320,639</b>	<b>\$ —</b>	<b>\$ (505,817)</b>	<b>\$3,814,822</b>	<b>\$4,104,114</b>	<b>\$ 153</b>	<b>\$ (671,238)</b>	<b>\$3,433,029</b>	<b>\$4,320,639</b>	<b>\$ —</b>	<b>\$ (505,</b>

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During the year ended December 31, 2022, the Company reclassified at fair value approximately \$4.6 billion, in available-for-sale investment securities to the held-to-maturity category. The related total unrealized after-tax losses of approximately \$372.4 million remained in accumulated other comprehensive loss to be amortized over the estimated remaining life of the securities as an adjustment of yield, offsetting the related accretion of the discount on the transferred securities. No gains or losses were recognized at the time of reclassification. Management considers the held-to-maturity classification of these investment securities to be appropriate as the Company has the positive intent and ability to hold these securities to maturity. There were no securities transferred from available-for-sale investment securities to the held-to-maturity category during the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

Accrued interest receivable related to available-for-sale investment securities was \$8.7 million and \$8.9 million as of **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively. Accrued interest receivable related to held-to-maturity investment securities was **\$7.2 million** **\$7.4 million** and \$7.5 million as of **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 **\$7.5 million** **\$0.2 million** and nil, respectively, for the three months ended **September 30, 2023**, and **\$8.0 million** and \$25.2 million, respectively, for the **three** **nine** months ended **June 30, 2023**, and **\$7.7 million** and **\$25.2 million**, respectively, for the six months ended **June 30, 2023** **September 30, 2023**. Proceeds from calls and sales of investment securities were **\$0.2 million** **\$0.3 million** and nil, respectively, for the three months ended **June 30, 2022** **September 30, 2022**, and **\$1.2 million** **\$1.5 million** and nil, respectively, for the **six** **nine** months ended **June 30, 2022** **September 30, 2022**. The Company recorded gross realized gains of nil and gross realized losses of nil for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022. The income tax expense related to the Company's net realized gain on the sale of investment securities was nil for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022. Gains and losses realized on sales of securities are determined using the specific identification method.

Interest income from taxable investment securities was **\$33.3 million** **\$33.4 million** and **\$31.6 million** **\$33.8 million**, respectively, for the three months ended **June 30, 2023** **September 30, 2023** and 2022, and **\$67.3 million** **\$100.7 million** and **\$60.7 million** **\$94.5 million**, respectively, for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022. Interest income from non-taxable investment securities was **\$3.1 million** **\$3.3 million** and **\$3.3 million** **\$3.8 million**, respectively, for the three months ended **June 30, 2023** **September 30, 2023** and 2022, and **\$6.7 million** **\$10.0 million** and **\$6.3 million** **\$10.1 million**, respectively, for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022.

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 **June 30, 2023** **September 30, 2023**, 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.

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(dollars in thousands)	June 30, 2023		September 30, 2023	
	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value
<b>Available-for-sale securities</b>				
Due in one year or less	\$ 44,820	\$ 44,242	\$ 19,884	\$ 19,534
Due after one year through five years	60,590	57,478	60,651	57,469
Due after five years through ten years	175,172	162,622	172,717	161,989
Due after ten years	164,865	158,776	164,865	162,151
	<b>445,447</b>	<b>423,118</b>	<b>418,117</b>	<b>401,143</b>
 Mortgage-backed securities:				
Residential - Government agency	63,486	57,202	61,768	52,362
Residential - Government-sponsored enterprises	1,229,375	1,082,992	1,185,269	1,005,782
Commercial - Government agency	276,365	225,462	272,432	211,897
Commercial - Government-sponsored enterprises	96,441	87,897	94,021	84,920
Total mortgage-backed securities	<b>1,665,667</b>	<b>1,453,553</b>	<b>1,613,490</b>	<b>1,354,961</b>
 Collateralized mortgage obligations:				
Government agency	688,844	605,221	661,207	565,852
Government-sponsored enterprises	496,867	427,480	479,217	400,748
Total collateralized mortgage obligations	<b>1,185,711</b>	<b>1,032,701</b>	<b>1,140,424</b>	<b>966,600</b>
<b>Total available-for-sale securities</b>	<b>\$ 3,296,825</b>	<b>\$ 2,909,372</b>	<b>\$ 3,172,031</b>	<b>\$ 2,722,704</b>
 <b>Held-to-maturity securities</b>				
Due in one year or less	\$ —	\$ —	\$ —	\$ —
Due after one year through five years	—	—	—	—
Due after five years through ten years	10,255	9,264	10,280	8,732
Due after ten years	96,941	86,271	96,929	81,149
	<b>107,196</b>	<b>95,535</b>	<b>107,209</b>	<b>89,881</b>
 Mortgage-backed securities:				
Residential - Government agency	45,097	39,613	44,379	36,355
Residential - Government-sponsored enterprises	102,940	91,042	100,905	82,754
Commercial - Government agency	30,675	24,294	30,733	21,977
Commercial - Government-sponsored enterprises	1,137,157	1,007,390	1,132,818	938,500
Total mortgage-backed securities	<b>1,315,869</b>	<b>1,162,339</b>	<b>1,308,835</b>	<b>1,079,586</b>
 Collateralized mortgage obligations:				
Government agency	1,036,671	917,165	1,010,551	857,291
Government-sponsored enterprises	1,720,672	1,522,222	1,677,519	1,406,271
Total collateralized mortgage obligations	<b>2,757,343</b>	<b>2,439,387</b>	<b>2,688,070</b>	<b>2,263,562</b>
<b>Total held-to-maturity securities</b>	<b>\$ 4,180,408</b>	<b>\$ 3,697,261</b>	<b>\$ 4,104,114</b>	<b>\$ 3,433,029</b>

At **June 30, 2023** **September 30, 2023**, pledged securities totaled **\$6.0 billion** **\$6.3 billion**, of which **\$3.2 billion** **\$3.5 billion** was pledged to secure public deposits, **\$2.6 billion** was pledged to secure borrowing capacity and **\$171.5 million** **\$180.1 million** was pledged to secure other financial transactions. At December 31, 2022, pledged securities totaled \$3.2 billion, of which \$3.0 billion was pledged to secure public deposits and \$207.8 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, taken in the aggregate, which were in excess of 10% of stockholders' equity as of **June 30, 2023** **September**

30, 2023 or December 31, 2022.

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 281279 and 275 individual securities in each category have been in a continuous loss position as of June 30, 2023 September 30, 2023 and December 31, 2022, 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.

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(dollars in thousands)	Time in Continuous Loss as of June 30, 2023						Time in Continuous Loss as of September 30, 2023					
	Less Than 12 Months		12 Months or More		Total		Less Than 12 Months		12 Months or More		Total	
	Unrealized		Unrealized		Unrealized		Unrealized		Unrealized		Unrealized	
	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value
U.S. Treasury and government agency debt securities	\$ (708)	\$ 19,255	\$ (11,001)	\$ 97,630	\$ (11,709)	\$ 116,885	\$ —	\$ —	\$ (12,105)	\$ 114,159	\$ (12,105)	\$ 114,159
Government-sponsored enterprises debt securities	(760)	44,240	—	—	(760)	44,240	—	—	(740)	19,260	(740)	19,260
Mortgage-backed securities:												
Residential	—	—	(6,284)	57,202	(6,284)	57,202	—	—	(9,406)	52,362	(9,406)	52,362
Government agency	—	—	(6,284)	57,202	(6,284)	57,202	—	—	(9,406)	52,362	(9,406)	52,362
Residential												
Government-sponsored enterprises	(8,831)	165,828	(137,552)	917,164	(146,383)	1,082,992	—	—	(179,487)	1,005,782	(179,487)	1,005,782
Commercial												
Government agency	(104)	4,256	(50,799)	221,206	(50,903)	225,462	—	—	(60,535)	211,897	(60,535)	211,897
Commercial												
Government-sponsored enterprises	(546)	15,738	(7,998)	72,159	(8,544)	87,897	—	—	(9,101)	84,920	(9,101)	84,920
Commercial - Non-agency	(585)	21,379	—	—	(585)	21,379	—	—	(362)	21,602	(362)	21,602
Collateralized mortgage obligations:												
Government agency	(1,260)	31,225	(82,363)	573,996	(83,623)	605,221	—	—	(95,355)	565,852	(95,355)	565,852
Government-sponsored enterprises	(2,894)	36,881	(66,493)	390,599	(69,387)	427,480	—	—	(78,469)	400,748	(78,469)	400,748
Collateralized loan obligations	(6,360)	163,538	(2,915)	77,076	(9,275)	240,614	(973)	75,258	(2,815)	169,131	(3,788)	244,389
<b>Total available-for-sale securities with unrealized losses</b>	<b>\$ (22,048)</b>	<b>\$ 502,340</b>	<b>\$ (365,405)</b>	<b>\$ 2,407,032</b>	<b>\$ (387,453)</b>	<b>\$ 2,909,372</b>	<b>\$ (973)</b>	<b>\$ 75,258</b>	<b>\$ (448,375)</b>	<b>\$ 2,645,713</b>	<b>\$ (449,348)</b>	<b>\$ 2,720,971</b>

(dollars in thousands)	Time in Continuous Loss as of December 31, 2022					
	Less Than 12 Months		12 Months or More		Total	
	Unrealized		Unrealized		Unrealized	
	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value

U.S. Treasury and government agency debt securities	\$ (2,962)	\$ 83,870	\$ (9,365)	\$ 67,112	\$ (12,327)	\$ 150,982
Government-sponsored enterprises debt securities	(699)	44,301	—	—	(699)	44,301
Mortgage-backed securities:						
Residential - Government agency	(7,069)	59,723	—	—	(7,069)	59,723
Residential - Government-sponsored enterprises	(73,954)	645,338	(83,309)	515,117	(157,263)	1,160,455
Commercial - Government agency	(15,852)	108,842	(28,995)	129,011	(44,847)	237,853
Commercial - Government-sponsored enterprises	(7,348)	94,657	(3,691)	24,916	(11,039)	119,573
Commercial - Non-agency	(493)	21,471	—	—	(493)	21,471
Collateralized mortgage obligations:						
Government agency	(74,797)	596,907	(10,405)	56,415	(85,202)	653,322
Government-sponsored enterprises	(21,916)	198,108	(49,055)	264,024	(70,971)	462,132
Collateralized loan obligations:	(8,606)	170,042	—	—	(8,606)	170,042
<b>Total available-for-sale securities with unrealized losses</b>	<b>\$ (213,696)</b>	<b>\$ 2,023,259</b>	<b>\$ (184,820)</b>	<b>\$ 1,056,595</b>	<b>\$ (398,516)</b>	<b>\$ 3,079,854</b>

At **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company did not have any available-for-sale securities in an unrealized loss position with the intent to sell and determined it was more likely than not that the Company would not be required to sell these 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 **June 30, 2023** **September 30, 2023** and December 31, 2022, each security with an unrealized loss position in the above tables has been further assessed to determine if a credit loss exists. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and for the year ended December 31, 2022.

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 **June 30, 2023** **September 30, 2023** or December 31, 2022.

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The Company held approximately 120,000 Visa Class B restricted shares as of both **June 30, 2023** **September 30, 2023** and December 31, 2022. These shares continued to be carried at \$0 cost basis as of both **June 30, 2023** **September 30, 2023** and December 31, 2022.

#### **3. Loans and Leases**

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, loans and leases were comprised of the following:

June 30,	December 31,	September 30, December 31,

(dollars in thousands)	2023	2022	2023	2022
Commercial and industrial	\$ 2,187,831	\$ 2,235,897	\$ 2,101,442	\$ 2,235,897
Commercial real estate	4,290,948	4,132,309	4,387,751	4,132,309
Construction	913,837	844,643	885,112	844,643
Residential:				
Residential mortgage	4,317,537	4,302,788	4,303,924	4,302,788
Home equity line	1,138,163	1,055,351	1,167,388	1,055,351
Total residential	5,455,700	5,358,139	5,471,312	5,358,139
Consumer	1,182,116	1,222,934	1,154,203	1,222,934
Lease financing	332,400	298,090	332,515	298,090
<b>Total loans and leases</b>	<b>\$ 14,362,832</b>	<b>\$ 14,092,012</b>	<b>\$14,332,335</b>	<b>\$14,092,012</b>

Outstanding loan balances are reported net of deferred loan costs and fees of **\$58.7 million** **\$58.5 million** and **\$56.1 million** at **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively.

Accrued interest receivable related to loans and leases was **\$64.6 million** **\$67.9 million** and **\$61.6 million** as of **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 **June 30, 2023** **September 30, 2023**, commercial real estate and residential real estate loans totaling **\$4.9 billion** **\$4.8 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 **\$4.9 billion** **\$4.8 billion** were pledged to collateralize the Company's borrowing capacity at the Federal Reserve Bank of San Francisco ("FRB"). As of December 31, 2022, residential real estate loans totaling \$3.5 billion were pledged to collateralize the Company's borrowing capacity at the FHLB, and consumer, commercial and industrial, commercial real estate and residential real estate loans totaling \$1.7 billion were pledged to collateralize the Company's borrowing capacity at the FRB. Residential real estate loans collateralized by properties that were in the process of foreclosure totaled **\$4.0 million** **\$7.3 million** and \$2.8 million as of **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 strength and 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 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, 2022.

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 and **six** months ended **June 30, 2023** **September 30, 2023** and 2022:

(dollars in thousands)	Three Months Ended June 30, 2023										Three Months Ended September 30, 2023											
	Commercial Lending					Residential Lending					Commercial Lending					Residential Lending						
	Commercial		Commercial		Home	Commercial		Commercial		Home	Commercial		Commercial		Home	Commercial		Commercial		Home		
	and	Real	Lease	Residential	Equity	and	Real	Lease	Residential	Equity	and	Real	Lease	Residential	Equity	and	Real	Lease	Residential	Equity		
	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total	Industrial	Estate	Construction	Financing	Mortgage	
Allowance for credit losses:																						
Balance at beginning of period	\$ 14,038	\$ 40,311	\$ 6,473	\$ 1,481	\$ 34,320	\$ 9,341	\$ 41,158	\$ 147,122	\$ 13,810	\$ 39,887	\$ 9,871	\$ 1,447	\$ 32,803	\$ 11,806	\$ 38,957	\$ 148,581	\$ 13,700	\$ 43,798	\$ 10,204	\$ 1,710	\$ 36,999	
Charge-offs	(997)	—	—	—	—	(137)	(4,516)	(5,650)	(784)	—	—	—	—	—	(3,665)	(4,646)	—	—	—	—	—	
Recoveries	292	—	—	—	30	59	1,728	2,109	2,637	—	—	—	—	53	303	1,746	4,143	—	—	—	—	
Provision	477	(424)	3,398	(34)	(1,547)	2,543	587	5,000	(1,963)	3,911	333	263	4,143	(682)	(81)	5,000	13,700	43,798	10,204	1,710	36,999	11,427
Balance at end of period	\$ 13,810	\$ 39,887	\$ 9,871	\$ 1,447	\$ 32,803	\$ 11,806	\$ 38,957	\$ 148,581	\$ 13,700	\$ 43,798	\$ 10,204	\$ 1,710	\$ 36,999	\$ 11,427	\$ 36,957	\$ 154,795	\$ 13,700	\$ 43,798	\$ 10,204	\$ 1,710	\$ 36,999	\$ 11,427

(dollars in thousands)	Six Months Ended June 30, 2023										Nine Months Ended September 30, 2023											
	Commercial Lending					Residential Lending					Commercial Lending					Residential Lending						
	Commercial		Commercial		Home	Commercial		Commercial		Home	Commercial		Commercial		Home	Commercial		Commercial		Home		
	and	Real	Lease	Residential	Equity	and	Real	Lease	Residential	Equity	and	Real	Lease	Residential	Equity	and	Real	Lease	Residential	Equity		
	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total	Industrial	Estate	Construction	Financing	Mortgage	
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	\$ 14,564	\$ 43,810	\$ 5,843	\$ 1,551	\$ 35,175	\$ 8,296	\$ 34,661	\$ 143,900	\$ 14,564	\$ 43,810	\$ 5,843	\$ 1,551	\$ 35,175	
Charge-offs	(1,788)	—	—	—	(122)	(272)	(9,298)	(11,480)	(2,572)	—	—	—	(122)	(272)	(12,963)	(15,929)	—	—	—	(122)	(272)	
Recoveries	538	—	—	—	57	236	3,894	4,725	3,175	—	—	—	110	539	5,640	9,464	—	—	—	110	539	
Provision	496	(3,923)	4,028	(104)	(2,307)	3,546	9,700	11,436	(1,467)	(12)	4,361	159	1,836	2,864	9,619	17,360	—	—	—	1,836	2,864	
Balance at end of period	\$ 13,810	\$ 39,887	\$ 9,871	\$ 1,447	\$ 32,803	\$ 11,806	\$ 38,957	\$ 148,581	\$ 13,700	\$ 43,798	\$ 10,204	\$ 1,710	\$ 36,999	\$ 11,427	\$ 36,957	\$ 154,795	\$ 13,700	\$ 43,798	\$ 10,204	\$ 1,710	\$ 36,999	\$ 11,427

	Three Months Ended June 30, 2022								Three Months Ended September 30, 2022													
	Commercial Lending				Residential Lending				Commercial Lending				Residential Lending									
	Industrial	Estate	Construction	Financing	Lease	Residential	Equity	Total	Industrial	Estate	Construction	Financing	Lease	Residential	Equity	Total						
Allowance for credit losses:																						
Balance at beginning of period	\$ 14,038	\$ 40,311	\$ 6,473	\$ 1,481	\$ 34,320	\$ 9,341	\$ 41,158	\$ 147,122	\$ 13,810	\$ 39,887	\$ 9,871	\$ 1,447	\$ 32,803	\$ 11,806	\$ 38,957	\$ 148,581	\$ 13,700	\$ 43,798	\$ 10,204	\$ 1,710	\$ 36,999	\$ 11,427
Charge-offs	(997)	—	—	—	—	(137)	(4,516)	(5,650)	(784)	—	—	—	—	—	(3,665)	(4,646)	—	—	—	—	—	
Recoveries	292	—	—	—	30	59	1,728	2,109	2,637	—	—	—	—	53	303	1,746	4,143	—	—	—	—	
Provision	477	(424)	3,398	(34)	(1,547)	2,543	587	5,000	(1,963)	3,911	333	263	4,143	(682)	(81)	5,000	13,700	43,798	10,204	1,710	36,999	11,427
Balance at end of period	\$ 13,810	\$ 39,887	\$ 9,871	\$ 1,447	\$ 32,803	\$ 11,806	\$ 38,957	\$ 148,581	\$ 13,700	\$ 43,798	\$ 10,204	\$ 1,710	\$ 36,999	\$ 11,427	\$ 36,957	\$ 154,795	\$ 13,700	\$ 43,798	\$ 10,204	\$ 1,710	\$ 36,999	\$ 11,427

(dollars in thousands)	Commercial									Commercial									Commercial								
	and Real			Lease			Residential			Home			and Real			Lease			Residential			Home					
	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total			
Allowance for credit losses:																											
Balance at beginning of period	\$ 19,160	\$ 45,238	\$ 8,908	\$ 1,362	\$ 30,888	\$ 5,084	\$ 39,640	\$ 150,280	\$ 15,924	\$ 44,726	\$ 5,367	\$ 1,398	\$ 33,635	\$ 4,734	\$ 43,158	\$ 148,942	\$ 15,133	\$ 44,392	\$ 4,724	\$ 1,633	\$ 33,919	\$ 5,254	\$ 43,108	\$ 148,942			
Charge-offs	(243)	—	—	—	—	(1,120)	(3,659)	(5,022)	(328)	(750)	—	—	(1)	—	(3,986)	(5,022)	(328)	(750)	—	—	(1)	—	(3,986)	(5,022)			
Recoveries	301	—	—	60	192	191	1,940	2,684	240	—	—	—	37	356	1,653	2,201	240	—	—	—	37	356	1,653	2,201			
Provision	(3,294)	(512)	(3,541)	(24)	2,555	579	5,237	1,000	(703)	416	(643)	235	248	164	2,283	2,000	(703)	416	(643)	235	248	164	2,283	2,000			
Balance at end of period	\$ 15,924	\$ 44,726	\$ 5,367	\$ 1,398	\$ 33,635	\$ 4,734	\$ 43,158	\$ 148,942	\$ 15,133	\$ 44,392	\$ 4,724	\$ 1,633	\$ 33,919	\$ 5,254	\$ 43,108	\$ 148,942	\$ 15,133	\$ 44,392	\$ 4,724	\$ 1,633	\$ 33,919	\$ 5,254	\$ 43,108	\$ 148,942			

(dollars in thousands)	Six Months Ended June 30, 2022									Nine Months Ended September 30, 2022									Nine Months Ended September 30, 2022								
	Commercial Lending				Residential Lending					Commercial Lending				Residential Lending					Commercial Lending				Residential Lending				
	Commercial	Commercial	Home	and Real	Lease	Residential	Equity	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total				
Allowance for credit losses:																											
Balance at beginning of period	\$ 20,080	\$ 42,951	\$ 9,773	\$ 1,659	\$ 34,364	\$ 5,642	\$ 42,793	\$ 157,262	\$ 20,080	\$ 42,951	\$ 9,773	\$ 1,659	\$ 34,364	\$ 5,642	\$ 42,793	\$ 157,262	\$ 20,080	\$ 42,951	\$ 9,773	\$ 1,659	\$ 34,364	\$ 5,642	\$ 42,793	\$ 157,262			
Charge-offs	(949)	—	—	—	—	(1,163)	(7,768)	(9,880)	(1,277)	(750)	—	—	(1)	(1,163)	(11,754)	(14,945)	(1,277)	(750)	—	—	(1)	(1,163)	(11,754)	(14,945)			
Recoveries	354	14	—	60	208	219	4,088	4,943	594	14	—	60	245	575	5,741	7,229	594	14	—	60	245	575	5,741	7,229			
Provision	(3,561)	1,761	(4,406)	(321)	(937)	36	4,045	(3,383)	(4,264)	2,177	(5,049)	(86)	(689)	200	6,328	(1,383)	(4,264)	2,177	(5,049)	(86)	(689)	200	6,328	(1,383)			
Balance at end of period	\$ 15,924	\$ 44,726	\$ 5,367	\$ 1,398	\$ 33,635	\$ 4,734	\$ 43,158	\$ 148,942	\$ 15,133	\$ 44,392	\$ 4,724	\$ 1,633	\$ 33,919	\$ 5,254	\$ 43,108	\$ 148,942	\$ 15,133	\$ 44,392	\$ 4,724	\$ 1,633	\$ 33,919	\$ 5,254	\$ 43,108	\$ 148,942			

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#### Rollforward of the Reserve for Unfunded Commitments

The following presents the activity in the Reserve for Unfunded Commitments for the three and **six** nine months ended **June 30, 2023** September 30, 2023 and 2022:

Three Months Ended June 30, 2023											Three Months Ended September 30, 2023										
(dollars in thousands)	Commercial Lending										Residential Lending										
	Commercial		Commercial		Home						Commercial		Commercial		Home						
	and		Real		Lease	Residential	Equity				and		Real		Lease	Residential	Equity				
	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total			Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total			
Reserve for unfunded commitments:																					
Balance at beginning of period	\$ 7,153	\$ 1,692	\$ 8,952	\$ —	\$ 17	\$ 18,336	\$ 49	\$ 36,199	\$ 6,354	\$ 1,991	\$ 9,789	\$ —	\$ 19	\$ 18,015	\$ 31	\$ 31	\$ 3	\$ 6,354	\$ 1,991	\$ 9,789	\$ —
Provision	(799)	299	837	—	2	(321)	(18)	—	3,577	(129)	(382)	—	(6)	(1,475)	—	—	—	—	—	—	—
Balance at end of period	\$ 6,354	\$ 1,991	\$ 9,789	\$ —	\$ 19	\$ 18,015	\$ 31	\$ 36,199	\$ 9,931	\$ 1,862	\$ 9,407	\$ —	\$ 13	\$ 16,540	\$ 22	\$ 22	\$ 3	\$ 9,931	\$ 1,862	\$ 9,407	\$ —

Six Months Ended June 30, 2023											Nine Months Ended September 30, 2023											
(dollars in thousands)	Commercial Lending										Residential Lending											
	Commercial		Commercial		Home						Commercial		Commercial		Home							
	and		Real		Lease	Residential	Equity				and		Real		Lease	Residential	Equity					
	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total			Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total				
Reserve for unfunded commitments:																						
Balance at beginning of period	\$ 7,811	\$ 2,004	\$ 7,470	\$ —	\$ 30	\$ 16,483	\$ 37	\$ 33,835	\$ 7,811	\$ 2,004	\$ 7,470	\$ —	\$ 30	\$ 16,483	\$ 37	\$ 33,835	\$ 7,811	\$ 2,004	\$ 7,470	\$ —	\$ 30	
Provision	(1,457)	(13)	2,319	—	(11)	1,532	(6)	2,364	2,120	(142)	1,937	—	(17)	57	(15)	3,940	2,120	(142)	1,937	—	(17)	57
Balance at end of period	\$ 6,354	\$ 1,991	\$ 9,789	\$ —	\$ 19	\$ 18,015	\$ 31	\$ 36,199	\$ 9,931	\$ 1,862	\$ 9,407	\$ —	\$ 13	\$ 16,540	\$ 22	\$ 37,775	\$ 9,931	\$ 1,862	\$ 9,407	\$ —	\$ 13	\$ 16,540

Three Months Ended June 30, 2022											Three Months Ended September 30, 2022											
(dollars in thousands)	Commercial Lending										Residential Lending											
	Commercial		Commercial		Home						Commercial		Commercial		Home							
	and		Real		Lease	Residential	Equity				and		Real		Lease	Residential	Equity					
	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total			Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total				
Reserve for unfunded commitments:																						
Balance at beginning of period	\$ 9,308	\$ 1,789	\$ 8,046	\$ —	\$ 3	\$ 9,766	\$ 46	\$ 28,958	\$ 7,640	\$ 3,750	\$ 6,084	\$ —	\$ 32	\$ 11,423	\$ 29	\$ 2	\$ 7,640	\$ 3,750	\$ 6,084	\$ —	\$ 32	
Provision	(1,668)	1,961	(1,962)	—	29	1,657	(17)	—	478	(1,397)	630	—	(4)	1,473	3	2	478	(1,397)	630	—	(4)	1,473
Balance at end of period	\$ 7,640	\$ 3,750	\$ 6,084	\$ —	\$ 32	\$ 11,423	\$ 29	\$ 28,958	\$ 8,118	\$ 2,353	\$ 6,714	\$ —	\$ 28	\$ 12,896	\$ 32	\$ 3	\$ 8,118	\$ 2,353	\$ 6,714	\$ —	\$ 28	\$ 12,896

(\$ thousands)	Six Months Ended June 30, 2022										Nine Months Ended September 30, 2022										
	Commercial Lending					Residential Lending					Commercial Lending					Residential Lending					
	Commercial		Commercial		Home	Commercial		Commercial		Home	Commercial		Commercial		Home	Commercial		Commercial		Home	
	and	Real	Lease	Residential	Equity	and	Real	Lease	Residential	Equity	and	Real	Lease	Residential	Equity	and	Real	Lease	Residential	Equity	
	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total	Industrial	Estate	Construction	Financing	Mortgage	Line	Consumer	Total	Industrial	Estate	Construction	Financing	Mortgage
Reserve for unfunded commitments:																					
Balance at beginning of period	\$ 8,615	\$ 2,114	\$ 8,963	\$ —	\$ 15	\$ 10,546	\$ 69	\$ 30,322	\$ 8,615	\$ 2,114	\$ 8,963	\$ —	\$ 15	\$ 10,546	\$ 69	\$ 30,322					
Provision	(975)	1,636	(2,879)	—	17	877	(40)	(1,364)	(497)	239	(2,249)	—	13	2,350	(37)	(181)					
Balance at end of period	\$ 7,640	\$ 3,750	\$ 6,084	\$ —	\$ 32	\$ 11,423	\$ 29	\$ 28,958	\$ 8,118	\$ 2,353	\$ 6,714	\$ —	\$ 28	\$ 12,896	\$ 32	\$ 30,141					

#### 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.

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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.

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The amortized cost basis by year of origination and credit quality indicator of the Company's loans and leases as of **June 30, 2023** **September 30, 2023** was as follows:

Construction																			
Risk rating:																			
Pass		77,826	182,679	365,959	76,728	61,906	82,554	6,562	—	854,214	129,160	209,227	335,433	59,164	64,168	28,916	3,826		
Special Mention		—	—	—	—	205	—	—	—	205	—	—	—	—	197	669	—		
Other (1)		6,601	26,882	15,766	3,261	2,136	4,067	705	—	59,418	10,194	24,825	10,313	2,260	2,115	3,932	713		
Total Construction		84,427	209,561	381,725	79,989	64,247	86,621	7,267	—	913,837	139,354	234,052	345,746	61,424	66,480	33,517	4,539		
Current period gross charge-offs		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Lease Financing																			
Risk rating:																			
Pass		69,487	94,276	21,167	39,215	35,964	70,312	—	—	330,421	83,255	88,367	19,869	35,583	34,828	69,043	—		
Special Mention		—	—	365	60	—	—	—	—	425	—	—	341	38	—	—	—		
Substandard		—	—	—	171	7	1,376	—	—	1,554	747	440	—	—	4	—	—		
Total Lease Financing		69,487	94,276	21,532	39,446	35,971	71,688	—	—	332,400	84,002	88,807	20,210	35,621	34,832	69,043	—		
Current period gross charge-offs		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Total Commercial Lending		\$413,885 \$1,530,645 \$1,450,978 \$497,124 \$835,736 \$1,876,530 \$ 1,104,912 \$												15,206 \$7,725,016	\$583,392 \$1,555,670 \$1,448,687 \$467,457	\$822,919 \$1,778,086 \$ 1,047,095 \$			
Current period gross charge-offs	\$	72 \$	60 \$	9 \$	28 \$	92 \$	1,527 \$	— \$	— \$	1,788 \$	130 \$	69 \$	74 \$	28 \$	108 \$	2,163 \$	— \$		

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(continued)	(dollars in thousands)	Term Loans						Revolving			Loans			Converted			Revolving		
		Amortized Cost Basis by Origination Year						Revolving			Loans			to Term			Loans		
		2023	2022	2021	2020	2019	Prior	Amortized	Cost Basis	Amortized	Cost Basis	Total	Cost Basis	Cost Basis	Total	Cost Basis	Cost Basis	Total	
<b>Residential Lending</b>																			
<b>Residential Mortgage</b>																			
FICO:																			
740 and greater		\$ 138,593 \$	530,776 \$	1,030,287 \$	544,330 \$	236,821 \$	1,036,361 \$	— \$	— \$	— \$	3,517,168								
680 - 739		25,500	81,562	117,701	74,446	34,186	135,766	—	—	—	469,161								
620 - 679		2,468	11,212	16,463	10,747	5,743	38,132	—	—	—	84,765								
550 - 619		—	3,383	4,058	2,471	254	12,362	—	—	—	22,528								
Less than 550		—	197	2,372	1,581	51	5,403	—	—	—	9,604								
No Score (3)		6,075	19,497	12,552	6,378	9,837	56,201	—	—	—	110,540								
Other (2)		9,916	18,075	17,857	12,952	8,915	28,438	7,618	—	—	103,771								
Total Residential Mortgage		182,552	664,702	1,201,290	652,905	295,807	1,312,663	7,618	—	—	4,317,537								
Current period gross charge-offs		\$ — \$	— \$	— \$	— \$	— \$	— \$	122 \$	— \$	— \$	122								
<b>Home Equity Line</b>																			
FICO:																			



620 - 679	—	—	—	—	—	—	34,333	1,326	35,659
550 - 619	—	—	—	—	—	—	9,099	948	10,047
Less than 550	—	—	—	—	—	—	5,257	264	5,521
No Score (3)	—	—	—	—	—	—	1,673	—	1,673
Total Home Equity Line	—	—	—	—	—	—	1,160,965	6,423	1,167,388
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	254	\$ 18	\$ 272
<b>Total Residential Lending</b>	<b>\$ 243,282</b>	<b>\$ 656,887</b>	<b>\$ 1,186,328</b>	<b>\$ 643,979</b>	<b>\$ 288,438</b>	<b>\$ 1,277,543</b>	<b>\$ 1,168,432</b>	<b>\$ 6,423</b>	<b>\$ 5,471,312</b>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	122	\$ 18	\$ 394
<b>Consumer Lending</b>									
FICO:									
740 and greater	85,839	139,753	84,741	39,390	27,790	13,589	116,342	153	507,597
680 - 739	60,184	79,628	43,948	20,531	16,192	8,577	74,428	416	303,904
620 - 679	21,797	32,632	18,094	8,650	9,214	6,191	33,543	892	131,013
550 - 619	3,745	10,422	7,898	4,953	5,597	4,069	12,456	684	49,824
Less than 550	774	5,629	4,519	3,175	3,048	2,459	4,567	560	24,731
No Score (3)	1,455	297	—	—	5	13	41,852	150	43,772
Other (2)	—	1,188	1,007	340	1,086	1	89,740	—	93,362
<b>Total Consumer Lending</b>	<b>\$ 173,794</b>	<b>\$ 269,549</b>	<b>\$ 160,207</b>	<b>\$ 77,039</b>	<b>\$ 62,932</b>	<b>\$ 34,899</b>	<b>\$ 372,928</b>	<b>\$ 2,855</b>	<b>\$ 1,154,203</b>
Current period gross charge-offs	\$ 152	\$ 1,710	\$ 1,723	\$ 880	\$ 1,500	\$ 1,995	\$ 4,541	\$ 462	\$ 12,963
<b>Total Loans and Leases</b>	<b>\$ 1,000,468</b>	<b>\$ 2,482,106</b>	<b>\$ 2,795,222</b>	<b>\$ 1,188,475</b>	<b>\$ 1,174,289</b>	<b>\$ 3,090,528</b>	<b>\$ 2,588,455</b>	<b>\$ 12,792</b>	<b>\$ 14,332,335</b>
Current period gross charge-offs	\$ 282	\$ 1,779	\$ 1,797	\$ 908	\$ 1,608	\$ 4,280	\$ 4,795	\$ 480	\$ 15,929

- (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.

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The amortized cost basis by year of origination and credit quality indicator of the Company's loans and leases as of December 31, 2022 was as follows:

(dollars in thousands)	Amortized Cost Basis by Origination Year						Revolving Loans		
	Term Loans						Converted		
	2022	2021	2020	2019	2018	Prior	Revolving Loans	to Term Loans	Total
<b>Commercial Lending</b>									
<b>Commercial and Industrial</b>									

Risk rating:									
Pass	\$ 359,881	\$ 422,567	\$ 54,656	\$ 170,222	\$ 51,476	\$ 137,257	\$ 894,384	\$ 15,715	\$ 2,106,158
Special Mention	2,059	240	1,371	2,643	184	1,431	22,897	378	31,203
Substandard	625	289	1,117	1,092	668	885	14,733	65	19,474
Other (1)	17,679	7,721	4,329	3,965	1,881	1,167	42,320	—	79,062
Total Commercial and Industrial	380,244	430,817	61,473	177,922	54,209	140,740	974,334	16,158	2,235,897
Commercial Real Estate									
Risk rating:									
Pass	889,583	695,882	319,838	565,587	395,474	1,173,163	48,081	—	4,087,608
Special Mention	170	—	555	14,878	512	11,398	675	—	28,188
Substandard	—	—	173	—	1,704	14,485	—	—	16,362
Other (1)	—	—	—	—	—	151	—	—	151
Total Commercial Real Estate	889,753	695,882	320,566	580,465	397,690	1,199,197	48,756	—	4,132,309
Construction									
Risk rating:									
Pass	124,464	261,536	96,423	97,000	88,973	84,704	25,957	—	779,057
Special Mention	—	—	—	221	—	—	—	—	221
Substandard	—	—	—	—	21	490	—	—	511
Other (1)	29,694	21,339	4,686	2,201	3,784	2,196	954	—	64,854
Total Construction	154,158	282,875	101,109	99,422	92,778	87,390	26,911	—	844,643
Lease Financing									
Risk rating:									
Pass	113,563	24,052	43,497	37,502	6,004	67,687	—	—	292,305
Special Mention	—	411	2,498	1,299	—	—	—	—	4,208
Substandard	—	—	197	12	11	1,357	—	—	1,577
Total Lease Financing	113,563	24,463	46,192	38,813	6,015	69,044	—	—	298,090
<b>Total Commercial Lending</b>	<b>\$ 1,537,718</b>	<b>\$ 1,434,037</b>	<b>\$ 529,340</b>	<b>\$ 896,622</b>	<b>\$ 550,692</b>	<b>\$ 1,496,371</b>	<b>\$ 1,050,001</b>	<b>\$ 16,158</b>	<b>\$ 7,510,939</b>

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Term Loans										Revolving	Loans	Converted
Amortized Cost Basis by Origination Year										Revolving	to Term	
										Loans	Loans	
(continued)	2022	2021	2020	2019	2018	Prior	Cost Basis	Cost Basis	Total			
(dollars in thousands)												
<b>Residential Lending</b>												
Residential Mortgage												

FICO:										
740 and greater	\$ 557,636	\$ 1,064,444	\$ 560,463	\$ 245,241	\$ 165,258	\$ 920,100	\$ —	\$ —	\$ 3,513,142	
680 - 739	73,929	112,672	82,416	40,355	22,126	130,508	—	—	462,006	
620 - 679	12,320	12,804	9,881	3,649	3,054	35,441	—	—	78,149	
550 - 619	2,455	2,246	1,791	263	601	6,955	—	—	14,311	
Less than 550	—	1,321	367	—	966	5,304	—	—	7,958	
No Score (3)	22,289	14,671	6,820	10,599	15,921	47,245	—	—	117,545	
Other (2)	18,970	18,211	15,287	9,201	9,124	29,128	9,202	554	109,677	
Total Residential Mortgage	687,599	1,227,369	677,025	309,308	217,050	1,174,681	9,202	554	4,302,788	

Home Equity Line										
FICO:										
740 and greater	—	—	—	—	—	—	817,123	2,059	819,182	
680 - 739	—	—	—	—	—	—	171,117	2,714	173,831	
620 - 679	—	—	—	—	—	—	45,368	2,100	47,468	
550 - 619	—	—	—	—	—	—	7,485	1,029	8,514	
Less than 550	—	—	—	—	—	—	1,151	481	1,632	
No Score (3)	—	—	—	—	—	—	4,724	—	4,724	
Total Home Equity Line	—	—	—	—	—	—	1,046,968	8,383	1,055,351	
Total Residential Lending	687,599	1,227,369	677,025	309,308	217,050	1,174,681	1,056,170	8,937	5,358,139	

Consumer Lending										
FICO:										
740 and greater	200,887	111,047	53,534	43,912	24,951	8,432	125,126	185	568,074	
680 - 739	99,787	67,140	37,260	31,751	15,874	7,665	72,101	514	332,092	
620 - 679	25,949	29,587	14,226	16,872	9,672	6,488	31,854	937	135,585	
550 - 619	3,017	5,475	5,226	8,056	5,396	3,924	11,269	854	43,217	
Less than 550	656	1,351	2,286	3,779	1,869	1,593	3,541	443	15,518	
No Score (3)	3,205	258	—	51	24	29	38,805	227	42,599	
Other (2)	1,615	4,082	353	1,368	—	—	78,430	1	85,849	
Total Consumer Lending	335,116	218,940	112,885	105,789	57,786	28,131	361,126	3,161	1,222,934	
Total Loans and Leases	\$ 2,560,433	\$ 2,880,346	\$ 1,319,250	\$ 1,311,719	\$ 825,528	\$ 2,699,183	\$ 2,467,297	\$ 28,256	\$ 14,092,012	

- (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 June 30, 2023 or September 30, 2023 and December 31, 2022.

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#### 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 **June 30, 2023** **September 30, 2023** and December 31, 2022, the aging analysis of the amortized cost basis of the Company's past due loans and leases was as follows:

(dollars in thousands)	June 30, 2023								September 30, 2023							
	Past Due						Loans and Leases Past		Past Due						Loans and Leases Past	
	Greater Than or Equal to			Due 90 Days or More and			Greater Than or Equal to			Due 90 Days or More and						
	30-59	60-89	Equal to	30-59	60-89	Equal to	30-59	60-89	Equal to	30-59	60-89	Equal to	Days	Days	90 Days	Total
	Days	Days	90 Days	Days	Days	90 Days	Days	Days	90 Days	Days	Days	90 Days	Total	Total	Total	Total
	Total Loans Still Accruing						Total Loans Still Accruing		Total Loans Still Accruing						Total Loans Still Accruing	
	Past Due	Past Due	Past Due	Past Due	Past Due	Past Due	Current	and Leases	Interest	Past Due	Past Due	Past Due	Current	and Leases	Interest	
Commercial and industrial	\$ 1,318	\$ 899	\$ 1,606	\$ 3,823	\$ 2,184,008	\$ 2,187,831	\$ 599	\$ 3,989	\$ 673	\$ 1,277	\$ 5,939	\$ 2,095,503	\$ 2,101,442	\$ 289		
Commercial real estate	—	3,278	619	3,897	4,287,051	4,290,948	619	—	300	170	470	4,387,281	4,387,751	170		
Construction	—	—	—	—	913,837	913,837	—	—	—	—	—	885,112	885,112	—		
Lease financing	—	—	—	—	332,400	332,400	—	—	—	—	—	332,515	332,515	—		
Residential mortgage	2,662	4,531	3,524	10,717	4,306,820	4,317,537	58	3,239	—	6,575	9,814	4,294,110	4,303,924	1,430		
Home equity line	3,843	404	3,103	7,350	1,130,813	1,138,163	—	6,741	938	3,320	10,999	1,156,389	1,167,388	—		
Consumer	19,897	3,933	1,975	25,805	1,156,311	1,182,116	1,975	20,327	3,967	1,681	25,975	1,128,228	1,154,203	1,681		
<b>Total</b>	<b>\$ 27,720</b>	<b>\$ 13,045</b>	<b>\$ 10,827</b>	<b>\$ 51,592</b>	<b>\$ 14,311,240</b>	<b>\$ 14,362,832</b>	<b>\$ 3,251</b>	<b>\$ 34,296</b>	<b>\$ 5,878</b>	<b>\$ 13,023</b>	<b>\$ 53,197</b>	<b>\$ 14,279,138</b>	<b>\$ 14,332,335</b>	<b>\$ 3,570</b>		

(dollars in thousands)	December 31, 2022											
	Past Due						Loans and					
	Greater			Leases Past								
	Than or Equal to			Due 90 Days or More and								
	30-59	60-89	Equal to	30-59	60-89	Equal to	Days	Days	90 Days	Total	Total Loans	Still Accruing
	Days	Days	90 Days	Days	Days	90 Days	Days	Days	90 Days	Total	Total Loans	Still Accruing
	Past Due	Past Due	Past Due	Past Due	Past Due	Past Due	Current	and Leases	Interest			
Commercial and industrial	\$ 2,682	\$ 769	\$ 1,441	\$ 4,892	\$ 2,231,005	\$ 2,235,897	\$ 291					
Commercial real estate	4,505	—	727	5,232	4,127,077	4,132,309	—					
Construction	109	—	—	109	844,534	844,643	—					
Lease financing	—	—	—	—	298,090	298,090	—					
Residential mortgage	3,681	1,983	2,572	8,236	4,294,552	4,302,788	58					
Home equity line	5,161	1,381	2,072	8,614	1,046,737	1,055,531	—					
Consumer	29,927	6,801	2,886	39,614	1,183,320	1,222,934	2,885					
<b>Total</b>	<b>\$ 46,065</b>	<b>\$ 10,934</b>	<b>\$ 9,698</b>	<b>\$ 66,697</b>	<b>\$ 14,025,315</b>	<b>\$ 14,092,012</b>	<b>\$ 3,234</b>					

#### 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 **June 30, 2023** **September 30, 2023** and December 31, 2022 and the amortized cost basis of loans and leases on nonaccrual status with no ACL as of **June 30, 2023** **September 30, 2023** and December 31, 2022 were as follows:

	June 30, 2023		September 30, 2023	
	Nonaccrual		Nonaccrual	
	Loans and Leases		Loans and Leases	
	With No Allowance for Credit Losses	Nonaccrual Loans and Leases	With No Allowance for Credit Losses	Nonaccrual Loans and Leases
	for Credit Losses	and Leases	for Credit Losses	and Leases
	(dollars in thousands)	(dollars in thousands)	(dollars in thousands)	(dollars in thousands)
Commercial and industrial	\$ 523	\$ 1,024	\$ 503	\$ 988
Residential mortgage	1,549	6,097	2,674	7,435
Home equity line	596	6,107	596	6,200
<b>Total Nonaccrual Loans and Leases</b>	<b>\$ 2,668</b>	<b>\$ 13,228</b>	<b>\$ 3,773</b>	<b>\$ 14,623</b>

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	December 31, 2022	
	Nonaccrual	
	Loans and Leases	
	With No Allowance for Credit Losses	Nonaccrual Loans and Leases
	for Credit Losses	and Leases
	(dollars in thousands)	(dollars in thousands)
Commercial and industrial	\$ 665	\$ 1,215
Commercial real estate	727	727
Residential mortgage	1,560	6,166
Home equity line	596	3,797
<b>Total Nonaccrual Loans and Leases</b>	<b>\$ 3,548</b>	<b>\$ 11,905</b>

For the three and **six** months ended **June 30, 2023** **September 30, 2023**, the Company recognized interest income of **\$0.2 million** **\$0.1 million** and **\$0.3 million** **\$0.4 million**, respectively, on nonaccrual loans and leases, and for **both** the three and **six** months ended **June 30, 2022** **September 30, 2022**, the Company recognized interest income of **\$0.1 million** and **\$0.2 million**, respectively, on nonaccrual loans and leases. Furthermore, for the three and **six** months ended **June 30, 2023**, the amount of accrued interest receivables written off by reversing interest income was **\$0.3 million** and **\$0.5 million**, respectively, and for the three and **six** months ended **June 30, 2022** **September 30, 2023**, the amount of accrued interest receivables written off by reversing interest income was **\$0.2 million** and **\$0.4 million** **\$0.7 million**, respectively, and for the three and **nine** months ended **September 30, 2022** the amount of accrued interest receivables written off by reversing interest income was **\$0.3 million** and **\$0.7 million**, respectively.

**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 **June 30, 2023** **September 30, 2023** and December 31, 2022, the amortized cost basis of collateral-dependent loans were **\$7.3 million** **\$7.5 million** and **\$8.2 million**, respectively. As of **June 30, 2023** **both September 30, 2023** and December 31, 2022, these loans were primarily collateralized by residential real estate **property**. As of **both June 30, 2023** **property** and **December 31, 2022**, 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

The Company adopted the provisions of Accounting Standards Update ("ASU") No. 2022-02, Financial Instruments – Credit Losses (Topic 326), *Troubled Debt Restructurings and Vintage Disclosures*, on January 1, 2023. This update eliminates the accounting guidance on troubled debt restructurings ("TDRs") for creditors in Subtopic 310-40, updates the requirements related to accounting for credit losses under Topic 326 and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. For additional information, see "Note 1. Organization and Basis of Presentation."

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.

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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.

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The following tables present, by class of financing receivable and type of modification granted, the amortized cost basis as of **June 30, 2023** **September 30, 2023**, related to loans modified to borrowers experiencing financial difficulty during the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**:

Interest Rate Reduction				Interest Rate Reduction			
Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
June 30, 2023		June 30, 2023		September 30, 2023		September 30, 2023	
Amortized	% of Total Class	Amortized	% of Total Class	Amortized	% of Total Class	Amortized	% of Total Class
(dollars in thousands)	Cost Basis( <sup>1</sup> ) of Financing Receivable						

Commercial									
real estate	\$ —	— %	\$ 2	n/m	%				
Consumer	371	0.03	705	0.06	\$ 255	0.02 %	\$ 889	0.08 %	
Total	\$ 371	n/m %	\$ 707	n/m %	\$ 255	n/m %	\$ 889	0.01 %	

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.

(\$ thousands)	Term Extension				Term Extension			
	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30, 2023		June 30, 2023		September 30, 2023		September 30, 2023	
	Amortized	% of Total Class	Amortized	% of Total Class	Amortized	% of Total Class	Amortized	% of Total Class
Commercial and industrial	\$ 87	n/m %	\$ 109	n/m %	\$ 145	0.01 %	\$ 248	0.01 %
Commercial real estate	1,227	0.03	1,227	0.03	—	—	1,214	0.03
Construction	—	—	230	0.03	669	0.08	897	0.10
Residential mortgage	—	—	33	n/m	—	—	33	n/m
Consumer	46	n/m	117	0.01	17	n/m	130	0.01
Total	\$ 1,360	0.01 %	\$ 1,716	0.01 %	\$ 831	0.01 %	\$ 2,522	0.02 %

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 and **six nine** months ended **June 30, 2023 September 30, 2023**:

	Interest Rate Reduction			
	Three Months Ended		Financial Effect	
	June 30, 2023	September 30, 2023	June 30, 2023	September 30, 2023
Commercial real estate	—		Reduced weighted-average contractual interest rate by 0.75%.	
Consumer	Reduced weighted-average contractual interest rate by 12.98% 13.31%.		Reduced weighted-average contractual interest rate by 13.23% 13.22%.	

	Term Extension			
	Three Months Ended		Financial Effect	
	June 30, 2023	September 30, 2023	June 30, 2023	September 30, 2023
Commercial and industrial	Added a weighted-average 3.6 2.6 years to the life of loans.		Added a weighted-average 3.5 3.0 years to the life of loans.	
Commercial real estate	—		Added a weighted-average 1.0 years to the life of loans.	
Construction	Added a weighted-average 1.0 years to the life of loans.		Added a weighted-average 1.0 1.4 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 5.9 years to the life of loans.	
Consumer	Added a weighted-average 2.3 2.9 years to the life of loans.		Added a weighted-average 3.6 years to the life of loans.	

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The following table presents, by class of financing receivable and type of modification granted, the amortized cost basis, as of **June 30, 2023** **September 30, 2023**, of loans that had a payment default during the three and **six nine** months ended **June 30, 2023** **September 30, 2023** 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:

(dollars in thousands)	Amortized Cost Basis of Modified Loans That Subsequently Defaulted <sup>(1)</sup>				Amortized Cost Basis of Modified Loans That Subsequently Defaulted <sup>(1)</sup>			
	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023		Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Interest Rate Reduction		Interest Rate Reduction		Interest Rate Reduction		Interest Rate Reduction	
	\$	87 \$	\$	88 \$	\$	166 \$	\$	186
<b>Total</b>	\$	87 \$	\$	88 \$	\$	166 \$	\$	186

<sup>(1)</sup> 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 **June 30, 2023** **September 30, 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:

(dollars in thousands)	June 30, 2023						September 30, 2023					
	Past Due						Past Due					
	Greater Than or Equal to						Greater Than or Equal to					
	30-59 Days	60-89 Days	90 Days	Total			30-59 Days	60-89 Days	90 Days	Total		
Past Due	Past Due	Past Due	Past Due	Current	Total	Past Due	Past Due	Past Due	Past Due	Current	Total	
Commercial and industrial	\$ — \$	— \$	— \$	— \$	109 \$	109 \$	— \$	— \$	— \$	— \$	248 \$	248
Commercial real estate	—	—	—	—	1,229	1,229	—	—	—	—	1,214	1,214
Construction	—	—	—	—	230	230	—	—	—	—	897	897
Residential mortgage	—	—	—	—	33	33	—	—	—	—	33	33
Consumer	34	—	33	67	755	822	62	18	18	98	921	1,019
<b>Total</b>	<b>\$ 34 \$</b>	<b>— \$</b>	<b>33 \$</b>	<b>67 \$</b>	<b>2,356 \$</b>	<b>2,423 \$</b>	<b>62 \$</b>	<b>18 \$</b>	<b>18 \$</b>	<b>98 \$</b>	<b>3,313 \$</b>	<b>3,411</b>

The Company had commitments to extend credit, standby letters of credit, and commercial letters of credit totaling \$7.0 billion as of **June 30, 2023** **September 30, 2023**. Of the \$7.0 billion at **June 30, 2023** **September 30, 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 **six nine** months ended **June 30, 2023** **September 30, 2023**.

**Troubled Debt Restructuring Disclosures Prior to Adoption of ASU No. 2022-02**

Prior to the adoption of ASU No. 2022-02, the Company accounted for a modification to the contractual terms of a loan that resulted in granting a concession to a borrower experiencing financial difficulty as a TDR. On January 1, 2023, the Company adopted ASU No. 2022-02, which eliminated TDR accounting prospectively for all restructurings occurring on or after January 1, 2023. Loans that were restructured in a TDR prior to the adoption of ASU No. 2022-02 will continue to be accounted for under the historical TDR accounting until the loan is paid off or subsequently modified. The disclosures below related to TDRs for prior periods are presented in accordance with Subtopic 310-40, *Receivables—Troubled Debt Restructurings by Creditors*.

Commercial and industrial loans modified in a TDR may have involved temporary interest-only payments, term extensions, and converting revolving credit lines to term loans. Modifications of commercial real estate and construction loans in a TDR may have involved reducing the interest rate for the remaining term of the loan, extending the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or substituting or adding a new borrower or guarantor. Modifications of construction loans in a TDR may have also involved extending the interest-only payment period. Interest continued to accrue on the missed payments and as a result, the effective yield on the loan remained unchanged. Residential real estate loans modified in a TDR may have been comprised of loans where monthly payments were 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 in a TDR may have involved temporary or permanent reduced payments, temporary interest-only payments and below-market interest rates.

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Loans modified in a TDR may have already been on nonaccrual status and in some cases, partial charge-offs may have already been taken against the outstanding loan balance. Loans modified in a TDR were evaluated for impairment. As a result, this may have had 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, that had been modified in a TDR was measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or if the loan was collateral-dependent, the estimated fair value of the collateral, less any selling costs. An ACL for impaired residential real estate loans that had been modified in a TDR was measured based on the estimated fair value of the collateral, less any selling costs. Management exercised significant judgment in developing these estimates.

The following presents, by class, information related to loans modified in a TDR during the three and **six** **nine** months ended **June** **30, 2022**, **September 30, 2022** presented in accordance with Subtopic 310-40, *Receivables—Troubled Debt Restructurings by Creditors*:

(dollars in thousands)	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended		
	June 30, 2022			June 30, 2022			September 30, 2022			September 30, 2022		
	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>	Related ACL	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>	Related ACL	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>	Related ACL	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>	Related ACL
Commercial and industrial							2	\$ 201	\$ 4	2	\$ 201	\$ 4
Residential mortgage	1	\$ 260	\$ 34	1	\$ 260	\$ 34	—	—	—	1	252	32
Consumer	66	514	143	201	2,107	346	50	387	114	234	2,286	424
<b>Total</b>	<b>67</b>	<b>\$ 774</b>	<b>\$ 177</b>	<b>202</b>	<b>\$ 2,367</b>	<b>\$ 380</b>	<b>52</b>	<b>\$ 588</b>	<b>\$ 118</b>	<b>237</b>	<b>\$ 2,739</b>	<b>\$ 460</b>

(1) The number of contracts does not include TDRs that have been fully paid off, charged off, or foreclosed upon by the end of the period.

(2) The recorded investment balances reflect all partial paydowns and charge-offs since the modification date and do not include TDRs that have been fully paid off, charged off, or foreclosed upon by the end of the period.

The above loans were modified in a TDR through an extension of maturity dates, reduced payments, or below-market interest rates.

The Company had commitments to extend credit, standby letters of credit, and commercial letters of credit totaling \$7.0 billion as of December 31, 2022. Of the \$7.0 billion at December 31, 2022, there were commitments of \$0.1 million to lend additional funds related to borrowers who had

loan terms modified in a TDR.

The following table presents, by class, loans modified in TDRs that have defaulted in the periods below within 12 months of their permanent modification date for the periods indicated, presented in accordance with Subtopic 310-40, *Receivables—Troubled Debt Restructurings by Creditors*. The Company was reporting these defaulted TDRs based on a payment default definition of 30 days past due:

(dollars in thousands)	Three Months Ended				Six Months Ended				Three Months Ended				Nine Months Ended			
	June 30, 2022		June 30, 2022		September 30, 2022		September 30, 2022		September 30, 2022		September 30, 2022		September 30, 2022		September 30, 2022	
	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>	Number of Contracts <sup>(1)</sup>	Recorded Investment <sup>(2)</sup>
Commercial and industrial	2	\$ 541	3	\$ 655	1	\$ 216	2	\$ 541	123	1,561	219	2,939	124	\$ 1,777	221	\$ 3,480
Consumer	151	2,197	229	3,250												
<b>Total</b>	<b>153</b>	<b>\$ 2,738</b>	<b>232</b>	<b>\$ 3,905</b>												

(1) The number of contracts does not include TDRs that have been fully paid off, charged off, or foreclosed upon by the end of the period.

(2) The recorded investment balances reflect all partial paydowns and charge-offs since the modification date and do not include TDRs that have been fully paid off, charged off, or foreclosed upon by the end of the period.

## Foreclosed Property

As of **June 30, 2023** **September 30, 2023**, there were no residential real estate properties held from foreclosed residential mortgage loans. As of December 31, 2022, residential real estate property held from one foreclosed residential mortgage loan of \$0.1 million was included in other real estate owned and repossessed personal property shown in the unaudited interim consolidated balance sheets.

## 5. 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.

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### 5. 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 unpaid principal amount of residential real estate loans serviced for others was \$1.4 billion as of both **June 30, 2023** **September 30, 2023** and December 31, 2022. Servicing fees include contractually specified fees, late charges, and ancillary fees and were \$0.8 million and **\$1.0 million** **\$0.9 million** for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively, and **\$1.7 million** **\$2.6 million** and **\$2.0 million** **\$2.9 million** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively.

Amortization of mortgage servicing rights ("MSRs") was \$0.3 million and **\$0.5 million** for both three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively, and **\$0.6 million** **\$0.8 million** and **\$1.3 million** **\$1.6 million** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. The estimated future amortization expenses for MSRs over the next five years are as follows:

(dollars in thousands)	Estimated Amortization	Estimated Amortization
Under one year	\$ 885	\$ 852
One to two years	786	757
Two to three years	696	671
Three to four years	614	592
Four to five years	542	523

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

(dollars in thousands)	June 30,		December 31,		September 30, December 31,	
	2023	2022	2022	2023	2022	2022
Gross carrying amount	\$ 69,341	\$ 69,273	\$ 69,406	\$ 69,273	\$ 69,406	\$ 69,273
Less: accumulated amortization	63,269	62,711	63,551	62,711	63,551	62,711
Net carrying value	\$ 6,072	\$ 6,562	\$ 5,855	\$ 6,562	\$ 5,855	\$ 6,562

The following table presents changes in amortized MSRs for the three and **six** nine months ended **June 30, 2023** **September 30, 2023** and 2022:

(dollars in thousands)	Three Months Ended June 30,				Six Months Ended June 30,				Three Months Ended		Nine Months Ended						
	2023		2022		2023		2022		2023	2022	2023	2022					
	Balance at beginning of period	\$ 6,299	\$ 7,650	\$ 6,562	\$ 8,302	\$ 6,072	\$ 7,152	\$ 6,562	\$ 8,302	Originations	51	20	68	105	65	47	133
Amortization	(278)		(518)		(558)		(1,255)		(282)		(333)		(840)		(1,587)		
<b>Balance at end of period</b>	<b>\$ 6,072</b>		<b>\$ 7,152</b>		<b>\$ 6,072</b>		<b>\$ 7,152</b>		<b>\$ 5,855</b>		<b>\$ 6,866</b>		<b>\$ 5,855</b>		<b>\$ 6,866</b>		
Fair value of amortized MSRs at beginning of period	\$ 15,169		\$ 13,585		\$ 15,193		\$ 12,243		\$ 14,557		\$ 14,969		\$ 15,193		\$ 12,243		
Fair value of amortized MSRs at end of period	\$ 14,557		\$ 14,969		\$ 14,557		\$ 14,969		\$ 14,520		\$ 14,945		\$ 14,520		\$ 14,945		

MSRs are evaluated for impairment if events and circumstances indicate a possible impairment. No impairment of MSRs was recorded for the three and **six** nine months ended **June 30, 2023** **September 30, 2023** and 2022.

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The quantitative assumptions used in determining the lower of cost or fair value of the Company's MSRs as of **June 30, 2023** **September 30, 2023** and December 31, 2022 were as follows:

June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
Range	Average	Range	Average	Range	Average	Range	Average

Conditional prepayment rate	6.96 % - 11.63 %	7.07 %	7.02 % - 13.58 %	7.11 %	6.89 % - 11.27 %	7.02 %	7.02 % - 13.58 %	7.11 %
Life in years (of the MSR)	3.97	7.29	7.13	3.35	7.37	7.20	4.26	7.25
Weighted-average coupon rate	3.55 % - 5.91 %	3.69 %	3.55 % - 6.24 %	3.68 %	3.57 % - 5.84 %	3.70 %	3.55 % - 6.24 %	3.68 %
Discount rate	10.36 % - 10.53 %	10.51 %	10.41 % - 10.54 %	10.51 %	10.36 % - 10.55 %	10.52 %	10.41 % - 10.54 %	10.51 %

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

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### 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 **June 30, 2023** **September 30, 2023** and December 31, 2022 were as follows:

(dollars in thousands)	June 30, 2023	December 31, 2022	September	December
			30, 2023	31, 2022
Public deposits	\$ 3,204,810	\$ 2,977,693	\$ 3,511,412	\$ 2,977,693
Federal Home Loan Bank	4,850,075	3,451,070	4,817,865	3,451,070
Federal Reserve Bank	4,858,315	1,704,803	4,801,873	1,704,803
ACH transactions	128,442	133,173	135,512	133,173
Interest rate swaps	2,659	31,091	585	31,091
<b>Total</b>	<b>\$ 13,044,301</b>	<b>\$ 8,297,830</b>	<b>\$13,267,247</b>	<b>\$8,297,830</b>

As the Company did not enter into reverse repurchase agreements or repurchase agreements, no collateral was accepted as of **June 30, 2023** **September 30, 2023** and December 31, 2022. In addition, no debt was extinguished by in-substance defeasance.

### 7. Deposits

As of June 30, 2023 and December 31, 2022, deposits were categorized as interest-bearing or noninterest-bearing as follows:

(dollars in thousands)	June 30, 2023	December 31, 2022
U.S.:		
Interest-bearing	\$ 12,048,400	\$ 11,936,775
Noninterest-bearing	7,297,964	7,978,046
Foreign:		
Interest-bearing	863,139	887,608
Noninterest-bearing	868,663	886,600
<b>Total deposits</b>	<b>\$ 21,078,166</b>	<b>\$ 21,689,029</b>

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#### **7. Deposits**

As of September 30, 2023 and December 31, 2022, deposits were categorized as interest-bearing or noninterest-bearing as follows:

(dollars in thousands)	September 30, 2023	December 31, 2022
U.S.:		
Interest-bearing	\$ 12,667,072	\$ 11,936,775
Noninterest-bearing	6,931,032	7,978,046
Foreign:		
Interest-bearing	945,421	887,608
Noninterest-bearing	967,964	886,600
<b>Total deposits</b>	<b>\$ 21,511,489</b>	<b>\$ 21,689,029</b>

The following table presents the maturity distribution of time certificates of deposit as of **June 30, 2023** September 30, 2023:

(dollars in thousands)	Under \$250,000			\$250,000 or More		
	\$250,000	or More	Total	\$250,000	or More	Total
Three months or less	\$ 164,863	\$ 998,187	\$ 1,163,050	\$ 202,932	\$ 1,093,989	\$ 1,296,921
Over three through six months	182,710	666,817	849,527	268,176	540,418	808,594
Over six through twelve months	563,473	407,484	970,957	785,036	496,157	1,281,193
One to two years	149,667	50,631	200,298	114,912	57,576	172,488
Two to three years	49,772	13,239	63,011	41,313	7,422	48,735
Three to four years	30,798	3,682	34,480	26,248	5,529	31,777
Four to five years	19,437	6,656	26,093	17,012	3,452	20,464
Thereafter	356	—	356	313	646	959
<b>Total</b>	<b>\$ 1,161,076</b>	<b>\$ 2,146,696</b>	<b>\$ 3,307,772</b>	<b>\$ 1,455,942</b>	<b>\$ 2,205,189</b>	<b>\$ 3,661,131</b>

Time certificates of deposit in denominations of \$250,000 or more, in the aggregate, were \$2.1 billion \$2.2 billion and \$1.5 billion as of **June 30, 2023** September 30, 2023 and December 31, 2022, respectively. Overdrawn deposit accounts are classified as loans and totaled \$3.6 million \$2.0 million and \$2.5 million as of **June 30, 2023** September 30, 2023 and December 31, 2022, respectively.

## 8. Short-Term Borrowings

At **June 30, 2023** **September 30, 2023** and December 31, 2022, short-term borrowings were comprised of the following:

(dollars in thousands)	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Federal funds purchased	\$ —	\$ 75,000	\$ —	\$ 75,000
Short-term FHLB fixed-rate advances <sup>(1)</sup>			500,000	—
<b>Total short-term borrowings</b>	<b>\$ —</b>	<b>\$ 75,000</b>	<b>\$ 500,000</b>	<b>\$ 75,000</b>

<sup>(1)</sup> Interest is payable monthly.

As of September 30, 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 December 31, 2022, the Company's short-term borrowings consisted of \$75.0 million in federal funds purchased with a 4.35% annual interest rate that matured in January 2023. As of **June 30, 2023**, the Company had no short-term borrowings as the remaining short-term FHLB repo advance (as of March 31, 2023) matured in April 2023. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company had a remaining line of credit of **\$2.9 billion** **\$2.8 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 **June 30, 2023** **September 30, 2023** and residential real estate loan collateral as of December 31, 2022. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively, the Company had an undrawn line of credit of \$3.8 billion and \$1.2 billion 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 **June 30, 2023** **September 30, 2023** and consumer, commercial and industrial, commercial real estate and residential real estate loans as of December 31, 2022. See "Note 6. Transfers of Financial Assets" for more information.

(dollars in thousands)	Six Months Ended June 30,	
	2023	2022
Federal funds purchased:		
Weighted-average interest rate at June 30,	— %	— %
Highest month-end balance	\$ 150,000	\$ —
Average outstanding balance	\$ 34,779	\$ —
Weighted-average interest rate paid	4.45 %	— %
Short-term FHLB repo advance:		
Weighted-average interest rate at June 30,	— %	— %
Highest month-end balance	\$ 400,000	\$ —
Average outstanding balance	\$ 208,702	\$ —
Weighted-average interest rate paid	5.14 %	— %

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(dollars in thousands)	Nine Months Ended September 30,	
	2023	2022
Federal funds purchased:		
Weighted-average interest rate at September 30,	— %	— %
Highest month-end balance	\$ 150,000	\$ —
Average outstanding balance	\$ 23,059	\$ 55
Weighted-average interest rate paid	4.45 %	1.67 %

Short-term FHLB repo advance:	— %	— %
Weighted-average interest rate at September 30,	— %	— %
Highest month-end balance	\$ 400,000	\$ —
Average outstanding balance	\$ 156,319	\$ —
Weighted-average interest rate paid	5.25 %	— %
Short-term FHLB fixed-rate advances:		
Weighted-average interest rate at September 30,	4.71 %	— %
Highest month-end balance	\$ 500,000	\$ —
Average outstanding balance	\$ 20,147	\$ —
Weighted-average interest rate paid	4.34 %	— %

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**9. Long-Term Borrowings**

Long-term borrowings consisted of the following as of June 30, 2023 and December 31, 2022:

(dollars in thousands)	June 30, 2023	December 31, 2022
FHLB fixed-rate advances <sup>(1)</sup>	\$ 500,000	\$ —
<b>Total long-term borrowings</b>	<b>\$ 500,000</b>	<b>\$ —</b>

<sup>(1)</sup> Interest is payable monthly.

As of June 30, 2023, the Company's long-term borrowings consisted of \$500.0 million in 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. There were no long-term borrowings as of December 31, 2022. The FHLB fixed-rate advances and remaining borrowing capacity were secured by commercial real estate and residential real estate loan collateral as of June 30, 2023. The FHLB borrowing capacity was secured by residential real estate loan collateral as of December 31, 2022.

As of June 30, 2023, future contractual principal payments and maturities of long-term borrowings were as follows:

(dollars in thousands)	Principal Payments
2023	\$ —
2024	500,000
2025	—
2026	—
2027	—
<b>Total</b>	<b>\$ 500,000</b>

**10.9. 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 **income (loss)** loss for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022 are presented below:

(dollars in thousands)	Income			Income		
	Tax		Net of Tax	Tax		Net of Tax
	Pre-tax Amount	Benefit (Expense)		Pre-tax Amount	Benefit (Expense)	
Accumulated other comprehensive loss at March 31, 2023	\$ (834,206)	\$ 222,527	\$ (611,679)			
<b>Three months ended June 30, 2023</b>						
Accumulated other comprehensive loss at June 30, 2023				\$ (835,647)	\$ 222,911	\$ (612,736)
<b>Three months ended September 30, 2023</b>						
Investment securities:						
Unrealized net losses arising during the period	(14,025)	3,741	(10,284)	(61,874)	16,505	(45,369)
Reclassification of net losses to net income:						
Amortization of unrealized holding losses on held-to-maturity securities	13,064	(3,485)	9,579	11,434	(3,050)	8,384
Net change in investment securities	(961)	256	(705)	(50,440)	13,455	(36,985)
Cash flow derivative hedges:						
Unrealized net losses arising during the period	(2,053)	548	(1,505)	(373)	100	(273)
Reclassification of net losses included in net income	1,573	(420)	1,153	1,723	(460)	1,263
Net change in cash flow derivative hedges	(480)	128	(352)	1,350	(360)	990
Other comprehensive loss	(1,441)	384	(1,057)	(49,090)	13,095	(35,995)
<b>Accumulated other comprehensive loss at June 30, 2023</b>	<b>\$ (835,647)</b>	<b>\$ 222,911</b>	<b>\$ (612,736)</b>			
<b>Accumulated other comprehensive loss at September 30, 2023</b>				<b>\$ (884,737)</b>	<b>\$ 236,006</b>	<b>\$ (648,731)</b>

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(dollars in thousands)	Income			Income		
	Tax		Net of Tax	Tax		Net of Tax
	Pre-tax Amount	Benefit (Expense)		Pre-tax Amount	Benefit (Expense)	
Accumulated other comprehensive loss at December 31, 2022	\$ (871,813)	\$ 232,559	\$ (639,254)	\$ (871,813)	\$ 232,559	\$ (639,254)
<b>Six months ended June 30, 2023</b>						
<b>Nine months ended September 30, 2023</b>						
Investment securities:						
Unrealized net gains arising during the period	11,013	(2,938)	8,075			
Unrealized net losses arising during the period				(50,861)	13,567	(37,294)
Reclassification of net losses to net income:						
Amortization of unrealized holding losses on held-to-maturity securities	24,772	(6,608)	18,164	36,206	(9,658)	26,548
Net change in investment securities	35,785	(9,546)	26,239	(14,655)	3,909	(10,746)

Cash flow derivative hedges:						
Unrealized net losses arising during the period	(2,495)	665	(1,830)	(2,868)	765	(2,103)
Reclassification of net losses included in net income	2,876	(767)	2,109	4,599	(1,227)	3,372
Net change in cash flow derivative hedges	381	(102)	279	1,731	(462)	1,269
Other comprehensive income	36,166	(9,648)	26,518			
<b>Accumulated other comprehensive loss at June 30, 2023</b>	<b>\$ (835,647)</b>	<b>\$ 222,911</b>	<b>\$ (612,736)</b>			
Other comprehensive loss				(12,924)	3,447	(9,477)
<b>Accumulated other comprehensive loss at September 30, 2023</b>				<b>\$ (884,737)</b>	<b>\$ 236,006</b>	<b>\$ (648,731)</b>

(dollars in thousands)	Income			Income		
	Tax		Net of Tax	Tax		Net of Tax
	Pre-tax Amount	Benefit (Expense)		Pre-tax Amount	Benefit (Expense)	
Accumulated other comprehensive loss at March 31, 2022	\$ (705,768)	\$ 188,266	\$ (517,502)			
<b>Three months ended June 30, 2022</b>						
Accumulated other comprehensive loss at June 30, 2022				\$ (779,352)	\$ 207,895	\$ (571,457)
<b>Three months ended September 30, 2022</b>						
Investment securities:						
Unrealized net losses arising during the period	(91,352)	24,369	(66,983)	(130,000)	34,677	(95,323)
Reclassification of net losses to net income:						
Amortization of unrealized holding losses on held-to-maturity securities	19,929	(5,317)	14,612	15,217	(4,058)	11,159
Net change in investment securities	(71,423)	19,052	(52,371)	(114,783)	30,619	(84,164)
Cash flow derivative hedges:						
Unrealized net losses arising during the period	(1,523)	407	(1,116)	(4,372)	1,165	(3,207)
Reclassification of net gains included in net income	(638)	170	(468)			
Reclassification of net losses included in net income				98	(26)	72
Net change in cash flow derivative hedges	(2,161)	577	(1,584)	(4,274)	1,139	(3,135)
Other comprehensive loss	(73,584)	19,629	(53,955)	(119,057)	31,758	(87,299)
<b>Accumulated other comprehensive loss at June 30, 2022</b>	<b>\$ (779,352)</b>	<b>\$ 207,895</b>	<b>\$ (571,457)</b>			
<b>Accumulated other comprehensive loss at September 30, 2022</b>						
				\$ (898,409)	\$ 239,653	\$ (658,756)

(dollars in thousands)	Income			Income		
	Tax		Net of Tax	Tax		Net of Tax
	Pre-tax Amount	Benefit (Expense)		Pre-tax Amount	Benefit (Expense)	
Accumulated other comprehensive loss at December 31, 2021	\$ (165,967)	\$ 44,274	\$ (121,693)	\$ (165,967)	\$ 44,274	\$ (121,693)
<b>Six months ended June 30, 2022</b>						
<b>Nine months ended September 30, 2022</b>						
Investment securities:						
Unrealized net losses arising during the period	(629,437)	167,903	(461,534)	(759,437)	202,580	(556,857)
Reclassification of net losses to net income:						
Amortization of unrealized holding losses on held-to-maturity securities	19,929	(5,317)	14,612	35,146	(9,375)	25,771
Net change in investment securities	(609,508)	162,586	(446,922)	(724,291)	193,205	(531,086)
Cash flow derivative hedges:						
Unrealized net losses arising during the period	(3,239)	865	(2,374)	(7,611)	2,030	(5,581)
Reclassification of net gains included in net income	(638)	170	(468)	(540)	144	(396)
Net change in cash flow derivative hedges	(3,877)	1,035	(2,842)	(8,151)	2,174	(5,977)
Other comprehensive loss	(613,385)	163,621	(449,764)	(732,442)	195,379	(537,063)
<b>Accumulated other comprehensive loss at June 30, 2022</b>	<b>\$ (779,352)</b>	<b>\$ 207,895</b>	<b>\$ (571,457)</b>			

Accumulated other comprehensive loss at September 30, 2022	<u>\$ (898,409)</u>	<u>\$ 239,653</u>	<u>\$ (658,756)</u>
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The following table summarizes changes in accumulated other comprehensive income (loss), loss, net of tax, for the periods indicated:

(dollars in thousands)	Pensions and Other					Accumulated Available-for-Sale Investment Held-to-Maturity Investment Derivative Comprehensive Income (Loss)					Pensions and Other					Accumulated Available-for-Sale Investment Held-to-Maturity Investment Derivative Comprehensive Loss				
	Benefits	Securities	Securities	Hedges	Income (Loss)	Benefits	Securities	Securities	Hedges	Income (Loss)	Benefits	Securities	Securities	Hedges	Income (Loss)	Benefits	Securities	Securities	Hedges	Income (Loss)
<b>Three Months</b>																				
<b>Ended June 30, 2023</b>																				
Balance at beginning of period	\$ (5,431)	\$ (273,816)	\$ (328,361)	\$ (4,071)	\$ (611,679)	\$ (5,431)	\$ (284,100)	\$ (318,782)	\$ (4,423)	\$ (612,736)										
Other comprehensive (loss) income	—	(10,284)	9,579	(352)	(1,057)	—	(45,369)	8,384	990	(35,995)										
Balance at end of period	\$ (5,431)	\$ (284,100)	\$ (318,782)	\$ (4,423)	\$ (612,736)	\$ (5,431)	\$ (329,469)	\$ (310,398)	\$ (3,433)	\$ (648,731)										
<b>Six Months</b>																				
<b>Ended June 30, 2023</b>																				
Balance at beginning of period	\$ (5,431)	\$ (292,175)	\$ (336,946)	\$ (4,702)	\$ (639,254)	\$ (5,431)	\$ (292,175)	\$ (336,946)	\$ (4,702)	\$ (639,254)										
Other comprehensive (loss) income	—	8,075	18,164	279	26,518	—	(37,294)	26,548	1,269	(9,477)										
Balance at end of period	\$ (5,431)	\$ (284,100)	\$ (318,782)	\$ (4,423)	\$ (612,736)	\$ (5,431)	\$ (329,469)	\$ (310,398)	\$ (3,433)	\$ (648,731)										

Three Months Ended June 30, 2022								
Three Months Ended September 30, 2022								
Balance at beginning of period	<u>\$ (24,390)</u>	<u>\$ (491,854)</u>	<u>\$ —</u>	<u>\$ (1,258)</u>	<u>\$ (517,502)</u>	<u>\$ (24,390)</u>	<u>\$ (220,021)</u>	<u>\$ (324,204)</u>
Unrealized net losses related to the transfer of securities from available- for-sale to held-to- maturity	<u>—</u>	<u>338,816</u>	<u>(338,816)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>33,603</u>	<u>(33,603)</u>
Other comprehensive (loss) income	<u>—</u>	<u>(66,983)</u>	<u>14,612</u>	<u>(1,584)</u>	<u>(53,955)</u>	<u>—</u>	<u>(95,323)</u>	<u>11,159</u>
Balance at end of period	<u><u>\$ (24,390)</u></u>	<u><u>\$ (220,021)</u></u>	<u><u>\$ (324,204)</u></u>	<u><u>\$ (2,842)</u></u>	<u><u>\$ (571,457)</u></u>	<u><u>\$ (24,390)</u></u>	<u><u>\$ (281,741)</u></u>	<u><u>\$ (346,648)</u></u>
	<u><u><u>\$ (24,390)</u></u></u>	<u><u><u>\$ (220,021)</u></u></u>	<u><u><u>\$ (324,204)</u></u></u>	<u><u><u>\$ (2,842)</u></u></u>	<u><u><u>\$ (571,457)</u></u></u>	<u><u><u>\$ (24,390)</u></u></u>	<u><u><u>\$ (281,741)</u></u></u>	<u><u><u>\$ (346,648)</u></u></u>
	<u><u><u>\$ (5,977)</u></u></u>	<u><u><u>\$ (658,756)</u></u></u>						
Six Months Ended June 30, 2022								
Nine Months Ended September 30, 2022								
Balance at beginning of period	<u>\$ (24,390)</u>	<u>\$ (97,303)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (121,693)</u>	<u>\$ (24,390)</u>	<u>\$ (97,303)</u>	<u>\$ —</u>
Unrealized net losses related to the transfer of securities from available- for-sale to held-to- maturity	<u>—</u>	<u>338,816</u>	<u>(338,816)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>372,419</u>	<u>(372,419)</u>
Other comprehensive (loss) income	<u>—</u>	<u>(461,534)</u>	<u>14,612</u>	<u>(2,842)</u>	<u>(449,764)</u>	<u>—</u>	<u>(556,857)</u>	<u>25,771</u>
Balance at end of period	<u><u>\$ (24,390)</u></u>	<u><u>\$ (220,021)</u></u>	<u><u>\$ (324,204)</u></u>	<u><u>\$ (2,842)</u></u>	<u><u>\$ (571,457)</u></u>	<u><u>\$ (24,390)</u></u>	<u><u>\$ (281,741)</u></u>	<u><u>\$ (346,648)</u></u>
	<u><u><u>\$ (24,390)</u></u></u>	<u><u><u>\$ (220,021)</u></u></u>	<u><u><u>\$ (324,204)</u></u></u>	<u><u><u>\$ (2,842)</u></u></u>	<u><u><u>\$ (571,457)</u></u></u>	<u><u><u>\$ (24,390)</u></u></u>	<u><u><u>\$ (281,741)</u></u></u>	<u><u><u>\$ (346,648)</u></u></u>
	<u><u><u>\$ (5,977)</u></u></u>	<u><u><u>\$ (658,756)</u></u></u>						

#### 11.10. 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.

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The table below sets forth those ratios at **June 30, 2023** September 30, 2023 and December 31, 2022:

(dollars in thousands)	First Hawaiian, Inc.					First Hawaiian, Inc.					First Hawaiian, Inc.					First Hawaiian, Inc.				
	First Hawaiian, Inc.		Bank		Minimum Capital	Well-Capitalized	First Hawaiian, Inc.		Bank		Minimum Capital	Well-Capitalized	First Hawaiian, Inc.		Bank		Minimum Capital	Well-Capitalized		
June 30, 2023:	Amount	Ratio	Amount	Ratio	Ratio(1)	Ratio(1)	Amount	Ratio	Amount	Ratio	Ratio(1)	Ratio(1)	Amount	Ratio	Amount	Ratio	Ratio(1)	Ratio(1)		
September 30, 2023:																				
Common equity tier 1 capital to risk-weighted assets	\$1,976,982	12.05 %	\$1,963,228	11.96 %	4.50 %	6.50 %	\$2,004,248	12.21 %	\$1,990,261	12.12 %	4.50 %	6.50 %								
Tier 1 capital to risk-weighted assets	1,976,982	12.05 %	1,963,228	11.96 %	6.00 %	8.00 %	2,004,248	12.21 %	1,990,261	12.12 %	6.00 %	8.00 %								
Total capital to risk-weighted assets	2,161,762	13.17 %	2,148,008	13.09 %	8.00 %	10.00 %	2,196,818	13.38 %	2,182,831	13.30 %	8.00 %	10.00 %								
Tier 1 capital to average assets (leverage ratio)	1,976,982	8.30 %	1,963,228	8.24 %	4.00 %	5.00 %	2,004,248	8.45 %	1,990,261	8.39 %	4.00 %	5.00 %								
December 31, 2022:																				

Common equity tier 1 capital to risk-weighted assets	\$1,912,767	11.82 %	\$1,895,693	11.71 %	4.50 %	6.50 %	\$1,912,767	11.82 %	\$1,895,693	11.71 %	4.50 %	6.50 %
Tier 1 capital to risk-weighted assets	1,912,767	11.82 %	1,895,693	11.71 %	6.00 %	8.00 %	1,912,767	11.82 %	1,895,693	11.71 %	6.00 %	8.00 %
Total capital to risk-weighted assets	2,090,502	12.92 %	2,073,428	12.81 %	8.00 %	10.00 %	2,090,502	12.92 %	2,073,428	12.81 %	8.00 %	10.00 %
Tier 1 capital to average assets (leverage ratio)	1,912,767	8.11 %	1,895,693	8.04 %	4.00 %	5.00 %	1,912,767	8.11 %	1,895,693	8.04 %	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 **June 30, 2023** **September 30, 2023**, 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 **June 30, 2023** **September 30, 2023**, to change the capital adequacy category of the Company or the Bank.

## 12.11. 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 **June 30, 2023** **September 30, 2023** and December 31, 2022:

(dollars in thousands)	June 30, 2023			December 31, 2022			September 30, 2023			December 31, 2022		
	Fair Value		Notional	Fair Value		Notional	Fair Value		Notional	Fair Value		Notional
	Notional	Asset		Notional	Asset		Notional	Asset		Notional	Asset	
	Amount	Derivatives(1)		Amount	Derivatives(1)		Amount	Derivatives(1)		Amount	Derivatives(1)	
Derivatives designated as hedging instruments:												
Interest rate swaps	\$ 267,500	\$ 7,669	\$ (5,466)	\$ 267,500	\$ 7,276	\$ (6,840)	\$ 267,500	\$ 9,829	\$ (3,731)	\$ 267,500	\$ 7,276	\$ (6,840)

Interest rate collars	200,000	—	(566)	200,000	491	(63)	200,000	—	(951)	200,000	491	(63)
Derivatives not designated as hedging instruments:												
Interest rate swaps	5,706,771	21,030	(20,788)	2,849,776	3,178	(42,365)	2,811,284	3,073	(1,198)	2,849,776	3,178	(42,365)
Visa derivative	98,322	—	(1,200)	121,013	—	(851)	102,587	—	(1,200)	121,013	—	(851)
Foreign exchange contracts	118	—	—	210	—	—	191	—	—	210	—	—

(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.

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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 **June 30, 2023** **September 30, 2023** and December 31, 2022, the amount of initial margin cash collateral posted by the Company was **\$2.7 million** **\$0.6 million** and **\$1.2 million**, respectively. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the variation margin was **\$0.2 million** **\$1.9 million** and **\$39.2 million**, respectively.

As of **June 30, 2023** **September 30, 2023**, the Company pledged **\$2.7 million** **\$0.6 million** in cash and received **\$82.9 million** **\$49.1 million** in cash as collateral for interest rate swaps. As of December 31, 2022, the Company pledged \$29.9 million in financial instruments and \$1.2 million in cash and received \$48.1 million in cash as collateral for interest rate swaps. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 **September 30, 2023** and December 31, 2022, the Company received **\$68.5 million** and **nil**, 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 **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company carried one interest rate swap with a notional amount of \$67.5 million, which was designated and qualified as a fair value hedge for a commercial and industrial loan. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the interest rate swap had a positive fair value of **\$7.7 million** **\$9.8 million** and **\$7.3 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 and six nine months ended **June 30, 2023** **September 30, 2023** and 2022:

(dollars in thousands)	Gains (losses) recognized in the consolidated statements				Gains (losses) recognized in the consolidated statements					
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,			
	of income line item	2023	2022	2023	2022	of income line item	2023	2022	2023	2022
Gains (losses) on fair value hedging relationships recognized in interest income:										
Recognized on interest rate swap	Loans and lease financing	\$ (795)	\$ 4,631	\$ 394	\$ 6,143	Loans and lease financing	\$ 2,159	\$ 745	\$ 2,553	\$ 6,888
Recognized on hedged item	Loans and lease financing	708	(4,729)	(577)	(6,346)	Loans and lease financing	(2,256)	(839)	(2,833)	(7,185)

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, 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)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Asset				Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Asset			
	Carrying Amount of the Hedged Asset		Carrying Amount of the Hedged Asset		Carrying Amount of the Hedged Asset		Carrying Amount of the Hedged Asset	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Line item in the consolidated balance sheets in which the hedged item is included								
Loans and leases	\$ 59,793	\$ 60,189	\$ (7,707)	\$ (7,311)	\$ 57,627	\$ 60,189	\$ (9,873)	\$ (7,311)

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#### 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") corresponds 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 **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company carried two interest rate swaps with notional amounts totaling \$200.0 million, with a negative fair value totaling **\$5.5 million** **\$3.7 million** and \$6.8 million, respectively. The swaps mature in 2024. The Company received fixed rates ranging from 1.70% to 2.08% and paid 1-month BSBY.

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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 **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company carried two interest rate collars with notional amounts totaling \$200.0 million. As of **June 30, 2023** **September 30, 2023**, these interest rate collars had a negative fair value of **\$0.6 million** **\$1.0 million**. As of December 31, 2022, these interest rate collars had a positive fair value of \$0.5 million and a negative fair value of \$0.1 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 and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022:

(dollars in thousands)	Three Months Ended		Six Months Ended		Three Months			
	June 30,		June 30,		Ended		Nine Months Ended	
	2023	2022	2023	2022	2023	2022	2023	2022
Pretax net losses recognized in other comprehensive income on cash flow derivative hedges	\$ (2,053)	\$ (1,523)	\$ (2,495)	\$ (3,239)	\$ (373)	\$ (4,372)	\$ (2,868)	\$ (7,611)
Pretax net losses (gains) reclassified from accumulated other comprehensive income to interest income from loans and lease financing	1,573	(638)	2,876	(638)	1,723	98	4,599	(540)

The estimated net amount to be reclassified within the next 12 months out of accumulated other comprehensive income (loss) into earnings is **\$5.5 million** **\$3.7 million** as a decrease to interest income from loans and lease financing. As of **June 30, 2023** **September 30, 2023**, 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 and **six nine** months ended **June 30, 2023 September 30, 2023** and 2022:

(dollars in thousands)	Net gains (losses) recognized in the consolidated statements of income line item	Three Months Ended		Six Months Ended		Net gains (losses) recognized in the consolidated statements of income line item		Three Months Ended		Nine Months Ended		
		June 30,		June 30,		September 30,		September 30,		September 30,		
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	
<b>Derivatives Not Designated As Hedging Instruments:</b>												
Interest rate swaps												
Visa derivative	Other noninterest income	\$ (180)	\$ —	\$ (558)	\$ —	Other noninterest income	\$ 26	\$ —	\$ (532)	\$ —		
Foreign exchange contracts	Other noninterest income	\$ (1,816)	\$ 123	(3,779)	(1,357)	Other noninterest income	\$ (1,350)	\$ 273	(5,129)	(1,084)		
	Other noninterest income	—	(6)	—	—							

As of **June 30, 2023 September 30, 2023**, the Company carried multiple interest rate swaps with notional amounts totaling **\$5.7 billion \$2.8 billion**, all of which were related to the Company's customer swap program, with a positive fair value of **\$21.0 million \$3.1 million** and a negative fair value of **\$20.8 million \$1.2 million**. The Company received floating rates ranging from **5.48% 5.82%** to **8.17% 8.33%** and paid fixed rates ranging from 2.39% to **6.91% 5.86%**. The swaps mature between **July October 2023** and June 2040. As of December 31, 2022, 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 \$3.2 million and a negative fair value of \$42.4 million. The Company received floating rates ranging from 4.62% to 7.12% and paid fixed rates ranging from 2.39% to 6.13%. These swaps resulted in net interest expense of nil during both the three and **six nine** months ended **June 30, 2023 September 30, 2023** and 2022.

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 **\$1.4 million nil** and **\$0.5 million \$0.4 million** for the three months ended **June 30, 2023 September 30, 2023** and 2022, respectively, and **\$1.5 million and \$1.4 million \$1.8 million** for the **six nine** months ended **June 30, 2023 September 30, 2023** and 2022, 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 **1.5902**, **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 \$1.2 million and \$0.9 million was included in the unaudited interim consolidated balance sheets at **June 30, 2023**, **September 30, 2023** and December 31, 2022, respectively, to provide for the fair value of this liability. There were no sales of these shares prior to 2016. See "Note **17**, **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.

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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 **June 30, 2023**, **September 30, 2023** and 2022, and nil and \$0.1 million were recognized during the **six** **nine** months ended **June 30, 2023**, **September 30, 2023** and 2022, respectively.

#### **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 **June 30, 2023**, **September 30, 2023** and December 31, 2022, 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 **June 30, 2023**, **September 30, 2023** and December 31, 2022, the Company may have been required to settle the contracts in an amount equal to their fair value.

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#### **13.12. Commitments and Contingent Liabilities**

##### **Contingencies**

On November 2, 2020, a lawsuit was filed in Hawaii Circuit Court by a Bank customer related to the sale of credit facilities that the Bank had previously extended to the customer. The customer asserts claims against the Bank for interference with the customer's contract and business opportunity, unfair methods of competition and declaratory and injunctive relief. The outcome of this legal proceeding is uncertain at this point. Based on information available to the Company at present, the Company cannot reasonably estimate a range of potential loss, if any, for this action. Accordingly, the Company has not recognized any liability associated with this action. Management disputes any wrongdoing and the case is being vigorously defended.

In addition to the litigation noted above, 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 **\$75.8 million** **\$65.5 million** and \$90.5 million at **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively.

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#### **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 **\$8.3 million** **\$8.2 million** and \$8.1 million at **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 **June 30, 2023** **September 30, 2023** have maturities ranging from **July** **October** 2023 to September 2026. 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.

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Financial instruments with off-balance sheet risk at June 30, 2023 September 30, 2023 and December 31, 2022 were as follows:

(dollars in thousands)	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
	2023	2022	2023	2022
<b>Financial instruments whose contract amounts represent credit risk:</b>				
Commitments to extend credit	\$ 6,748,717	\$ 6,760,395	\$ 6,722,595	\$ 6,760,395
Standby letters of credit	236,450	244,275	238,704	244,275
Commercial letters of credit	7,541	7,299	5,410	7,299

**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 12, 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.

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**14.13. 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:

(dollars in thousands)	Three Months Ended September 30, 2023			
	Treasury			
	Retail	Commercial	and	
	Banking	Banking	Other	Total
<b>Net interest income<sup>(1)</sup></b>	<b>\$ 119,070</b>	<b>\$ 45,913</b>	<b>\$ (7,835)</b>	<b>\$ 157,148</b>
Service charges on deposit accounts	6,724	714	86	7,524
Credit and debit card fees	—	13,990	1,152	15,142
Other service charges and fees	6,461	425	529	7,415
Trust and investment services income	9,742	—	—	9,742
Other	86	2,599	(48)	2,637
Not in scope of Topic 606 <sup>(1)</sup>	1,821	1,130	686	3,637
<b>Total noninterest income</b>	<b>24,834</b>	<b>18,858</b>	<b>2,405</b>	<b>46,097</b>
<b>Total revenue</b>	<b>\$ 143,904</b>	<b>\$ 64,771</b>	<b>\$ (5,430)</b>	<b>\$ 203,245</b>

(dollars in thousands)	Nine Months Ended September 30, 2023			
	Treasury			
	Retail	Commercial	and	
	Banking	Banking	Other	Total
<b>Net interest income<sup>(1)</sup></b>	<b>\$ 332,227</b>	<b>\$ 128,348</b>	<b>\$ 23,759</b>	<b>\$ 484,334</b>
Service charges on deposit accounts	19,723	2,002	276	22,001
Credit and debit card fees	—	42,044	3,687	45,731
Other service charges and fees	18,681	1,268	1,592	21,541
Trust and investment services income	28,804	—	—	28,804
Other	413	6,449	2,037	8,899
Not in scope of Topic 606 <sup>(1)</sup>	5,277	4,069	6,146	15,492
<b>Total noninterest income</b>	<b>72,898</b>	<b>55,832</b>	<b>13,738</b>	<b>142,468</b>
<b>Total revenue</b>	<b>\$ 405,125</b>	<b>\$ 184,180</b>	<b>\$ 37,497</b>	<b>\$ 626,802</b>

<sup>(1)</sup> 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.

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**Disaggregation of Revenue**

(dollars in thousands)	Three Months Ended September 30, 2022			
	Treasury			
	Retail	Commercial	and	
	Banking	Banking	Other	Total
<b>Net interest income<sup>(1)</sup></b>	<b>\$ 117,060</b>	<b>\$ 39,586</b>	<b>\$ 6,090</b>	<b>\$ 162,736</b>
Service charges on deposit accounts	6,421	621	47	7,089
Credit and debit card fees	—	15,831	1,312	17,143
Other service charges and fees	6,081	509	472	7,062
Trust and investment services income	9,800	—	—	9,800
Other	93	1,250	304	1,647
Not in scope of Topic 606 <sup>(1)</sup>	2,085	1,637	(606)	3,116
Total noninterest income	24,480	19,848	1,529	45,857
<b>Total revenue</b>	<b>\$ 141,540</b>	<b>\$ 59,434</b>	<b>\$ 7,619</b>	<b>\$ 208,593</b>

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:

(dollars in thousands)	Three Months Ended June 30, 2023			
	Treasury			
	Retail	Commercial	and	
	Banking	Banking	Other	Total
<b>Net interest income<sup>(1)</sup></b>	<b>\$ 104,237</b>	<b>\$ 41,496</b>	<b>\$ 14,206</b>	<b>\$ 159,939</b>
Service charges on deposit accounts	6,458	662	126	7,246
Credit and debit card fees	—	13,639	1,239	14,878
Other service charges and fees	6,049	424	550	7,023
Trust and investment services income	9,448	—	—	9,448
Other	88	2,534	436	3,058
Not in scope of Topic 606 <sup>(1)</sup>	1,754	1,827	2,114	5,695
Total noninterest income	23,797	19,086	4,465	47,348
<b>Total revenue</b>	<b>\$ 128,034</b>	<b>\$ 60,582</b>	<b>\$ 18,671</b>	<b>\$ 207,287</b>

(dollars in thousands)	Six Months Ended June 30, 2023			
	Treasury			
	Retail	Commercial	and	
	Banking	Banking	Other	Total
<b>Net interest income<sup>(1)</sup></b>	<b>\$ 213,157</b>	<b>\$ 82,435</b>	<b>\$ 31,594</b>	<b>\$ 327,186</b>
Service charges on deposit accounts	13,000	1,288	189	14,477
Credit and debit card fees	—	28,053	2,536	30,589
Other service charges and fees	12,220	844	1,063	14,127
Trust and investment services income	19,062	—	—	19,062
Other	327	3,850	2,086	6,263
Not in scope of Topic 606 <sup>(1)</sup>	3,455	2,939	5,459	11,853
Total noninterest income	48,064	36,974	11,333	96,371
<b>Total revenue</b>	<b>\$ 261,221</b>	<b>\$ 119,409</b>	<b>\$ 42,927</b>	<b>\$ 423,557</b>

<sup>(1)</sup> 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.

(dollars in thousands)	Three Months Ended June 30, 2022			
	Treasury			
	Retail	Commercial	and	Total
<b>Net interest income<sup>(1)</sup></b>	<b>\$ 107,368</b>	<b>\$ 36,826</b>	<b>\$ 953</b>	<b>\$ 145,147</b>
Service charges on deposit accounts	6,085	413	345	6,843
Credit and debit card fees	—	15,243	1,206	16,449
Other service charges and fees	6,306	417	487	7,210
Trust and investment services income	8,759	—	—	8,759
Other	175	2,873	287	3,335
Not in scope of Topic 606 <sup>(1)</sup>	1,160	1,469	(1,088)	1,541
<b>Total noninterest income</b>	<b>22,485</b>	<b>20,415</b>	<b>1,237</b>	<b>44,137</b>
<b>Total revenue</b>	<b>\$ 129,853</b>	<b>\$ 57,241</b>	<b>\$ 2,190</b>	<b>\$ 189,284</b>

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(dollars in thousands)	Six Months Ended June 30, 2022				Nine Months Ended September 30, 2022			
	Treasury				Treasury			
	Retail	Commercial	and	Total	Retail	Commercial	and	Total
<b>Net interest income<sup>(1)</sup></b>	<b>\$ 201,416</b>	<b>\$ 71,914</b>	<b>\$ 5,689</b>	<b>\$ 279,019</b>	<b>\$ 318,476</b>	<b>\$ 111,500</b>	<b>\$ 11,779</b>	<b>\$ 441,755</b>
Service charges on deposit accounts	12,734	759	851	14,344	19,155	1,380	898	21,433
Credit and debit card fees	—	28,269	2,422	30,691	—	44,099	3,734	47,833
Other service charges and fees	12,869	1,198	856	14,923	18,950	1,708	1,327	21,985
Trust and investment services income	17,642	—	—	17,642	27,442	—	—	27,442
Other	303	5,457	545	6,305	396	6,708	849	7,953
Not in scope of Topic 606 <sup>(1)</sup>	2,252	3,387	(4,027)	1,612	4,337	5,023	(4,632)	4,728
<b>Total noninterest income</b>	<b>45,800</b>	<b>39,070</b>	<b>647</b>	<b>85,517</b>	<b>70,280</b>	<b>58,918</b>	<b>2,176</b>	<b>131,374</b>
<b>Total revenue</b>	<b>\$ 247,216</b>	<b>\$ 110,984</b>	<b>\$ 6,336</b>	<b>\$ 364,536</b>	<b>\$ 388,756</b>	<b>\$ 170,418</b>	<b>\$ 13,955</b>	<b>\$ 573,129</b>

<sup>(1)</sup> 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 and **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022, 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.

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#### *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.

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#### **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 **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company had contract liabilities of **\$2.3 million** **\$2.1 million** and \$2.7 million, respectively, which it expects to recognize over the remaining term of the respective contracts with the vendors. For the three and **six****nine** months ended **June 30, 2023** **September 30, 2023**, the Company's recognized revenues increased and contract liabilities decreased by approximately \$0.2 million and **\$0.4 million** **\$0.6 million** due to the passage of time. For the three and **six****nine** months ended **June 30, 2022** **September 30, 2022**, the Company's recognized revenues increased and contract liabilities decreased by approximately \$0.2 million and **\$0.5 million** **\$0.7 million**, respectively, 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 **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 **June 30, 2023** **September 30, 2023** and December 31, 2022. 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.

## 15.14. Earnings per Share

For the three and **six** months ended **June 30, 2023** **September 30, 2023**, the Company made no adjustments to net income for the purpose of computing earnings per share and there were **699,000** **611,000** and **310,000** **609,000** antidilutive securities, respectively. For the three and **six** months ended **June 30, 2022** **September 30, 2022**, the Company made no adjustments to net income for the **purposes** **purpose** of computing earnings per share and there were **149,000** and **22,000** **no** antidilutive **securities**, respectively. For the three and **six** months ended **June 30, 2023** **September 30, 2023** and 2022, the computations of basic and diluted earnings per share were as follows:

(dollars in thousands, except shares and per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Numerator:</b>								
Net income	\$ <b>62,442</b>	\$ <b>59,360</b>	\$ <b>129,260</b>	\$ <b>117,079</b>	\$ <b>58,221</b>	\$ <b>69,018</b>	\$ <b>187,481</b>	\$ <b>186,097</b>
<b>Denominator:</b>								
Basic: weighted-average shares outstanding	<b>127,591,371</b>	127,672,244	<b>127,522,975</b>	127,614,564	<b>127,609,860</b>	127,377,713	<b>127,552,255</b>	127,534,746
Add: weighted-average equity-based awards	<b>240,980</b>	342,533	<b>378,250</b>	494,066	<b>326,580</b>	418,904	<b>345,574</b>	461,926
Diluted: weighted-average shares outstanding	<b>127,832,351</b>	128,014,777	<b>127,901,225</b>	128,108,630	<b>127,936,440</b>	127,796,617	<b>127,897,829</b>	127,996,672
Basic earnings per share	\$ <b>0.49</b>	\$ <b>0.46</b>	\$ <b>1.01</b>	\$ <b>0.92</b>	\$ <b>0.46</b>	\$ <b>0.54</b>	\$ <b>1.47</b>	\$ <b>1.46</b>
Diluted earnings per share	\$ <b>0.49</b>	\$ <b>0.46</b>	\$ <b>1.01</b>	\$ <b>0.91</b>	\$ <b>0.46</b>	\$ <b>0.54</b>	\$ <b>1.47</b>	\$ <b>1.45</b>

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## 16.15. 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 and **six** months ended **June 30, 2023** **September 30, 2023** and 2022:

(dollars in thousands)	Income line item where recognized in the consolidated statements of income				Pension Benefits				Other Benefits			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Three Months Ended June 30,</b>												

Three Months Ended September 30,							Three Months Ended September 30,						
Service cost		Salaries and employee benefits	\$ —	\$ —	\$ 147	\$ 214	Salaries and employee benefits	\$ —	\$ —	\$ 136	\$ 197		
Interest cost		Other noninterest expense	2,059	1,361	220	143	Other noninterest expense	2,053	1,523	171	118		
Expected return on plan assets		Other noninterest expense	(882)	(782)	—	—	Other noninterest expense	(883)	(783)	—	—		
Recognized net actuarial loss (gain)		Other noninterest expense	719	1,269	(379)	(101)	Other noninterest expense	719	1,269	(379)	(101)		
<b>Total net periodic benefit cost</b>			<b>\$ 1,896</b>	<b>\$ 1,848</b>	<b>\$ (12)</b>	<b>\$ 256</b>		<b>\$ 1,889</b>	<b>\$ 2,009</b>	<b>\$ (72)</b>	<b>\$ 214</b>		
Six Months Ended June 30,													
Nine Months Ended September 30,													
Service cost		Salaries and employee benefits	\$ —	\$ —	\$ 294	\$ 429	Salaries and employee benefits	\$ —	\$ —	\$ 430	\$ 626		
Interest cost		Other noninterest expense	4,118	2,722	440	287	Other noninterest expense	6,171	4,245	611	405		
Expected return on plan assets		Other noninterest expense	(1,765)	(1,565)	—	—	Other noninterest expense	(2,648)	(2,348)	—	—		
Recognized net actuarial loss (gain)		Other noninterest expense	1,438	2,537	(758)	(202)	Other noninterest expense	2,157	3,806	(1,137)	(303)		
<b>Total net periodic benefit cost</b>			<b>\$ 3,791</b>	<b>\$ 3,694</b>	<b>\$ (24)</b>	<b>\$ 514</b>		<b>\$ 5,680</b>	<b>\$ 5,703</b>	<b>\$ (96)</b>	<b>\$ 728</b>		

### Leases

The Company recognized operating lease income related to lease payments of \$1.5 million \$1.6 million and \$1.6 million \$1.5 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$3.1 million \$4.7 million and \$4.6 million for both the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. In addition, the Company recognized \$1.5 million and \$1.6 million \$1.7 million of lease income related to variable lease payments for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$3.3 million \$4.8 million and \$3.2 million \$4.9 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

### 17.16. 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.

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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 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. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, management did not make adjustments to prices provided by the third-party pricing services as a result of illiquid or inactive 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.

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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 **1.5902**, **1.5875**. The Visa derivative of \$1.2 million and \$0.9 million was included in the unaudited interim consolidated balance sheets at **June 30, 2023**, **September 30, 2023** and December 31, 2022, respectively, 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 **June 30, 2023**, **September 30, 2023** and December 31, 2022 are summarized below:

(dollars in thousands)	Fair Value Measurements as of June 30, 2023						Fair Value Measurements as of September 30, 2023					
	Quoted Prices in Active Markets for Identical Assets		Significant				Quoted Prices in Active Markets for Identical Assets		Significant			
	Other	Significant	Other	Significant	Other	Significant	Other	Significant	Other	Significant	Other	Significant
	Identical Assets	Observable	Identical Assets	Observable	Identical Assets	Observable	Identical Assets	Observable	Identical Assets	Observable	Identical Assets	Observable
<b>Assets</b>												
U.S. Treasury and government agency debt securities	\$	—	\$ 116,885	\$	—	\$ 116,885	\$	—	\$ 114,159	\$	—	\$ 114,159
Government-sponsored enterprises debt securities	—	44,240	—	44,240	—	19,260	—	19,260	—	52,362	—	52,362
Mortgage-backed securities:												
Residential Government agency(1)	—	57,202	—	57,202	—	52,362	—	52,362	—	1,082,992	—	1,082,992
Residential Government-sponsored enterprises(1)	—	1,082,992	—	1,082,992	—	1,005,782	—	1,005,782	—	225,462	—	225,462
Commercial Government agency	—	225,462	—	225,462	—	211,897	—	211,897	—	87,897	—	87,897
Commercial Government-sponsored enterprises	—	87,897	—	87,897	—	84,920	—	84,920	—	21,379	—	21,379
Commercial Non-agency	—	21,379	—	21,379	—	21,602	—	21,602	—	605,221	—	605,221
Collateralized mortgage obligations:												
Government agency	—	605,221	—	605,221	—	565,852	—	565,852	—	427,480	—	427,480
Government-sponsored enterprises	—	427,480	—	427,480	—	400,748	—	400,748	—	240,614	—	240,614
Collateralized loan obligations	—	240,614	—	240,614	—	246,122	—	246,122	—			

<b>Total available-for-sale securities</b>	—	<b>2,909,372</b>	—	<b>2,909,372</b>	—	<b>2,722,704</b>	—	<b>2,722,704</b>
Other assets(2)	2,257	28,699	—	30,956	1,287	12,902	—	14,189
<b>Liabilities</b>								
Other liabilities(3)	—	(26,820)	(1,200)	(28,020)	—	(5,880)	(1,200)	(7,080)
<b>Total</b>	<b>\$ 2,257</b>	<b>\$ 2,911,251</b>	<b>\$ (1,200)</b>	<b>\$ 2,912,308</b>	<b>\$ 1,287</b>	<b>\$ 2,729,726</b>	<b>\$ (1,200)</b>	<b>\$ 2,729,813</b>

- (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.

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Fair Value Measurements as of December 31, 2022								
(dollars in thousands)	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total	
	(Level 1)							
<b>Assets</b>								
U.S. Treasury and government agency debt securities	\$ —	\$ 150,982	\$ —	\$ 150,982				
Government-sponsored enterprises debt securities	—	44,301	—	44,301				
Mortgage-backed securities:								
Residential - Government agency(1)	—	59,723	—	59,723				
Residential - Government-sponsored enterprises(1)	—	1,160,455	—	1,160,455				
Commercial - Government agency	—	237,853	—	237,853				
Commercial - Government-sponsored enterprises	—	119,573	—	119,573				
Commercial - Non-agency	—	21,471	—	21,471				
Collateralized mortgage obligations:								
Government agency	—	653,322	—	653,322				
Government-sponsored enterprises	—	462,132	—	462,132				
Collateralized loan obligations	—	241,321	—	241,321				
<b>Total available-for-sale securities</b>	<b>—</b>	<b>3,151,133</b>	<b>—</b>	<b>3,151,133</b>				
Other assets(2)	5,376	10,945	—	16,321				
<b>Liabilities</b>								
Other liabilities(3)	—	(49,268)	(851)	(50,119)				
<b>Total</b>	<b>\$ 5,376</b>	<b>\$ 3,112,810</b>	<b>\$ (851)</b>	<b>\$ 3,117,335</b>				

- (1) Backed by residential real estate.  
 (2) Other assets classified as Level 1 include mutual funds and 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 basis as of **June 30, 2023** **September 30, 2023** and December 31, 2022, the significant unobservable inputs used in the fair value measurements were as follows:

[Quantitative Information about Level 3 Fair Value Measurements at \*\*June 30, 2023\*\* \*\*September 30, 2023\*\*](#)

Significant

(dollars in thousands)	Fair value	Valuation Technique	Unobservable Input	Range
Visa derivative	\$ (1,200)	Discounted Cash Flow	Expected Conversion Rate - 1.5902 1.5875 <sup>(1)</sup>	1.5341 1.5289 1.5902 1.5875
			Expected Term - 3 months <sup>(2)</sup>	0 - 6 months
			Growth Rate - 26% 17% <sup>(3)</sup>	10% 7% - 38% 24%

Quantitative Information about Level 3 Fair Value Measurements at December 31, 2022

(dollars in thousands)	Fair value	Valuation Technique	Unobservable Input	Significant	Range
Visa derivative	\$ (851)	Discounted Cash Flow	Expected Conversion Rate - 1.5991 <sup>(1)</sup>	1.5514-1.5991	
			Expected Term - 3 months <sup>(2)</sup>	0 - 6 months	
			Growth Rate - 26% <sup>(3)</sup>	10% - 38%	

(1) Due to the uncertainty in the movement of the conversion rate, the current conversion rate was utilized in the fair value calculation.

(2) The expected term of 3 months was based on the median of 0 to 6 months.

(3) The growth rate was based on the arithmetic average of analyst price targets.

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**Changes in Fair Value Levels**

For the three and **six** months ended **June 30, 2023** **September 30, 2023** and 2022, 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 and **six** months ended **June 30, 2023** **September 30, 2023** and 2022 are summarized below:

(dollars in thousands)	Visa Derivative		Visa Derivative	
	2023	2022	2023	2022
<b>Three Months Ended June 30,</b>				
Balance as of April 1,	\$ (1,200)	\$ (5,794)		
Total net gains (losses) included in other noninterest income	(1,816)	123		
<b>Three Months Ended September 30,</b>				
Balance as of July 1,			\$ (1,200)	\$ (3,786)
Total net (losses) gains included in other noninterest income			(1,350)	273
Settlements	1,816	1,885	1,350	1,154
Balance as of June 30,	\$ (1,200)	\$ (3,786)		
Total net gains (losses) included in net income attributable to the change in unrealized gains or losses related to liabilities still held as of June 30,	\$ (1,816)	\$ 123		
Balance as of September 30,			\$ (1,200)	\$ (2,359)
Total net (losses) gains included in net income attributable to the change in unrealized gains or losses related to liabilities still held as of September 30,			\$ (1,350)	\$ 273
<b>Six Months Ended June 30,</b>				
<b>Nine Months Ended September 30,</b>				
Balance as of January 1,	\$ (851)	\$ (5,530)	\$ (851)	\$ (5,530)
Total net losses included in other noninterest income	(3,779)	(1,357)	(5,129)	(1,084)
Settlements	3,430	3,101	4,780	4,255
Balance as of June 30,	\$ (1,200)	\$ (3,786)		

Total net losses included in net income attributable to the change in unrealized losses related to liabilities still held as of June 30,	\$ <u>(3,779)</u>	\$ <u>(1,357)</u>
Balance as of September 30,		\$ <u>(1,200)</u> \$ <u>(2,359)</u>
Total net losses included in net income attributable to the change in unrealized losses related to liabilities still held as of September 30,		\$ <u>(5,129)</u> \$ <u>(1,084)</u>

#### 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.

	June 30, 2023					September 30, 2023				
	Fair Value Measurements					Fair Value Measurements				
	Quoted Prices in Active Markets			Significant Other	Significant Unobservable	Quoted Prices in Active Markets			Significant Other	Significant Unobservable
	for Identical	Observable	Inputs	for Identical	Observable	Inputs	for Identical	Observable	Inputs	Inputs (Level)
	Inputs (Level)	2)	(Level 3)	Total	Book Value	Assets (Level 1)	2)	(Level 3)	Total	
(dollars in thousands)	Book Value	Assets (Level 1)	2)	(Level 3)	Total	Book Value	Assets (Level 1)	2)	(Level 3)	Total
<b>Financial assets:</b>										
Cash and cash equivalents	\$ 558,131	\$ 318,333	\$ 239,798	\$ —	\$ 558,131	\$ 1,213,428	\$ 246,028	\$ 967,400	\$ —	\$ 1,213,428
Investment securities held-to-maturity	4,180,408	—	3,697,261	—	3,697,261	4,104,114	—	3,433,029	—	3,433,029
Loans(1)	14,030,432	—	—	13,304,749	13,304,749	13,999,820	—	—	13,166,377	13,166,377
<b>Financial liabilities:</b>										
Time deposits(2)	\$ 3,307,772	\$ —	\$ 3,262,608	\$ —	\$ 3,262,608	\$ 3,661,131	\$ —	\$ 3,625,116	\$ —	\$ 3,625,116
Long-term borrowings	500,000	—	492,616	—	492,616	500,000	—	495,306	—	495,306
Short-term borrowings										

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December 31, 2022					
Fair Value Measurements					
Quoted Prices in Active Markets					
for Identical Other Unobservable					
(dollars in thousands)	Book Value	Assets (Level 1)	Inputs (Level 2)	(Level 3)	Total

<b>Financial assets:</b>						
Cash and cash equivalents	\$ 526,624	\$ 297,502	\$ 229,122	\$ —	\$ 526,624	
Investment securities held-to-maturity	4,320,639	—	3,814,822	—	3,814,822	
Loans <sup>(1)</sup>	13,793,922	—	—	13,138,787	13,138,787	
<b>Financial liabilities:</b>						
Time deposits <sup>(2)</sup>	\$ 2,476,050	\$ —	\$ 2,423,231	\$ —	\$ 2,423,231	
Short-term borrowings	75,000	—	74,991	—	74,991	

(1) Excludes financing leases of \$332.4 million \$332.5 million at **June 30, 2023** September 30, 2023 and \$298.1 million at December 31, 2022.

(2) Excludes deposit liabilities with no defined or contractual maturity of \$17.8 billion \$17.9 billion as of **June 30, 2023** September 30, 2023 and \$19.2 billion as of December 31, 2022.

Unfunded loan and lease commitments and letters of credit are not included in the tables above. As of both **June 30, 2023** September 30, 2023 and December 31, 2022, the Company had \$7.0 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 \$51.1 million \$52.3 million and \$48.5 million at **June 30, 2023** September 30, 2023 and December 31, 2022, 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 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.

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#### **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.

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There were no assets with nonrecurring fair value adjustments held as of **June 30, 2023** **September 30, 2023** and December 31, 2022. Additionally, there were no nonrecurring fair value adjustments for both the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022.

**18.17. 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 **51** **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.

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*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.

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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)	Treasury				Treasury			
	Retail	Commercial	and	Retail	Commercial	and	Retail	Commercial
	Banking	Banking	Other	Total	Banking	Banking	Other	Total
<b>Three Months Ended June 30, 2023</b>								
Net interest income	\$ 104,237	\$ 41,496	\$ 14,206	\$ 159,939				
<b>Three Months Ended September 30, 2023</b>								
Net interest income (loss)					\$ 119,070	\$ 45,913	\$ (7,835)	\$ 157,148
Provision for credit losses	(1,991)	(3,009)	—	(5,000)	(2,359)	(3,565)	(1,576)	(7,500)
Net interest income after provision for credit losses	102,246	38,487	14,206	154,939				
Net interest income (loss) after provision for credit losses					116,711	42,348	(9,411)	149,648
Noninterest income	23,797	19,086	4,465	47,348	24,834	18,858	2,405	46,097
Noninterest expense	(77,597)	(27,086)	(16,198)	(120,881)	(77,873)	(24,976)	(16,534)	(119,383)
Income before provision for income taxes	48,446	30,487	2,473	81,406				
Income (loss) before (provision) benefit for income taxes					63,672	36,230	(23,540)	76,362
Provision for income taxes	(11,361)	(6,882)	(721)	(18,964)				
<b>Net income</b>	<b>\$ 37,085</b>	<b>\$ 23,605</b>	<b>\$ 1,752</b>	<b>\$ 62,442</b>				
(Provision) benefit for income taxes					(15,209)	(8,334)	5,402	(18,141)
<b>Net income (loss)</b>	<b>\$ 48,463</b>	<b>\$ 27,896</b>	<b>\$ (18,138)</b>	<b>\$ 58,221</b>				

(dollars in thousands)	Treasury			
	Retail Banking	Commercial Banking	and Other	Total
<b>Six Months Ended June 30, 2023</b>				
Net interest income	\$ 213,157	\$ 82,435	\$ 31,594	\$ 327,186
Provision for credit losses	(4,554)	(6,882)	(2,364)	(13,800)
Net interest income after provision for credit losses	208,603	75,553	29,230	313,386
Noninterest income	48,064	36,974	11,333	96,371
Noninterest expense	(153,440)	(54,856)	(31,152)	(239,448)
Income before provision for income taxes	103,227	57,671	9,411	170,309
Provision for income taxes	(24,627)	(13,212)	(3,210)	(41,049)
<b>Net income</b>	<b>\$ 78,600</b>	<b>\$ 44,459</b>	<b>\$ 6,201</b>	<b>\$ 129,260</b>

(dollars in thousands)	Treasury				Treasury			
	Retail Banking	Commercial Banking	and Other	Total	Retail Banking	Commercial Banking	and Other	Total
<b>Three Months Ended June 30, 2022</b>								
<b>Nine Months Ended September 30, 2023</b>								
Net interest income	\$ 107,368	\$ 36,826	\$ 953	\$ 145,147	\$ 332,227	\$ 128,348	\$ 23,759	\$ 484,334
Provision for credit losses	(386)	(614)	—	(1,000)	(6,913)	(10,447)	(3,940)	(21,300)
Net interest income after provision for credit losses	106,982	36,212	953	144,147	325,314	117,901	19,819	463,034
Noninterest income	22,485	20,415	1,237	44,137	72,898	55,832	13,738	142,468
Noninterest expense	(73,357)	(26,962)	(8,856)	(109,175)	(231,313)	(79,832)	(47,686)	(358,831)
Income (loss) before (provision) benefit for income taxes	56,110	29,665	(6,666)	79,109	166,899	93,901	(14,129)	246,671
(Provision) benefit for income taxes	(13,896)	(7,251)	1,398	(19,749)	(39,836)	(21,546)	2,192	(59,190)
<b>Net income (loss)</b>	<b>\$ 42,214</b>	<b>\$ 22,414</b>	<b>\$ (5,268)</b>	<b>\$ 59,360</b>	<b>\$ 127,063</b>	<b>\$ 72,355</b>	<b>\$ (11,937)</b>	<b>\$ 187,481</b>

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(dollars in thousands)	Treasury			
	Retail Banking	Commercial Banking	and Other	Total
<b>Six Months Ended June 30, 2022</b>				
Net interest income	\$ 201,416	\$ 71,914	\$ 5,689	\$ 279,019
Benefit for credit losses	1,455	1,928	1,364	4,747
Net interest income after benefit for credit losses	202,871	73,842	7,053	283,766
Noninterest income	45,800	39,070	647	85,517
Noninterest expense	(143,577)	(53,467)	(16,173)	(213,217)
Income (loss) before (provision) benefit for income taxes	105,094	59,445	(8,473)	156,066

(Provision) benefit for income taxes	(26,046)	(14,504)	1,563	(38,987)
<b>Net income (loss)</b>	<b>\$ 79,048</b>	<b>\$ 44,941</b>	<b>\$ (6,910)</b>	<b>\$ 117,079</b>
Treasury				
(dollars in thousands)	Retail Banking	Commercial Banking	and Other	Total
<b>Three Months Ended September 30, 2022</b>				
Net interest income	\$ 117,060	\$ 39,586	\$ 6,090	\$ 162,736
Provision for credit losses	(773)	(1,227)	(1,183)	(3,183)
Net interest income after provision for credit losses	116,287	38,359	4,907	159,553
Noninterest income	24,480	19,848	1,529	45,857
Noninterest expense	(76,820)	(28,079)	(8,433)	(113,332)
Income (loss) before (provision) benefit for income taxes	63,947	30,128	(1,997)	92,078
(Provision) benefit for income taxes	(16,093)	(7,458)	491	(23,060)
<b>Net income (loss)</b>	<b>\$ 47,854</b>	<b>\$ 22,670</b>	<b>\$ (1,506)</b>	<b>\$ 69,018</b>

				Treasury
(dollars in thousands)	Retail Banking	Commercial Banking	and Other	Total
<b>Nine Months Ended September 30, 2022</b>				
Net interest income	\$ 318,476	\$ 111,500	\$ 11,779	\$ 441,755
Benefit for credit losses	682	701	181	1,564
Net interest income after benefit for credit losses	319,158	112,201	11,960	443,319
Noninterest income	70,280	58,918	2,176	131,374
Noninterest expense	(220,397)	(81,546)	(24,606)	(326,549)
Income (loss) before (provision) benefit for income taxes	169,041	89,573	(10,470)	248,144
(Provision) benefit for income taxes	(42,139)	(21,962)	2,054	(62,047)
<b>Net income (loss)</b>	<b>\$ 126,902</b>	<b>\$ 67,611</b>	<b>\$ (8,416)</b>	<b>\$ 186,097</b>

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**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: conditions in the financial markets and economic conditions generally and in Hawaii, Guam and Saipan in particular; **the impact of the recent wildfires in Maui, including in respect of the Bank's loan portfolio;** turmoil and volatility in the financial services industry, including failures or rumors of failures of other depository institutions, which could affect the ability of FHB to attract and retain depositors, and could affect the ability of financial services providers, including us, to borrow or raise capital; increases in Federal Deposit Insurance Corporation ("FDIC") assessments due to bank failures; actions taken by governmental agencies to stabilize the financial system and the effectiveness of such actions; a sustained period of high inflation; our dependence on the real estate markets in which we operate; risk arising from conditions in the commercial real estate market; concentration of exposures to certain asset classes and individual obligors; interest rate risk and fluctuations in interest rates; events resulting from the discontinuance of the London Interbank Offered Rate ("LIBOR"); the possibility of a decline in the value of the investment securities we own; the possibility of a deterioration in the credit quality of, or defaults by, third parties who owe us money, securities or other assets or whose securities or obligations we hold; 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, our ability to raise additional capital in the future; our ability to maintain, attract and retain customer relationships; our ability to attract and retain key personnel and other skilled employees; the effectiveness of our techniques for managing risk and our use of data and modeling both in our management decision-making generally and in meeting regulatory expectations in particular; the effectiveness of the appraisals and other valuation techniques we use; the occurrence of fraudulent activity, breaches or failures of our information security controls or cybersecurity-related incidents; the possibility of employee misconduct or mistakes; changes in the actual or perceived soundness or condition of other financial institutions; consumer protection initiatives related to the foreclosure process; risks in connection with any sale of loans; the possibility that certain external vendors on which we rely experience difficulty, terminate their services or fail to comply with banking laws and regulations; issues regarding the accuracy and completeness of information about customers and counterparties; risks associated with our accounting estimates and risk management processes and controls; changes in our accounting policies or in accounting standards; risks relating to the geographic concentration in our existing markets; risks relating to competition in a highly competitive industry and market area; the possibility that new lines of business, products, product enhancements or services may subject us to additional risks; a change in the key role of dealers within the automotive industry or our ability to maintain or build relationships with them; technological change; future legislative or regulatory change; risks relating to our bank in times of stress; capital adequacy requirements; the possibility that we may not pay dividends on our common stock in the future; the possibility of rulemaking changes implemented by the CFPB; the possibility of litigation and regulatory actions; the possibility of increases in FDIC insurance premiums; the risk of non-compliance with the USA PATRIOT Act, the Bank Secrecy Act or other laws and regulations; risks regarding regulations relating to privacy, information security and data protection, and differences in regulation; risks relating to our use of third-party vendors and our other ongoing third-party business relationships; environmental liability risks associated with our bank branches and any real estate collateral we acquire upon foreclosure; the possibility of litigation pertaining to our fiduciary responsibilities; the impact of pandemics, epidemics or other health-related crises; the effects of severe weather, hurricanes, tsunamis, natural disasters, pandemics, acts of war or terrorism or other external events; volatility in our stock price; the possibility of future sales and issuances of our common stock; the possibility of unexpected tax liabilities and unexpected tax liabilities that may be applicable to us as **a**

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**be applicable to us as a result of the reorganization transactions to facilitate FHI's initial public offering; 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, 2022 and Quarterly Report on Form 10-Q for the **quarter quarters** ended March 31, 2023 **and June 30, 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, 2022 and filed with the U.S. Securities and Exchange Commission (the "SEC").

## Hawaii Economy

Hawaii's economy reflects growth some decline during the six nine months ended June 30, 2023 September 30, 2023, but the forecast for the remainder of the year is still highly uncertain due to as the uncertainty State navigates the aftermath of the effect wildfires that affected the island of rate increases and liquidity concerns from the recent bank closures. Maui in early August. According to the Hawaii Department of Business, Economic Development & Tourism, the statewide seasonally adjusted unemployment rate has improved decreased to 3.0% 2.8% at June 30, 2023 September 30, 2023, compared to 4.3% 3.5% at June 30, 2022 September 30, 2022. Nationally, the seasonally adjusted unemployment rate was 3.6% 3.8% at June 30, 2023 September 30, 2023, equivalent similar to the 3.6% 3.5% rate at June 30, 2022 September 30, 2022.

### Domestic

Although visitor arrivals to Maui decreased in response to the fires that swept across Lahaina and the subsequent closures that occurred in West Maui, domestic visitor arrivals for the entire state continue to remain strong and have nearly returned to pre-pandemic levels. strong. The average daily domestic passenger counts for the first six nine months of 2023 were approximately 95.6% of 6.4% higher than the average daily passenger counts during the first six nine months of 2019 2022, according to the Hawaii Tourism Authority. International visitors have been slower to return to pre-pandemic levels, but are continuing to increase.

The housing market has slowed compared to previous periods but remains relatively stable. Both volume of real estate sales and housing prices decreased when comparing the first **six** months of 2023 with the first **six** months of 2022. According to the Honolulu Board of Realtors, the volume of single-family home sales decreased by **35% 30.5%**, while condominium sales decreased by **36% 31.2%**, as compared to the same period in 2022. The median price of a single-family home sold on Oahu in the first **six** months of 2023 was \$1,050,000, a decrease of **5.5% 5.4%** from the same period in 2022. The median price of a condominium sold on Oahu in the first **six** months of 2023 was **\$500,000, \$505,000**, a decrease of **2.9% 1.0%** from the same period in 2022. As of **June 30, 2023** **September 30, 2023**, months of inventory of single-family homes and condominiums on Oahu remained low at approximately **2.6 2.7** and **2.8 3.0** months, respectively.

Lastly, state general excise and use tax revenues increased by **8.6% 5.6%** for the **six** months ended **June 30, 2023** **September 30, 2023** as compared to the same period in 2022, according to the Hawaii Department of Business, Economic Development & Tourism.

#### *Effect of Inflation, Changing Prices, Recent Natural Disasters*

In early August, wildfires swept across several areas of Maui, impacting residents in upcountry Maui and **Recent** devastating the historic town of Lahaina. Relief efforts from across the State of Hawaii commenced and continues to this day to aid those who have lost their homes, businesses, and loved ones. We have contributed \$250,000 to the Hawaii Community Foundation's Maui Strong Fund, granted loan payment deferrals for our borrowers affected by the wildfires, waived all ATM fees on Maui, and assisted affected employees with financial aid for temporary housing. Our operations on Maui also recovered quickly. Although the Lahaina branch and ATM were fully burned down, our vault withstood the fire and we were able to account for safe deposit box contents and are in process of returning them to our customers. The remaining branches in Maui have remained fully operational.

The outstanding balance of real estate-secured loans in the Maui fire zones totaled approximately \$116 million as of September 30, 2023. We require our borrowers to maintain adequate levels of insurance, including fire insurance on residential mortgages. We do not currently know the full extent of damage to our loan collateral, the amounts of available insurance coverage, the availability of government assistance for our borrowers or whether our borrowers' ability to repay their loans has been diminished. There was no exposure to the electric utility as of September 30, 2023.

We 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, resume tourism, and recover economically. Since there is significant uncertainty with respect to the full extent of the negative impacts due to the nature 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.

#### *Effect of Financial Events and Inflation*

The consolidated financial statements and related financial data presented in this Form 10-Q have been prepared according to generally accepted accounting principles in the United States, which require the measurement of financial positions and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation.

Although inflation is not rising as quickly as it did in previous periods, prices remain high due to, among other factors, continued global supply chain disruptions, changes in the labor market and geopolitical tensions.

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Our operating costs continue to increase as inflationary conditions put upward pressure on the Company's expenses. As virtually all of our assets and liabilities are monetary in nature, interest rates (which do not necessarily move in the same direction or the same extent as the prices of goods and services) generally have a more significant impact on our performance than do general levels of inflation. Rising interest rates may contribute to increased yields on assets and higher costs on funding, which generally improves net interest margins when balance sheet

composition remains constant. However, changes in interest rates could influence not only the interest rates we receive on loans and securities and the interest rates we pay on deposits and borrowings, but also the composition of loans and deposits. The changing composition of our loans and deposits following a large interest rate change may cause periods where net interest margin compresses as fixed rate loans pay off at a slower pace and deposits migrate to higher cost categories. Our ability to originate loans and deposits could also be impacted. In addition, changes in interest rates have had an impact, and may have a significant impact on (i) the carrying value of certain assets, including loans, real estate and investment securities, on our balance sheet and (ii) the level of loan refinancing activity in our portfolio, which impacts the amount of prepayment penalty income we receive on loans we hold. In addition, we may incur debt in the future, and that debt may also be sensitive to interest rates.

There also remain many uncertainties given the recent financial events in the banking sector. On March 12 and 13, 2023, following the closures of Silicon Valley Bank ("SVB") and Signature Bank in March 2023 and the subsequent appointment of the FDIC as the receiver for those banks, the FDIC announced that, under the systemic risk exception set forth in the Federal Deposit Insurance Act ("FDIA"), all insured and uninsured deposits of those banks were transferred to the respective bridge banks for SVB and Signature Bank. The FDIC also announced that, as required by the FDIA, any losses to the Deposit Insurance Fund ("DIF") to support uninsured depositors would be recovered by a special assessment. Under the FDIA, the assessment may be on insured depository institutions, depository institution holding companies (with the concurrence of the Treasury Secretary), or both, as the FDIC determines to be appropriate. The FDIC has discretion with respect to the design and timeframe for any special assessment, and, under the FDIA, the FDIC may consider the types of entities that benefit from the action taken, economic conditions, the effects on the industry, and such other factors as the FDIC deems appropriate. banks. In May 2023, the FDIC issued a notice of proposed rulemaking ("NPR"), which proposed an annual special assessment rate of approximately 12.5 basis points to an assessment base that would equal an insured depository institution's estimated uninsured deposits reported as of December 31, 2022, adjusted to exclude the first \$5 billion, to be paid in eight quarterly installments beginning in the first quarter of 2024. If the rule is adopted as proposed, the total amount of the special assessment would be expected to be accrued and recognized as a loss in the period the rule is adopted. The ultimate impact and timing of recognition will depend on the final outcome of the ongoing FDIC deliberations.

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In addition, the closures of SVB and Signature Bank and adverse developments affecting other certain banks in the first half of 2023 resulted in heightened levels of market activity and volatility, as well as the potential for increased regulations and more stringent capital requirements going forward. In response to the deterioration in the operating environment and funding conditions for U.S. banks, in April 2023, Moody's lowered the macro profile of the U.S. banking system and downgraded the credit ratings of the Bank, among other regional banks. In light of volatility in the capital markets and economic disruptions, we continue to carefully monitor our capital and liquidity positions.

As of June 30, 2023 September 30, 2023, the Company was "well-capitalized" and met all applicable regulatory capital requirements, including a Common Equity Tier 1 capital ratio of 12.05% 12.21%, compared to the minimum requirement of 4.50%. In light of the recent volatility in the banking sector, we increased our liquidity with higher than normal levels and continued continue to maintain high levels of liquidity. 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, 2022, filed with the SEC on February 24, 2023.

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**Selected Financial Data**

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

Financial Highlights  (dollars in thousands, except per share data)	Table 1							
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Income Statement Data:</b>								
Interest income	\$ 229,205	\$ 149,744	\$ 442,750	\$ 286,365	\$ 239,799	\$ 176,390	\$ 682,549	\$ 462,755
Interest expense	69,266	4,597	115,564	7,346	82,651	13,654	198,215	21,000
Net interest income	159,939	145,147	327,186	279,019	157,148	162,736	484,334	441,755
Provision for credit losses	5,000	1,000	13,800	(4,747)	7,500	3,183	21,300	(1,564)
Net interest income after provision for credit losses	154,939	144,147	313,386	283,766	149,648	159,553	463,034	443,319
Noninterest income	47,348	44,137	96,371	85,517	46,097	45,857	142,468	131,374
Noninterest expense	120,881	109,175	239,448	213,217	119,383	113,332	358,831	326,549
Income before provision for income taxes	81,406	79,109	170,309	156,066	76,362	92,078	246,671	248,144
Provision for income taxes	18,964	19,749	41,049	38,987	18,141	23,060	59,190	62,047
<b>Net income</b>	<b>\$ 62,442</b>	<b>\$ 59,360</b>	<b>\$ 129,260</b>	<b>\$ 117,079</b>	<b>\$ 58,221</b>	<b>\$ 69,018</b>	<b>\$ 187,481</b>	<b>\$ 186,097</b>
Basic earnings per share	\$ 0.49	\$ 0.46	\$ 1.01	\$ 0.92	\$ 0.46	\$ 0.54	\$ 1.47	\$ 1.46
Diluted earnings per share	\$ 0.49	\$ 0.46	\$ 1.01	\$ 0.91	\$ 0.46	\$ 0.54	\$ 1.47	\$ 1.45

Basic weighted-average outstanding shares	127,591,371	127,672,244	127,522,975	127,614,564	127,609,860	127,377,713	127,552,255	127,534,746
Diluted weighted-average outstanding shares	127,832,351	128,014,777	127,901,225	128,108,630	127,936,440	127,796,617	127,897,829	127,996,672
Dividends declared per share	\$ 0.26	\$ 0.26	\$ 0.52	\$ 0.52	\$ 0.26	\$ 0.26	\$ 0.78	\$ 0.78
Dividend payout ratio	53.06 %	56.52 %	51.49 %	57.14 %	56.52 %	48.15 %	53.06 %	53.79 %
<b>Other Financial Information / Performance Ratios<sup>(1)</sup>:</b>								
Net interest margin	2.91 %	2.60 %	3.01 %	2.51 %	2.86 %	2.93 %	2.96 %	2.65 %
Efficiency ratio	57.96 %	57.33 %	56.17 %	58.15 %	58.31 %	53.98 %	56.86 %	56.63 %
Return on average total assets	1.01 %	0.94 %	1.06 %	0.94 %	0.93 %	1.10 %	1.01 %	0.99 %
Return on average tangible assets (non-GAAP) <sup>(2)</sup>	1.05 %	0.98 %	1.10 %	0.98 %	0.97 %	1.14 %	1.06 %	1.03 %
Return on average total stockholders' equity	10.68 %	10.52 %	11.23 %	9.82 %	9.76 %	12.08 %	10.72 %	10.55 %
Return on average tangible stockholders' equity (non-GAAP) <sup>(2)</sup>	18.57 %	18.79 %	19.65 %	16.76 %	16.84 %	21.53 %	18.68 %	18.26 %
Noninterest expense to average assets	1.95 %	1.73 %	1.96 %	1.71 %	1.92 %	1.80 %	1.94 %	1.74 %

(continued)

(continued)

(dollars in thousands, except per share data)

**Balance Sheet Data:**

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 558,131	\$ 526,624	\$ 1,213,428	\$ 526,624
Investment securities available-for-sale	2,909,372	3,151,133	2,722,704	3,151,133
Investment securities held-to-maturity	4,180,408	4,320,639	4,104,114	4,320,639
Loans and leases	14,362,832	14,092,012	14,332,335	14,092,012
Allowance for credit losses for loans and leases	148,581	143,900	154,795	143,900
Goodwill	995,492	995,492	995,492	995,492
Total assets	24,511,566	24,577,223	24,912,524	24,577,223
Total deposits	21,078,166	21,689,029	21,511,489	21,689,029
Short-term borrowings	—	75,000	500,000	75,000
Long-term borrowings	500,000	—	—	—
Total liabilities	22,151,828	22,308,218	22,561,515	22,308,218
Total stockholders' equity	2,359,738	2,269,005	2,351,009	2,269,005
Book value per share	\$ 18.49	\$ 17.82	\$ 18.42	\$ 17.82
Tangible book value per share (non-GAAP)(2)	\$ 10.69	\$ 10.00	\$ 10.62	\$ 10.00
<b>Asset Quality Ratios:</b>				
Non-accrual loans and leases / total loans and leases	0.09 %	0.08 %	0.10 %	0.08 %
Allowance for credit losses for loans and leases / total loans and leases	1.03 %	1.02 %	1.08 %	1.02 %
Net charge-offs / average total loans and leases(3)	0.10 %	0.08 %	0.06 %	0.08 %

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Capital Ratios:</b>	2023	2022	2023	2022
Common Equity Tier 1 Capital Ratio	12.05 %	11.82 %	12.21 %	11.82 %
Tier 1 Capital Ratio	12.05 %	11.82 %	12.21 %	11.82 %
Total Capital Ratio	13.17 %	12.92 %	13.38 %	12.92 %
Tier 1 Leverage Ratio	8.30 %	8.11 %	8.45 %	8.11 %
Total stockholders' equity to total assets	9.63 %	9.23 %	9.44 %	9.23 %
Tangible stockholders' equity to tangible assets (non-GAAP)(2)	5.80 %	5.40 %	5.67 %	5.40 %

(1) Except for the efficiency ratio, amounts are annualized for the three and **six** nine months ended **June 30, 2023** **September 30, 2023** and 2022.

(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 **six** nine months ended **June 30, 2023** **September 30, 2023**.

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

(dollars in thousands)		Table 2								Table 2	
		For the Three Months Ended				For the Six Months Ended		For the Three Months Ended		For the Nine Months Ended	
		June 30,		June 30,		September 30,		September 30,			
		2023	2022	2023	2022	2023	2022	2023	2022		
<b>Income Statement Data:</b>											
Noninterest expense		\$ 120,881	\$ 109,175	\$ 239,448	\$ 213,217	\$ 119,383	\$ 113,332	\$ 358,831	\$ 326,549		
Net income		\$ 62,442	\$ 59,360	\$ 129,260	\$ 117,079	\$ 58,221	\$ 69,018	\$ 187,481	\$ 186,097		
Average total stockholders' equity		\$ 2,344,285	\$ 2,262,654	\$ 2,321,977	\$ 2,404,471	\$ 2,367,422	\$ 2,267,152	\$ 2,337,292	\$ 2,358,195		
Less: average goodwill		995,492	995,492	995,492	995,492	995,492	995,492	995,492	995,492		
Average tangible stockholders' equity		\$ 1,348,793	\$ 1,267,162	\$ 1,326,485	\$ 1,408,979	\$ 1,371,930	\$ 1,271,660	\$ 1,341,800	\$ 1,362,703		
Average total assets		\$ 24,821,486	\$ 25,250,176	\$ 24,685,560	\$ 25,165,783	\$ 24,727,893	\$ 24,957,042	\$ 24,699,826	\$ 25,095,438		
Less: average goodwill		995,492	995,492	995,492	995,492	995,492	995,492	995,492	995,492		
Average tangible assets		\$ 23,825,994	\$ 24,254,684	\$ 23,690,068	\$ 24,170,291	\$ 23,732,401	\$ 23,961,550	\$ 23,704,334	\$ 24,099,946		
Return on average total stockholders' equity(a)		10.68 %	10.52 %	11.23 %	9.82 %	9.76 %	12.08 %	10.72 %	10.55 %		
Return on average tangible stockholders' equity (non-GAAP)(a)		18.57 %	18.79 %	19.65 %	16.76 %	16.84 %	21.53 %	18.68 %	18.26 %		
Return on average total assets(a)		1.01 %	0.94 %	1.06 %	0.94 %	0.93 %	1.10 %	1.01 %	0.99 %		
Return on average tangible assets (non-GAAP)(a)		1.05 %	0.98 %	1.10 %	0.98 %	0.97 %	1.14 %	1.06 %	1.03 %		
Noninterest expense to average assets(a)		1.95 %	1.73 %	1.96 %	1.71 %	1.92 %	1.80 %	1.94 %	1.74 %		

	As of		As of		As of	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022		
(dollars in thousands, except share amount and per share data)						
(dollars in thousands, except per share data)						
<b>Balance Sheet Data:</b>						
Total stockholders' equity	\$ 2,359,738	\$ 2,269,005	\$ 2,351,009	\$ 2,269,005		
Less: goodwill	995,492	995,492	995,492	995,492		
Tangible stockholders' equity	\$ 1,364,246	\$ 1,273,513	\$ 1,355,517	\$ 1,273,513		
Total assets	\$ 24,511,566	\$ 24,577,223	\$ 24,912,524	\$ 24,577,223		
Less: goodwill	995,492	995,492	995,492	995,492		
Tangible assets	\$ 23,516,074	\$ 23,581,731	\$ 23,917,032	\$ 23,581,731		
Shares outstanding	127,608,037	127,363,327	127,609,934	127,363,327		
Total stockholders' equity to total assets	9.63 %	9.23 %	9.44 %	9.23 %		
Tangible stockholders' equity to tangible assets (non-GAAP)	5.80 %	5.40 %	5.67 %	5.40 %		
Book value per share	\$ 18.49	\$ 17.82	\$ 18.42	\$ 17.82		
Tangible book value per share (non-GAAP)	\$ 10.69	\$ 10.00	\$ 10.62	\$ 10.00		

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**Financial Highlights**

Net income was **\$62.4 million** **\$58.2 million** for the three months ended **June 30, 2023** **September 30, 2023**, an increase a decrease of **\$3.1 million** **\$10.8 million** or **5%** **16%** as compared to the same period in 2022. Basic and diluted earnings per share were both **\$0.49** **\$0.46** per share for the three months ended **June 30, 2023** **September 30, 2023**, an increase a decrease of **\$0.03** **\$0.08** per share or **7%** **15%** as compared to the same period in 2022. The **increase** **decrease** in net income was primarily due to a **\$14.8 million** **\$6.1 million** increase in noninterest expense, a **\$5.6 million** decrease in net interest income driven by the rising interest rate environment, a **\$3.2 million** increase in noninterest income and a **\$0.8 million** decrease in the provision for income taxes. This was partially offset by a **\$11.7 million** increase in noninterest expense and a **\$4.0 million** **\$4.3 million** increase in the provision for credit losses (the "Provision"). This was partially offset by a **\$4.9 million** decrease in the provision for income taxes.

Our return on average total assets was **1.01%** **0.93%** for the three months ended **June 30, 2023** **September 30, 2023**, an increase a decrease of **seven** **17** basis points from the same period in 2022, and our return on average total stockholders' equity was **10.68%** **9.76%** for the three months ended **June 30, 2023** **September 30, 2023**, an increase a decrease of **16** **232** basis points from the same period in 2022. Our return on average tangible assets was **1.05%** **0.97%** for the three months ended **June 30, 2023** **September 30, 2023**, an increase a decrease of **seven** **17** basis points from the same period in 2022, and our return on average tangible stockholders' equity was **18.57%** **16.84%** for the three months ended **June 30, 2023** **September 30, 2023**, a decrease of **22** **469** basis points, from the same period in 2022. Our efficiency ratio was **57.96%** **58.31%** for the three months ended **June 30, 2023** **September 30, 2023** compared to **57.33%** **53.98%** for the same period in 2022.

Our results for the three months ended **June 30, 2023** **September 30, 2023** were highlighted by the following:

- Net interest income was **\$159.9 million** **\$157.1 million** for the three months ended **June 30, 2023** **September 30, 2023**, an increase a decrease of **\$14.8 million** **\$5.6 million** or **10%** **3%** as compared to the same period in 2022. Our net interest margin was **2.91%** **2.86%** for the three months ended **June 30, 2023** **September 30, 2023**, an increase a decrease of **31** **seven** basis points as compared to the same period in 2022. The **increase** **decrease** in net interest income, on a fully taxable-equivalent basis, was driven by the rising interest rate environment and was primarily due to higher deposit funding costs and higher average balances in total borrowings, partially offset by higher yields and average balances in our loan and lease portfolio partially offset by higher deposit funding costs and higher average balances in total borrowings during the three months ended **June 30, 2023** **September 30, 2023**.
- The Provision was **\$5.0 million** **\$7.5 million** for the three months ended **June 30, 2023** **September 30, 2023**, an increase of **\$4.0 million** **\$4.3 million** as compared to the same period in 2022. The Provision of **\$5.0 million** **\$7.5 million** for the three months ended **June 30, 2023** **September 30, 2023**, was primarily due to an increase increases in the provision for construction commercial real estate loans and home equity lines, residential mortgage loans and the provision for unfunded commercial and industrial commitments. 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 **\$47.3 million** **\$46.1 million** for the three months ended **June 30, 2023** **September 30, 2023**, an increase of **\$3.2 million** **\$0.2 million** or **7%** **1%** as compared to the same period in 2022. The increase was primarily due to **\$3.3 million** **\$1.9 million** of Bank-owned life insurance ("BOLI") income as compared to a negative **\$0.9 million** **\$0.3 million** of BOLI income for the same period in 2022, partially offset by a **\$1.6 million** **\$2.0 million** decrease in credit and debit card fees.
- Noninterest expense was **\$120.9 million** **\$119.4 million** for the three months ended **June 30, 2023** **September 30, 2023**, an increase of **\$11.7 million** **\$6.1 million** or **11%** **5%** compared to the same period in 2022. The increase in noninterest expense was primarily due to a **\$8.0 million** **\$4.6 million** increase in salaries and employee benefits, a **\$3.2 million** increase in equipment expense and a **\$1.4 million** **\$1.7 million** increase in regulatory assessment and fees and a **\$1.0 million** increase in equipment expense, partially offset by a **\$1.1 million** **\$1.4 million** decrease in contracted services and professional fees, occupancy expense.

Net income was \$129.3 million \$187.5 million for the six nine months ended June 30, 2023 September 30, 2023, an increase of \$12.2 million \$1.4 million or 10% 1% as compared to the same period in 2022. Basic earnings per share was \$1.01 \$1.47 per share for the six nine months ended June 30, 2023 September 30, 2023, an increase of \$0.09 \$0.01 per share or 10% 1% as compared to the same period in 2022. Diluted earnings per share was \$1.01 \$1.47 per share for the six nine months ended June 30, 2023 September 30, 2023, an increase of \$0.10 \$0.02 per share or 11% 1% as compared to the same period in 2022. The increase in net income was primarily due to a \$48.2 million \$42.6 million increase in net interest income, and a \$10.9 million \$11.1 million increase in noninterest income. income and a \$2.9 million decrease in the provision for income taxes. This was partially offset by a \$26.2 million \$32.3 million increase in noninterest expense, and a \$2.1 million increase in the provision for income taxes, in addition to a Provision of \$13.8 million \$21.3 million for the six nine months ended June 30, 2023 September 30, 2023, compared to a negative Provision of \$4.7 million \$1.6 million for the six nine months ended June 30, 2022 September 30, 2022.

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Our return on average total assets was 1.06% 1.01% for the six nine months ended June 30, 2023 September 30, 2023, an increase of 12 two basis points from the same period in 2022, and our return on average total stockholders' equity was 11.23% 10.72% for the six nine months ended June 30, 2023 September 30, 2023, an increase of 141 17 basis points for the same period in 2022. Our return on average tangible assets was 1.10% 1.06% for the six nine months ended June 30, 2023 September 30, 2023, an increase of 12 three basis points from the same period in 2022, and our return on average tangible stockholders' equity was 19.65% 18.68% for the six nine months ended June 30, 2023 September 30, 2023, an increase of 289 42 basis points from the same period in 2022. Our efficiency ratio was 56.17% 56.86% for the six nine months ended June 30, 2023 September 30, 2023 compared to 58.15% 56.63% for the same period in 2022.

Our results for the six nine months ended June 30, 2023 September 30, 2023 were highlighted by the following:

- Net interest income was \$327.2 million \$484.3 million for the six nine months ended June 30, 2023 September 30, 2023, an increase of \$48.2 million \$42.6 million or 17% 10% as compared to the same period in 2022. Our net interest margin was 3.01% 2.96% for the six nine months ended June 30, 2023 September 30, 2023, an increase of 50 31 basis points as compared to the same period in 2022. The increase in net interest income, on a fully taxable-equivalent basis, was driven by the rising interest rate environment and was primarily due to higher yields and average balances in our loan and lease portfolio, higher yields in our investment securities portfolio and higher yields on interest-bearing deposits in other banks. This was partially offset by higher deposit funding costs lower average balances in our investment securities portfolio and higher average balances in total borrowings during the six nine months ended June 30, 2023 September 30, 2023.
- The Provision was \$13.8 million \$21.3 million for the six nine months ended June 30, 2023 September 30, 2023, compared to a negative Provision of \$4.7 million \$1.6 million for the same period in 2022. The Provision of \$13.8 million \$21.3 million for the six nine months ended June 30, 2023 September 30, 2023, was primarily due to increases in the provision for consumer loans, construction loans, and home equity lines and residential mortgage loans and the provision for unfunded construction commercial and home equity line industrial and construction commitments. The Provision is recorded to maintain 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 \$96.4 million \$142.5 million for the six nine months ended June 30, 2023 September 30, 2023, an increase of \$10.9 million \$11.1 million or 13% 8% as compared to the same period in 2022. The increase was primarily due to \$8.4 million \$10.3 million of BOLI income as compared to a negative \$1.3 million \$1.6 million of BOLI income for the same period in 2022, in addition to a \$1.4 million increase in trust and investment services income. income, partially offset by a \$2.1 million decrease in credit and debit card fees.
- Noninterest expense was \$239.4 million \$358.8 million for the six nine months ended June 30, 2023 September 30, 2023, an increase of \$26.2 million \$32.3 million or 12% 10% as compared to the same period in 2022. The increase in noninterest expense was primarily due to a \$15.8 million \$20.4 million increase in salaries and employee benefits expense, a \$7.0 million \$8.0 million increase in equipment expense, a \$3.0 million \$4.6 million increase in regulatory assessment and fees and a \$1.6 million \$1.8 million increase in card rewards program expense, partially offset by a \$2.0 million \$2.2 million decrease in contracted services and professional fees, fees and a \$0.8 million decrease in occupancy expense.

For the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, 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 **12.05%** **12.21%** as of **June 30, 2023** **September 30, 2023**, an increase of **23** **39** basis points from December 31, 2022. The increase in CET1 was primarily due to earnings for the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, partially offset by the dividends declared and paid to the Company's stockholders and an increase in risk-weighted assets driven by an increase in loans and leases.

- Total loans and leases were **\$14.4 billion** **\$14.3 billion** as of **June 30, 2023** **September 30, 2023**, an increase of **\$270.8 million** **\$240.3 million** or 2% from December 31, 2022. The increase in total loans and leases was primarily due to increases in commercial real estate loans, **construction loans**, **residential real estate loans**, **construction loans** and lease financing, partially offset by decreases in commercial and industrial loans and consumer loans.
- The ACL was **\$148.6 million** **\$154.8 million** as of **June 30, 2023** **September 30, 2023**, an increase of **\$4.7 million** **\$10.9 million** or **3%** **8%** from December 31, 2022. The ratio of our ACL to total loans and leases outstanding was **1.03%** **1.08%** as of **June 30, 2023** **September 30, 2023**, an increase of **one** **six** basis **point** **points** compared to December 31, 2022.

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- 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 **\$7.1 billion** **\$6.8 billion** as of **June 30, 2023** **September 30, 2023**, a decrease of **\$382.0 million** **\$645.0 million** or **5%** **9%** from December 31, 2022. Maturities and payments on investment securities were used to fund loan growth and offset the decline in deposits.
- Total deposits were **\$21.1 billion** **\$21.5 billion** as of **June 30, 2023** **September 30, 2023**, a decrease of **\$610.9 million** **\$177.5 million** or **3%** **1%** from December 31, 2022. The decrease in total deposits was primarily due to a **\$698.0 million** **\$965.7 million** decrease in demand deposit balances and a **\$546.9 million** **\$354.6 million** decrease in savings deposit balances and a **\$197.6 million** decrease in **money market** deposit balances, partially offset by a **\$831.7 million** **\$1.2 billion** increase in time deposit balances.
- Total borrowings consisted of \$500.0 million of **long-term** **short-term** borrowings as of **June 30, 2023** **September 30, 2023**, compared to \$75.0 million of short-term borrowings as of December 31, 2022. For information with respect to the financial terms of such advances, see "**– Analysis of Financial Condition – Short-term and Long-term Borrowings**."
- Total stockholders' equity was \$2.4 billion as of **June 30, 2023** **September 30, 2023**, an increase of **\$90.7 million** **\$82.0 million** or 4% from December 31, 2022. The increase in stockholders' equity was primarily due to earnings for the period of \$129.3 million and **net unrealized gains in our investment securities portfolio, net of tax, of \$26.2 million** **\$187.5 million**, partially offset by dividends declared and paid to the Company's stockholders of **\$66.3 million** **\$99.5 million** and **net unrealized losses in our investment securities portfolio, net of tax, of \$10.7 million** during the **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

#### **Analysis of Results of Operations**

##### ***Net Interest Income***

For the three months ended **June 30, 2023** **September 30, 2023** and 2022, 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.

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Average Balances and Interest Rates		Table 3						Table 3					
		Three Months Ended June 30, 2023			Three Months Ended June 30, 2022			Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
(dollars in millions)	Average	Income/	Yield/	Average	Income/	Yield/	Average	Income/	Yield/	Average	Income/	Yield/	
	Balance	Expense	Rate	Balance	Expense	Rate	Balance	Expense	Rate	Balance	Expense	Rate	
<b>Earning Assets</b>													
Interest-Bearing Deposits in Other Banks	569.3	7.2	5.07	1,297.3	2.8	0.85	608.6	8.2	5.36	724.0	4.0	2.20	
Available-for-Sale Investment Securities		\$	\$	%%	\$	%	\$	\$	%%	\$	\$	%	
Taxable	2,978.6	18.0	2.42	3,946.4	16.6	1.68	2,834.6	18.4	2.59	3,733.8	19.2	2.05	
Non-Taxable	5.8	0.1	5.74	8.4	0.1	5.26	2.3	—	5.48	45.1	0.6	5.16	
Held-to-Maturity Investment Securities													
Taxable	3,618.7	15.3	1.69	3,533.6	15.0	1.70	3,544.1	15.0	1.70	3,573.6	14.6	1.64	
Non-Taxable	610.4	3.7	2.46	607.0	4.1	2.71	604.3	4.1	2.66	613.6	4.2	2.72	
Total Investment Securities	7,213.5	37.1	2.06	8,095.4	35.8	1.77	6,985.3	37.5	2.14	7,966.1	38.6	1.93	
Loans Held for Sale	0.5	—	5.87	0.3	—	5.06	0.4	—	6.63	0.7	—	3.62	
Loans and Leases (1)													
Commercial and industrial	2,265.7	36.2	6.41	1,951.3	15.0	3.09	2,123.5	35.7	6.66	2,025.5	20.7	4.05	
Commercial real estate	4,183.6	64.9	6.22	3,808.9	30.7	3.23	4,381.8	71.4	6.47	4,016.7	42.3	4.18	
Construction	874.3	15.2	6.96	711.3	6.3	3.57	873.7	15.5	7.05	737.4	8.6	4.63	
Residential:													
Residential mortgage	4,314.0	39.1	3.62	4,183.0	36.7	3.51	4,316.3	40.1	3.72	4,224.0	36.4	3.45	
Home equity line	1,119.3	9.2	3.31	945.7	5.9	2.49	1,154.0	10.1	3.45	991.1	7.2	2.87	
Consumer	1,196.6	17.7	5.92	1,218.0	15.5	5.09	1,172.8	18.3	6.19	1,218.0	17.1	5.57	
Lease financing	329.7	3.6	4.43	240.4	2.1	3.53	327.3	3.7	4.48	278.7	2.7	3.81	
Total Loans and Leases	14,283.2	185.9	5.22	13,058.6	112.2	3.44	14,349.4	194.8	5.39	13,491.4	135.0	3.98	
Other Earning Assets	119.8	0.3	0.99	69.0	0.1	0.79	116.8	0.8	2.64	75.9	0.1	0.69	
Total Earning Assets (2)	22,186.3	230.5	4.16	22,520.6	150.9	2.68	22,060.5	241.3	4.35	22,258.1	177.7	3.18	
Cash and Due from Banks	257.9			300.8			276.0			277.0			
Other Assets	2,377.3			2,428.8			2,391.4			2,421.9			
<b>Total Assets</b>	<b>\$ 24,821.5</b>			<b>\$ 25,250.2</b>			<b>\$24,727.9</b>			<b>\$24,957.0</b>			
<b>Interest-Bearing Liabilities</b>													
Interest-Bearing Deposits													
Savings	\$ 6,099.4	\$ 16.1	1.05 %	\$ 6,971.3	\$ 1.7	0.10 %	\$ 5,982.5	\$ 19.2	1.27 %	\$ 6,871.5	\$ 6.7	0.39 %	
Money Market	3,809.8	19.6	2.07	4,127.4	1.4	0.14	3,907.2	24.7	2.51	4,086.1	4.8	0.47	

Time	2,877.8	22.4	3.12	1,671.4	1.5	0.36	3,362.7	30.8	3.63	1,720.5	2.1	0.48
Total Interest-Bearing Deposits	12,787.0	58.1	1.82	12,770.1	4.6	0.14	13,252.4	74.7	2.23	12,678.1	13.6	0.43
Federal Funds Purchased	2.9	—	5.00	—	—	—	—	—	—	0.2	—	1.67
Other Short-Term Borrowings	362.9	4.7	5.16	—	—	—	113.1	1.5	5.17	—	—	—
Long-Term Borrowings	500.0	6.0	4.78	—	—	—	440.2	5.3	4.83	—	—	—
Other Interest-Bearing Liabilities	54.0	0.5	4.00	—	—	—	89.1	1.2	5.17	—	—	—
<b>Total Interest-Bearing Liabilities</b>	<b>13,706.8</b>	<b>69.3</b>	<b>2.03</b>	<b>12,770.1</b>	<b>4.6</b>	<b>0.14</b>	<b>13,894.8</b>	<b>82.7</b>	<b>2.36</b>	<b>12,678.3</b>	<b>13.6</b>	<b>0.43</b>
<b>Net Interest Income</b>	<b>\$ 161.2</b>			<b>\$ 146.3</b>			<b>\$ 158.6</b>			<b>\$ 164.1</b>		
Interest Rate Spread			2.13 %			2.54 %			1.99 %			2.75 %
Net Interest Margin			2.91 %			2.60 %			2.86 %			2.93 %
Noninterest-Bearing Demand Deposits	8,270.3			9,631.4			7,959.7			9,469.9		
Other Liabilities	500.1			586.0			506.0			541.6		
Stockholders' Equity	2,344.3			2,262.7			2,367.4			2,267.2		
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 24,821.5</b>			<b>\$ 25,250.2</b>			<b>\$ 24,727.9</b>			<b>\$ 24,957.0</b>		

(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 **\$1.3 million** **\$1.5 million** and **\$1.2 million** **\$1.3 million** for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively.

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Analysis of Change in Net Interest Income (dollars in millions)	Table 4			Table 4		
	Three Months Ended June 30, 2023 Compared to June 30, 2022			Three Months Ended September 30, 2023 Compared to September 30, 2022		
	Volume	Rate	Total (1)	Volume	Rate	Total (1)
<b>Change in Interest Income:</b>						
Interest-Bearing Deposits in Other Banks	\$ (2.3)	\$ 6.7	\$ 4.4	\$ (0.7)	\$ 4.9	\$ 4.2
Available-for-Sale Investment Securities	(4.7)	6.1	1.4	(5.2)	4.4	(0.8)
Taxable						
Non-Taxable						
Held-to-Maturity Investment Securities						
Taxable	0.3	—	0.3	(0.1)	0.5	0.4
Non-Taxable	—	(0.4)	(0.4)	—	(0.1)	(0.1)
Total Investment Securities	(4.4)	5.7	1.3	(5.9)	4.8	(1.1)
Loans and Leases						
Commercial and industrial	2.8	18.4	21.2	1.0	14.0	15.0
Commercial real estate	3.3	30.9	34.2	4.1	25.0	29.1
Construction	1.7	7.2	8.9	1.8	5.1	6.9
Residential:						
Residential mortgage	1.2	1.2	2.4	0.8	2.9	3.7

Home equity line	1.2	2.1	3.3	1.3	1.6	2.9
Consumer	(0.3)	2.5	2.2	(0.6)	1.8	1.2
Lease financing	0.9	0.6	1.5	0.5	0.5	1.0
Total Loans and Leases	10.8	62.9	73.7	8.9	50.9	59.8
Other Earning Assets	0.1	0.1	0.2	0.1	0.6	0.7
<b>Total Change in Interest Income</b>	<b>4.2</b>	<b>75.4</b>	<b>79.6</b>	<b>2.4</b>	<b>61.2</b>	<b>63.6</b>
<b>Change in Interest Expense:</b>						
Interest-Bearing Deposits						
Savings	(0.2)	14.6	14.4	(1.0)	13.5	12.5
Money Market	(0.1)	18.3	18.2	(0.2)	20.1	19.9
Time	1.8	19.1	20.9	3.7	25.0	28.7
Total Interest-Bearing Deposits	1.5	52.0	53.5	2.5	58.6	61.1
Other Short-term Borrowings	4.7	—	4.7	1.5	—	1.5
Long-term Borrowings	6.0	—	6.0	5.3	—	5.3
Other Interest-Bearing Liabilities	0.5	—	0.5	1.2	—	1.2
<b>Total Change in Interest Expense</b>	<b>12.7</b>	<b>52.0</b>	<b>64.7</b>	<b>10.5</b>	<b>58.6</b>	<b>69.1</b>
<b>Change in Net Interest Income</b>	<b>\$ (8.5)</b>	<b>\$ 23.4</b>	<b>\$ 14.9</b>	<b>\$ (8.1)</b>	<b>\$ 2.6</b>	<b>\$ (5.5)</b>

<sup>(1)</sup> 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 \$161.2 million \$158.6 million for the three months ended June 30, 2023 September 30, 2023, an increase a decrease of \$14.9 million \$5.5 million or 10% 3% compared to the same period in 2022. Our net interest margin was 2.91% 2.86% for the three months ended June 30, 2023 September 30, 2023, an increase a decrease of 31 seven basis points from the same period in 2022. The increase decrease in net interest income, on a fully taxable-equivalent basis, was driven by the rising interest rate environment and was primarily due to higher deposit funding costs and higher average balances in total borrowings, partially offset by higher yields and average balances in our loan and lease portfolio partially offset by higher deposit funding costs and higher average balances in total borrowings during the three months ended June 30, 2023 September 30, 2023, compared to the same period in 2022. Deposit funding costs were \$74.7 million for the three months ended September 30, 2023, an increase of \$61.1 million compared to the same period in 2022, primarily due to an increase in interest rates. Rates paid on our interest-bearing deposits were 2.23% for the three months ended September 30, 2023, an increase of 180 basis points compared to the same period in 2022, primarily due to increases in our time, money market and savings deposits. For the three months ended September 30, 2023, the average balance of our total borrowings was \$553.3 million, compared to \$0.2 million during the same period in 2022, primarily due to increases in FHLB advances. The yield on our loan and lease portfolio was 5.22% 5.39% for the three months ended June 30, 2023 September 30, 2023, an increase of 178 141 basis points as compared to the same period in 2022. 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, commercial and industrial loans and construction loans, which are largely based on the SOFR. For the three months ended June 30, 2023 September 30, 2023, the average balance of our loan and lease portfolio was \$14.3 billion, an increase of \$1.2 billion \$858.0 million or 9% 6% compared to the same period in 2022. The increase in the average balance of our loans and leases reflected increases in most loan categories. Deposit funding costs were \$58.1 million for the three months ended June 30, 2023, an increase of \$53.5 million compared to the same period in 2022 primarily due to an increase in interest rates. Rates paid on our interest-bearing deposits were 1.82% for the three months ended June 30, 2023, an increase of 168 basis points compared to the same period in 2022, primarily due to increases in our time, money market and savings deposits. For the three months ended June 30, 2023, the average balance of our total borrowings was \$865.8 million, compared to nil during the same period in 2022, primarily due to increases in FHLB advances.

For the six nine months ended June 30, 2023 September 30, 2023 and 2022, average balances, related income and expenses, on a fully taxable-equivalent basis, and resulting yields and rates are presented in Table 5. An analysis of the change in net interest income, on a fully

taxable-equivalent basis, is presented in Table 6.

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Average Balances and Interest Rates							Table 5		
(dollars in millions)	Six Months Ended			Six Months Ended			Average	Income/	Yield/
	June 30, 2023	Balance	Expense	Rate	June 30, 2022	Balance	Expense	Rate	
<b>Earning Assets</b>									
Interest-Bearing Deposits in Other Banks	\$ 435.2	\$ 10.6	4.91 %	\$ 1,218.3	\$ 3.3	0.55 %			
Available-for-Sale Investment Securities									
Taxable	3,029.7	36.4	2.41	5,862.7	45.7	1.56			
Non-Taxable	18.4	0.5	5.58	320.8	3.9	2.41			
Held-to-Maturity Investment Securities									
Taxable	3,651.1	30.9	1.70	1,776.6	15.0	1.69			
Non-Taxable	611.3	7.9	2.60	305.2	4.1	2.71			
Total Investment Securities	7,310.5	75.7	2.08	8,265.3	68.7	1.66			
Loans Held for Sale	0.3	—	5.79	0.8	—	2.60			
Loans and Leases <sup>(1)</sup>									
Commercial and industrial	2,229.5	68.6	6.20	1,962.1	29.7	3.05			
Commercial real estate	4,144.9	123.2	5.99	3,721.0	56.4	3.06			
Construction	874.1	29.9	6.89	738.9	12.1	3.30			
Residential:									
Residential mortgage	4,310.5	77.5	3.59	4,147.2	71.5	3.45			
Home equity line	1,097.2	17.9	3.29	918.8	11.3	2.48			
Consumer	1,205.0	34.8	5.84	1,218.3	31.1	5.14			
Lease financing	320.6	6.8	4.27	233.4	4.0	3.48			
Total Loans and Leases	14,181.8	358.7	5.09	12,939.7	216.1	3.36			
Other Earning Assets	102.9	0.5	0.90	68.0	0.4	1.05			
Total Earning Assets <sup>(2)</sup>	22,030.7	445.5	4.07	22,492.1	288.5	2.58			
Cash and Due from Banks	271.9			296.5					
Other Assets	2,383.0			2,377.2					
<b>Total Assets</b>	<b>\$ 24,685.6</b>			<b>\$ 25,165.8</b>					
<b>Interest-Bearing Liabilities</b>									
Interest-Bearing Deposits									
Savings	\$ 6,226.2	\$ 30.0	0.97 %	\$ 6,820.7	\$ 2.2	0.07 %			
Money Market	3,831.5	33.9	1.78	4,088.3	2.0	0.09			
Time	2,697.7	37.5	2.80	1,709.8	3.2	0.38			
Total Interest-Bearing Deposits	12,755.4	101.4	1.60	12,618.8	7.4	0.12			
Federal Funds Purchased	34.8	0.8	4.45	—	—	—			
Other Short-Term Borrowings	208.7	5.3	5.14	—	—	—			
Long-Term Borrowings	303.8	7.1	4.73	—	—	—			
Other Interest-Bearing Liabilities	48.5	1.0	4.12	—	—	—			
<b>Total Interest-Bearing Liabilities</b>	<b>13,351.2</b>	<b>115.6</b>	<b>1.75</b>	<b>12,618.8</b>	<b>7.4</b>	<b>0.12</b>			
<b>Net Interest Income</b>		<b>\$ 329.9</b>			<b>\$ 281.1</b>				

Interest Rate Spread	2.32 %	2.46 %
Net Interest Margin	3.01 %	2.51 %
Noninterest-Bearing Demand Deposits	8,506.4	9,563.6
Other Liabilities	506.0	578.9
Stockholders' Equity	2,322.0	2,404.5
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 24,685.6</b>	<b>\$ 25,165.8</b>

Average Balances and Interest Rates			Table 5			
(dollars in millions)	Nine Months Ended			Nine Months Ended		
	September 30, 2023			September 30, 2022		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
<b>Earning Assets</b>						
Interest-Bearing Deposits in Other Banks	\$ 493.6	\$ 18.8	5.10 %	\$ 1,051.7	\$ 7.3	0.93 %
Available-for-Sale Investment Securities						
Taxable	2,964.0	54.8	2.47	5,145.3	64.9	1.68
Non-Taxable	13.0	0.5	5.57	227.9	4.4	2.59
Held-to-Maturity Investment Securities						
Taxable	3,615.0	46.0	1.70	2,382.2	29.7	1.66
Non-Taxable	608.9	11.9	2.62	409.1	8.3	2.71
Total Investment Securities	7,200.9	113.2	2.10	8,164.5	107.3	1.75
Loans Held for Sale	0.3	—	6.11	0.7	—	2.92
Loans and Leases <sup>(1)</sup>						
Commercial and industrial	2,193.8	104.3	6.35	1,983.5	50.3	3.39
Commercial real estate	4,224.7	194.6	6.16	3,820.6	98.8	3.46
Construction	874.0	45.4	6.95	738.4	20.7	3.74
Residential:						
Residential mortgage	4,312.4	117.6	3.64	4,173.1	108.0	3.45
Home equity line	1,116.4	27.9	3.35	943.2	18.5	2.62
Consumer	1,194.1	53.2	5.95	1,218.2	48.1	5.29
Lease financing	322.9	10.5	4.34	248.7	6.7	3.60
Total Loans and Leases	14,238.3	553.5	5.19	13,125.7	351.1	3.57
Other Earning Assets	107.6	1.3	1.53	70.6	0.5	0.92
Total Earning Assets <sup>(2)</sup>	22,040.7	686.8	4.16	22,413.2	466.2	2.78
Cash and Due from Banks	273.3			289.9		
Other Assets	2,385.8			2,392.3		
<b>Total Assets</b>	<b>\$ 24,699.8</b>			<b>\$ 25,095.4</b>		
<b>Interest-Bearing Liabilities</b>						
Interest-Bearing Deposits						
Savings	\$ 6,144.1	\$ 49.1	1.07 %	\$ 6,837.8	\$ 8.9	0.17 %
Money Market	3,857.0	58.6	2.03	4,087.6	6.8	0.22
Time	2,921.8	68.3	3.12	1,713.4	5.3	0.41
Total Interest-Bearing Deposits	12,922.9	176.0	1.82	12,638.8	21.0	0.22
Federal Funds Purchased	23.0	0.8	4.45	0.1	—	1.67
Other Short-Term Borrowings	176.5	6.8	5.15	—	—	—
Long-Term Borrowings	349.8	12.5	4.78	—	—	—
Other Interest-Bearing Liabilities	62.1	2.1	4.63	—	—	—
<b>Total Interest-Bearing Liabilities</b>	<b>13,534.3</b>	<b>198.2</b>	<b>1.96</b>	<b>12,638.9</b>	<b>21.0</b>	<b>0.22</b>
<b>Net Interest Income</b>		<b>\$ 488.6</b>			<b>\$ 445.2</b>	
Interest Rate Spread			2.20 %			2.56 %
Net Interest Margin			2.96 %			2.65 %
Noninterest-Bearing Demand Deposits	8,322.2			9,532.0		
Other Liabilities	506.0			566.3		

Stockholders' Equity	2,337.3	2,358.2
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 24,699.8</b>	<b>\$ 25,095.4</b>

- (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 ~~\$2.7 million~~ ~~\$4.2 million~~ and ~~\$2.1 million~~ ~~\$3.5 million~~ for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 and 2022, respectively.

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Analysis of Change in Net Interest Income		Table 6		
		Six Months Ended June 30, 2023		
		Compared to June 30, 2022		
(dollars in millions)		Volume	Rate	Total(1)
<b>Change in Interest Income:</b>				
Interest-Bearing Deposits in Other Banks	\$ (3.4)	\$ 10.7	\$ 7.3	
Available-for-Sale Investment Securities				
Taxable	(27.6)	18.3	(9.3)	
Non-Taxable	(5.6)	2.2	(3.4)	
Held-to-Maturity Investment Securities				
Taxable	15.8	0.1	15.9	
Non-Taxable	4.0	(0.2)	3.8	
Total Investment Securities	(13.4)	20.4	7.0	
Loans and Leases				
Commercial and industrial	4.5	34.4	38.9	
Commercial real estate	7.1	59.7	66.8	
Construction	2.5	15.3	17.8	
Residential:				
Residential mortgage	3.0	3.0	6.0	
Home equity line	2.5	4.1	6.6	
Consumer	(0.4)	4.1	3.7	
Lease financing	1.7	1.1	2.8	
Total Loans and Leases	20.9	121.7	142.6	
Other Earning Assets	0.2	(0.1)	0.1	
<b>Total Change in Interest Income</b>	<b>4.3</b>	<b>152.7</b>	<b>157.0</b>	
<b>Change in Interest Expense:</b>				
Interest-Bearing Deposits				
Savings	(0.2)	28.0	27.8	
Money Market	(0.1)	32.0	31.9	
Time	2.8	31.5	34.3	
Total Interest-Bearing Deposits	2.5	91.5	94.0	
Federal Funds Purchased	0.8	—	0.8	
Other Short-Term Borrowings	5.3	—	5.3	
Long-Term Borrowings	7.1	—	7.1	
Other Interest-Bearing Liabilities	1.0	—	1.0	
<b>Total Change in Interest Expense</b>	<b>16.7</b>	<b>91.5</b>	<b>108.2</b>	

Change in Net Interest Income	\$ (12.4)	\$ 61.2	\$ 48.8
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#### Analysis of Change in Net Interest Income

Table 6

(dollars in millions)	Nine Months Ended September 30, 2023		
	Compared to September 30, 2022		
	Volume	Rate	Total <sup>(1)</sup>
<b>Change in Interest Income:</b>			
Interest-Bearing Deposits in Other Banks	\$ (5.7)	\$ 17.2	\$ 11.5
Available-for-Sale Investment Securities			
Taxable	(33.6)	23.5	(10.1)
Non-Taxable	(6.3)	2.4	(3.9)
Held-to-Maturity Investment Securities			
Taxable	15.6	0.7	16.3
Non-Taxable	3.9	(0.3)	3.6
Total Investment Securities	(20.4)	26.3	5.9
Loans and Leases			
Commercial and industrial	5.9	48.1	54.0
Commercial real estate	11.4	84.4	95.8
Construction	4.3	20.4	24.7
Residential:			
Residential mortgage	3.6	6.0	9.6
Home equity line	3.7	5.7	9.4
Consumer	(0.9)	6.0	5.1
Lease financing	2.3	1.5	3.8
Total Loans and Leases	30.3	172.1	202.4
Other Earning Assets	0.3	0.5	0.8
<b>Total Change in Interest Income</b>	<b>4.5</b>	<b>216.1</b>	<b>220.6</b>
<b>Change in Interest Expense:</b>			
Interest-Bearing Deposits			
Savings	(1.0)	41.2	40.2
Money Market	(0.4)	52.2	51.8
Time	6.1	56.9	63.0
Total Interest-Bearing Deposits	4.7	150.3	155.0
Federal Funds Purchased	0.8	—	0.8
Other Short-Term Borrowings	6.8	—	6.8
Long-Term Borrowings	12.5	—	12.5
Other Interest-Bearing Liabilities	2.1	—	2.1
<b>Total Change in Interest Expense</b>	<b>26.9</b>	<b>150.3</b>	<b>177.2</b>
<b>Change in Net Interest Income</b>	<b>\$ (22.4)</b>	<b>\$ 65.8</b>	<b>\$ 43.4</b>

<sup>(1)</sup> 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 \$329.9 million \$488.6 million for the six nine months ended June 30, 2023 September 30, 2023, an increase of \$48.8 million \$43.4 million or 17% 10% compared to the same period in 2022. Our net interest margin was 3.01% 2.96% for the six nine months ended June 30, 2023 September 30, 2023, an increase of 50.31 basis points from the same period in 2022. The increase in net interest income, on a fully taxable-equivalent basis, was driven by the rising interest rate environment and was primarily due to higher yields and average balances in our loan and lease portfolio higher yields in our investment securities portfolio and higher yields on interest-bearing deposits in other banks. This was partially offset by higher deposit funding costs lower average balances in our investment securities portfolio and higher average balances in total borrowings during the six nine months ended June 30, 2023 September 30, 2023. The yield on our loan and lease portfolio was 5.09% 5.19% for the six nine months ended June 30, 2023 September 30, 2023, an increase of 173.162 basis points as compared to the same period in 2022. 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, commercial and industrial loans and construction loans,

which are largely based on the SOFR. For the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the average balance of our loan and lease portfolio was \$14.2 billion, an increase of **\$1.2 billion** **\$1.1 billion** or **10%** **8%** compared to the same period in 2022. The increase in the average balance of our loans and leases reflected increases in most loan categories. For the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the yield on our **investment securities portfolio** **interest-bearing deposits in other banks** was **2.08%** **5.10%**, an increase of **42** **417** basis points compared to the same period in 2022. Deposit funding costs were \$176.0 million for the nine months ended September 30, 2023, an increase of \$155.0 million compared to the same period in 2022 primarily due to an increase in interest rates. For the six months ended June 30, 2023, the average balance of our investment securities portfolio was \$7.3 billion, a decrease of \$954.8 million or 12% compared to the same period in 2022. For the six months ended June 30, 2023, the yield on our **interest-bearing deposits in other banks** was 4.91%, an increase of 436 basis points compared to the same period in 2022. Deposit funding costs were \$101.4 million for the six months ended June 30, 2023, an increase of \$94.0 million compared to the same period in 2022, primarily due to an increase

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in interest rates. Rates paid on our interest-bearing deposits were **1.60%** **1.82%** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, an increase of **148** **160** basis points compared to the same period in 2022, primarily due to increases in our **time**, **money market** **time** and **savings** deposits. For the **six** **nine** months ended **June 30, 2023** **September 30, 2023**,

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the average balance of our total borrowings was **\$547.3 million** **\$549.3 million**, compared to **nil** **\$0.1 million** during the same period in 2022, primarily due to increases in FHLB advances.

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 2022 at 3.25% and increased a total of 425 basis points (25 basis points in March, 50 basis points in May, 75 basis points in each month of June, July, September and November, and 50 basis points in December) to end the year at 7.50%. During 2023, the prime rate increased **75** **100** basis points (25 basis points each in February, March, **May** and **May** **July**) to end the **second** **third** quarter of 2023 at **8.25%** **8.50%**. As noted above, our loan portfolio is also impacted by changes in the SOFR. At **June 30, 2023** **September 30, 2023**, the one-month and three-month CME Term SOFR interest rates were **5.14%** **5.32%** and **5.27%** **5.40%**, respectively. At **June 30, 2022** **September 30, 2022**, the one-month and three-month CME Term SOFR interest rates were **1.69%** **3.04%** and **2.12%** **3.59%**, respectively. The target range for the federal funds rate, which is the cost of immediately available overnight funds, began in 2022 at 0.00% to 0.25%. During 2022, the federal funds rate increased 425 basis points to end the year at 4.25% to 4.50%. During 2023, the federal funds rate increased **75** **100** basis points to end the **second** **third** quarter of 2023 at **5.00%** **5.25%** to **5.25%** **5.50%**.

#### **Provision for Credit Losses**

The Provision was **\$5.0 million** **\$7.5 million** for the three months ended **June 30, 2023** **September 30, 2023**, compared to a Provision of **\$1.0 million** **\$3.2 million** for the same period in 2022. The Provision of **\$5.0 million** **\$7.5 million** for the three months ended **June 30, 2023** **September 30, 2023**, was primarily due to increases in the provision for **construction** **commercial real estate** loans and **home equity lines**, **residential mortgage** loans and the provision for unfunded commercial and industrial commitments. We recorded net charge-offs recoveries of loans and leases of **\$3.5 million** **\$0.3 million** and **\$2.3 million** net charge-offs of **\$2.8 million** for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. This represented net recoveries of 0.01% and net charge-offs of 0.10% and 0.07% 0.08% of average loans and leases, on an annualized basis, for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. The Provision was **\$13.8 million** **\$21.3**

million for the six nine months ended June 30, 2023 September 30, 2023, compared to a negative Provision of \$4.7 million \$1.6 million for the same period in 2022. The Provision of \$13.8 million \$21.3 million for the six nine months ended June 30, 2023 September 30, 2023, was primarily due to increases in the provision for consumer loans, construction loans, and home equity lines and residential mortgage loans and the provision for unfunded construction commercial and home equity line industrial and construction commitments. We recorded net charge-offs of loans and leases of \$6.8 million \$6.5 million and \$4.9 million \$7.7 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. This represented net charge-offs of 0.10% 0.06% and 0.08% of average loans and leases, on an annualized basis, for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The ACL was \$148.6 million \$154.8 million as of June 30, 2023 September 30, 2023, an increase of \$4.7 million \$10.9 million or 3% 8% from December 31, 2022 and represented 1.03% 1.08% of total outstanding loans and leases as of June 30, 2023 September 30, 2023 compared to 1.02% of total outstanding loans and leases as of December 31, 2022. The reserve for unfunded commitments was \$36.2 million \$37.8 million as of June 30, 2023 September 30, 2023, compared to \$33.8 million as of December 31, 2022. 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 7 presents the major components of noninterest income for the three months ended June 30, 2023 September 30, 2023 and 2022 and Table 8 presents the major components of noninterest income for the six nine months ended June 30, 2023 September 30, 2023 and 2022:

Noninterest Income (dollars in thousands)	Table 7						Table 7					
	Three Months Ended			Three Months Ended			Three Months Ended			Three Months Ended		
	June 30,		Dollar	Percent	September 30,		Dollar	Percent	September 30,		Dollar	Percent
	2023	2022	Change	Change	2023	2022	Change	Change	2023	2022	Change	Change
Service charges on deposit accounts	\$ 7,246	\$ 6,843	\$ 403	6 %	\$ 7,524	\$ 7,089	\$ 435	6 %				
Credit and debit card fees	15,461	17,056	(1,595)	(9)	15,748	17,746	(1,998)	(11)				
Other service charges and fees	9,056	9,018	38	—	9,546	9,179	367	4				
Trust and investment services income	9,448	8,759	689	8	9,742	9,800	(58)	(1)				
Bank-owned life insurance	3,271	(859)	4,130	n/m	1,872	(341)	2,213	n/m				
Other	2,866	3,320	(454)	(14)	1,665	2,384	(719)	(30)				
Total noninterest income	\$ 47,348	\$ 44,137	\$ 3,211	7 %	\$ 46,097	\$ 45,857	\$ 240	1 %				

n/m – Denotes a variance that is not a meaningful metric to inform the change in noninterest income from the three months ended June 30, 2023 September 30, 2023 to the same period in 2022.

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Noninterest Income (dollars in thousands)	Table 8						Table 8					
	Six Months Ended			Nine Months Ended			Six Months Ended			Nine Months Ended		
	June 30,		Dollar	Percent	September 30,		Dollar	Percent	June 30,		Dollar	Percent
	2023	2022	Change	Change	2023	2022	Change	Change	2023	2022	Change	Change
Service charges on deposit accounts	\$ 14,477	\$ 14,344	\$ 133	1 %	\$ 22,001	\$ 21,433	\$ 568	3 %				
Credit and debit card fees	31,759	31,906	(147)	—	47,507	49,652	(2,145)	(4)				
Other service charges and fees	18,218	18,672	(454)	(2)	27,764	27,851	(87)	—				
Trust and investment services income	19,062	17,642	1,420	8	28,804	27,442	1,362	5				
Bank-owned life insurance	8,391	(1,276)	9,667	n/m	10,263	(1,617)	11,880	n/m				
Other	4,464	4,229	235	6	6,129	6,613	(484)	(7)				
Total noninterest income	\$ 96,371	\$ 85,517	\$ 10,854	13 %	\$ 142,468	\$ 131,374	\$ 11,094	8 %				

n/m – Denotes a variance that is not a meaningful metric to inform the change in noninterest income from the **six** **nine** months ended **June 30, 2023** **September 30, 2023** to the same period in 2022.

Total noninterest income was **\$47.3 million** **\$46.1 million** for the three months ended **June 30, 2023** **September 30, 2023**, an increase of **\$3.2 million** **\$0.2 million** or **7% 1%** as compared to the same period in 2022. Total noninterest income was **\$96.4 million** **\$142.5 million** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, an increase of **\$10.9 million** **\$11.1 million** or **13% 8%** as compared to the same period in 2022.

Service charges on deposit accounts were **\$7.2 million** **\$7.5 million** for the three months ended **June 30, 2023** **September 30, 2023**, an increase of **\$0.4 million** or **6%** as compared to the same period in 2022. This increase was primarily due to a **\$0.4 million** **\$0.3 million** increase in account analysis service charges. Service charges on deposit accounts were **\$22.0 million** for the nine months ended September 30, 2023, an increase of **\$0.6 million** or **3%** as compared to the same period in 2022. This increase was primarily due to a **\$0.9 million** increase in dormant account fees and a **\$0.4 million** **\$0.8 million** increase in overdraft and checking account fees, partially offset by a **\$0.3 million** **\$1.0 million** decrease in checking account service fees. Service charges on deposit accounts were **\$14.5 million** for the six months ended June 30, 2023, an increase of **\$0.1 million** or **1%** as compared to the same period in 2022.

Credit and debit card fees were **\$15.5 million** **\$15.7 million** for the three months ended **June 30, 2023** **September 30, 2023**, a decrease of **\$1.6 million** **\$2.0 million** or **9% 11%** as compared to the same period in 2022. This decrease was primarily due to a **\$1.9 million** **\$1.5 million** increase in network association dues and a **\$0.4 million** **\$0.8 million** decrease in merchant service revenues, partially offset by a **\$0.6 million** **\$0.5 million** increase in interchange settlement fees. Credit and debit card fees were **\$31.8 million** **\$47.5 million** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, a decrease of **\$2.1 million** or **4%** as compared to the same period in 2022. This decrease was primarily due to a **\$4.0 million** increase in network association dues and a **\$0.7 million** decrease in merchant service revenues, partially offset by a **\$2.5 million** increase in interchange settlement fees.

Other service charges and fees were **\$9.5 million** for the three months ended September 30, 2023, an increase of **\$0.4 million** or **4%** as compared to the same period in 2022. This increase was primarily due to a **\$0.4 million** increase in fees from annuities and securities. Other service charges and fees were **\$27.8 million** for the nine months ended September 30, 2023, a decrease of **\$0.1 million** as compared to the same period in 2022.

Other service charges **Trust** and fees were **\$9.1 million** investment services income was **\$9.7 million** for the three months ended **June 30, 2023** **September 30, 2023**, a **minimal change** decrease of **\$0.1 million** or **1%** as compared to the same period in 2022. Other service charges and fees were **\$18.2 million** for the six months ended June 30, 2023, a decrease of **\$0.5 million** or **2%** as compared to the same period in 2022. This decrease was primarily due to a **\$0.3 million** decrease in miscellaneous service fees and a **\$0.2 million** decrease in service fees related to participation loans.

Trust and investment services income was **\$9.4 million** **\$28.8 million** for the **three** **nine** months ended **June 30, 2023** **September 30, 2023**, an increase of **\$0.7 million** **\$1.4 million** or **8% 5%** as compared to the same period in 2022. This increase was primarily due to a **\$0.5 million** **\$0.9 million** increase in investment management fees and a **\$0.9 million** increase in business cash management fees, **and** partially offset by a **\$0.4 million** increase **\$0.2 million** decrease in investment management **irrevocable trust fees**. Trust and investment services

**BOLI** income was **\$19.1 million** **\$1.9 million** for the **six** **three** months ended **June 30, 2023** **September 30, 2023**, an increase of **\$1.4 million** or **8% 2.2 million** as compared to the same period in 2022. This increase was primarily due to a **\$1.4 million** **\$2.1 million** increase in business cash management fees and a **\$0.5 million** increase in investment management fees, partially offset by a **\$0.3 million** decrease in irrevocable trust fees.

**BOLI** earnings. BOLI income was **\$3.3 million** **\$10.3 million** for the **three** **nine** months ended **June 30, 2023** **September 30, 2023**, an increase of **\$4.1 million** **\$11.9 million** as compared to the same period in 2022. This increase was primarily due to a **\$4.0 million** increase in BOLI earnings and a **\$0.1 million** increase in death benefit proceeds from life insurance policies. BOLI income was **\$8.4 million** for the six months ended June 30, 2023, an increase of **\$9.7 million** as compared to the same period in 2022. This increase was primarily due to a **\$7.6 million** increase in BOLI earnings and a **\$2.1 million** increase in death benefit proceeds from life insurance policies.

Other noninterest income was \$2.9 million \$1.7 million for the three months ended June 30, 2023 September 30, 2023, a decrease of \$0.5 million \$0.7 million or 14% 30% as compared to the same period in 2022. This decrease was primarily due to a \$1.9 million \$1.6 million increase in net losses recognized in income related to derivative contracts and a \$0.2 million \$0.3 million decrease in customer-related interest rate swap fees, partially offset by a \$0.7 million increase in volume-based incentives, a \$0.5 million increase in market adjustments on mutual funds purchased and a \$0.3 million increase in income due to adjustments to certain liabilities assumed as a result of the Reorganization Transactions. Other noninterest income was \$6.1 million for the nine months ended September 30, 2023, a decrease of \$0.5 million or 7% as compared to the same period in 2022. This decrease was primarily due to a \$4.0 million increase in net losses recognized in income related to derivative contracts, a \$1.2 million tax refund received during the nine months ended September 30, 2022, a \$0.5 million increase in interest paid on collateral payments related to derivative instruments partially offset by and a \$0.9 million increase \$0.3 million decrease in customer-related interest rate swap fees, and partially offset by a \$0.8 million \$2.4 million increase in market adjustments on mutual funds purchased. Other noninterest purchased, a \$1.9 million increase in income was \$4.5 million for due to adjustments to certain liabilities assumed as a result of the six months ended June 30, 2023, an Reorganization Transactions, a \$0.7 million increase of \$0.2 million or 6% as compared to the same period in 2022, volume-based incentives and a \$0.7 million increase in net mortgage servicing rights income.

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**Noninterest Expense**

Table 9 presents the major components of noninterest expense for the three months ended June 30, 2023 September 30, 2023 and 2022 and Table 10 presents the major components of noninterest expense for the six nine months ended June 30, 2023 September 30, 2023 and 2022:

Noninterest Expense (dollars in thousands)	Table 9				Table 9			
	Three Months Ended		Dollar Change	Percentage Change	Three Months Ended		Dollar Change	Percentage Change
	2023	2022			2023	2022		
Salaries and employee benefits	\$ 57,904	\$ 49,902	\$ 8,002	16 %	\$ 55,937	\$ 51,372	\$ 4,565	9 %
Contracted services and professional fees	17,498	18,617	(1,119)	(6)	16,393	16,625	(232)	(1)
Occupancy	7,554	7,334	220	3	6,711	8,115	(1,404)	(17)
Equipment	11,000	7,754	3,246	42	11,826	10,791	1,035	10
Regulatory assessment and fees	3,676	2,301	1,375	60	4,149	2,487	1,662	67
Advertising and marketing	1,891	1,994	(103)	(5)	2,289	1,902	387	20
Card rewards program	7,681	7,285	396	5	8,358	8,141	217	3
Other	13,677	13,988	(311)	(2)	13,720	13,899	(179)	(1)
Total noninterest expense	\$ 120,881	\$ 109,175	\$ 11,706	11 %	\$ 119,383	\$ 113,332	\$ 6,051	5 %

Noninterest Expense (dollars in thousands)	Table 10				Table 10			
	Six Months Ended		Nine Months Ended		September 30,		Dollar Percentage	
	2023	2022	Dollar Change	Percentage Change	2023	2022	Change	Change
Salaries and employee benefits	\$ 113,936	\$ 98,128	\$ 15,808	16 %	\$ 169,873	\$ 149,500	\$ 20,373	14 %
Contracted services and professional fees	33,811	35,764	(1,953)	(5)	50,204	52,389	(2,185)	(4)
Occupancy	15,336	14,744	592	4	22,047	22,859	(812)	(4)
Equipment	20,736	13,731	7,005	51	32,562	24,522	8,040	33
Regulatory assessment and fees	7,512	4,525	2,987	66	11,661	7,012	4,649	66

Advertising and marketing	<b>3,885</b>	4,022	(137)	(3)	<b>6,174</b>	5,924	250	4
Card rewards program	<b>15,766</b>	14,168	1,598	11	<b>24,124</b>	22,309	1,815	8
Other	<b>28,466</b>	28,135	331	1	<b>42,186</b>	42,034	152	—
Total noninterest expense	<b>\$ 239,448</b>	\$ 213,217	\$ 26,231	12 %	<b>\$358,831</b>	\$326,549	\$32,282	10 %

Total noninterest expense was **\$120.9 million** **\$119.4 million** for the three months ended **June 30, 2023** **September 30, 2023**, an increase of **\$11.7 million** **\$6.1 million** or **11% 5%** as compared to the same period in 2022. Total noninterest expense was **\$239.4 million** **\$358.8 million** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, an increase of **\$26.2 million** **\$32.3 million** or **12% 10%** as compared to the same period in 2022.

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Salaries and employee benefits expense was **\$57.9 million** **\$55.9 million** for the three months ended **June 30, 2023** **September 30, 2023**, an increase of **\$8.0 million** **\$4.6 million** or **16% 9%** as compared to the same period in 2022. This increase was primarily due to a **\$3.7 million** **\$2.7 million** increase in base salaries and related payroll taxes, a **\$2.9 million** **\$2.2 million** decrease in payroll and benefit costs being deferred as loan origination costs, a **\$0.5 million** increase in state unemployment tax expense and a **\$0.3 million** increase in retirement plan expenses. This was partially offset by a **\$1.2 million** decrease in incentive compensation. Salaries and employee benefits expense was **\$169.9 million** for the nine months ended September 30, 2023, an increase of **\$20.4 million** or **14%** as compared to the same period in 2022. This increase was primarily due to a **\$10.8 million** increase in base salaries and related payroll taxes, a **\$9.2 million** decrease in payroll and benefit costs being deferred as loan origination costs, a **\$2.0 million** expense for payments accrued in the **quarter** **nine** months ended **June 30, 2023** **September 30, 2023** in connection with separation agreements executed with two executive officers, a **\$1.0 million** increase in state unemployment tax expense and **\$0.9 million** in severance payments accrued in the **quarter** **nine** months ended **June 30, 2023** **September 30, 2023** for other employee terminations as part of an effort to reduce operating costs. This was partially offset by a **\$0.7 million** decrease in temporary help expenses and a **\$0.6 million** decrease in incentive compensation. Salaries and employee benefits expense was **\$113.9 million** for the six months ended June 30, 2023, an increase of **\$15.8 million** or **16%** as compared to the same period in 2022. This increase was primarily due to a **\$7.9 million** increase in base salaries, a **\$7.1 million** decrease in payroll and benefit costs being deferred as loan origination costs, and the aforementioned separation and termination payments accrued as of June 30, 2023. This was partially offset by a **\$1.2 million** **\$2.4 million** decrease in incentive compensation and a **\$1.1 million** decrease in temporary help expenses.

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Contracted services and professional fees were **\$17.5 million** **\$16.4 million** for the three months ended **June 30, 2023** **September 30, 2023**, a decrease of **\$1.1 million** **\$0.2 million** or **6% 1%** as compared to the same period in 2022. Contracted services and professional fees were **\$50.2 million** for the nine months ended September 30, 2023, a decrease of **\$2.2 million** or **4%** as compared to the same period in 2022. This decrease was primarily due to a **\$2.7 million** **\$6.6 million** decrease in contracted data processing expenses and a **\$2.0 million** decrease in audit, legal and consultant fees, partially offset by a **\$3.5 million** increase in outside services, primarily attributable to technology-related projects, marketing and new customer services. Contracted services and professional fees were **\$33.8 million** for the six months ended June 30, 2023, a decrease of **\$2.0 million** or **5%** as compared to the same period in 2022. This decrease was primarily due to a **\$6.0 million** decrease in contracted data processing expenses and a **\$3.2 million** **\$2.8 million** decrease in audit, legal and consultant fees, partially offset by a **\$7.1 million** increase in outside services, primarily attributable to technology-related projects, marketing and new customer services.

Occupancy expense was \$7.6 million \$6.7 million for the three months ended June 30, 2023 September 30, 2023, an increase a decrease of \$0.2 million \$1.4 million or 3% 17% as compared to the same period in 2022. This decrease was primarily due to a \$0.9 million decrease in building maintenance expense and a \$0.4 million decrease in utilities expense. Occupancy expense was \$15.3 million \$22.0 million for the six nine months ended June 30, 2023 September 30, 2023, a decrease of \$0.8 million or 4% as compared to the same period in 2022. This decrease was primarily due to a \$0.7 million decrease in building maintenance expense and a \$0.6 million decrease in building depreciation, partially offset by a \$0.6 million decrease in net sublease rental income.

Equipment expense was \$11.8 million for the three months ended September 30, 2023, an increase of \$0.6 million \$1.0 million or 4% 10% as compared to the same period in 2022. This increase was primarily due to a \$0.6 million increase in utilities expense and a \$0.5 million decrease in net sublease rental income, partially offset by a \$0.4 million decrease in building depreciation.

Equipment expense was \$11.0 million for the three months ended June 30, 2023, an increase of \$3.2 million or 42% as compared to the same period in 2022. This increase was primarily due to a \$3.6 million increase in technology-related amortization and licensing and maintenance fees, partially offset by a \$0.2 million decrease in furniture and equipment depreciation. Equipment expense was \$20.7 million for the six months ended June 30, 2023, an increase of \$7.0 million or 51% as compared to the same period in 2022. This increase was primarily due to a \$7.6 million \$1.3 million increase in technology-related amortization and licensing and maintenance fees, partially offset by a \$0.3 million decrease in furniture and equipment depreciation. Equipment expense was \$32.6 million for the nine months ended September 30, 2023, an increase of \$8.0 million or 33% as compared to the same period in 2022. This increase was primarily due to a \$8.9 million increase in technology-related amortization and licensing and maintenance fees, partially offset by a \$0.7 million decrease in furniture and equipment depreciation.

Regulatory assessment and fees were \$3.7 million \$4.1 million for the three months ended June 30, 2023 September 30, 2023, an increase of \$1.4 million \$1.7 million or 60% 67% as compared to the same period in 2022. Regulatory assessment and fees were \$7.5 million \$11.7 million for the six nine months ended June 30, 2023 September 30, 2023, an increase of \$3.0 million \$4.6 million or 66% as compared to the same period in 2022. These increases were primarily due to increases in the FDIC insurance assessment. In October 2022, the FDIC adopted a final rule to increase the initial base deposit insurance assessment rate schedules by 2 basis points beginning with the first quarterly assessment period of 2023. In May 2023, the FDIC issued a notice of proposed rulemaking for a special assessment to replenish the deposit insurance fund following the recent bank failures. If the rule is adopted as proposed, the total amount of the special assessment would be expected to be accrued and recognized as a loss in the period the rule is adopted. The ultimate impact and timing of recognition will depend on the final outcome of the ongoing FDIC deliberations.

Advertising and marketing expense was \$1.9 million \$2.3 million for the three months ended June 30, 2023 September 30, 2023, a decrease an increase of \$0.1 million \$0.4 million or 5% 20% as compared to the same period in 2022. This increase was primarily due to a \$0.4 million increase in advertising costs. Advertising and marketing expense was \$3.9 million \$6.2 million for the six nine months ended June 30, 2023 September 30, 2023, a decrease an increase of \$0.1 million \$0.3 million or 3% 4% as compared to the same period in 2022.

Card rewards program expense was \$7.7 million \$8.4 million for the three months ended June 30, 2023 September 30, 2023, an increase of \$0.4 million \$0.2 million or 5% 3% as compared to the same period in 2022. Card rewards program expense was \$24.1 million for the nine months ended September 30, 2023, an increase of \$1.8 million or 8% as compared to the same period in 2022. This increase was primarily due to a \$0.6 million \$1.8 million increase in credit card cash reward redemptions and a \$0.5 million \$1.1 million increase in interchange fees paid to our credit card partners, partially offset by a \$0.7 million \$1.2 million decrease in priority rewards card redemptions. Card rewards program expense was \$15.8 million for the six months ended June 30, 2023, an increase of \$1.6 million or 11% as compared to the same period in 2022. This increase was primarily due to a \$1.1 million increase in credit card cash reward redemptions and a \$1.0 million increase in interchange fees paid to our credit card partners, partially offset by a \$0.6 million decrease in priority rewards card redemptions.

Other noninterest expense was \$13.7 million for the three months ended June 30, 2023, a decrease of \$0.3 million or 2% as compared to the same period in 2022. Other noninterest expense was \$28.5 million for the six months ended June 30, 2023, an increase of \$0.3 million or 1% as compared to the same period in 2022.

Other noninterest expense was \$13.7 million for the three months ended September 30, 2023, a decrease of \$0.2 million or 1% as compared to the same period in 2022. Other noninterest expense was \$42.2 million for the nine months ended September 30, 2023, an increase of \$0.2 million as compared to the same period in 2022.

#### Provision for Income Taxes

The provision for income taxes was \$19.0 million \$18.1 million (an effective tax rate of 23.30% 23.76%) for the three months ended June 30, 2023 September 30, 2023, compared with a provision for income taxes of \$19.7 million \$23.1 million (an effective tax rate of 24.96% 25.04%) for the same period in 2022. The provision for income taxes was \$41.0 million \$59.2 million (an effective tax rate of 24.10% 24.00%) for the six nine months ended June 30, 2023 September 30, 2023, compared with a provision for income taxes of \$39.0 million \$62.0 million (an effective tax rate of 24.98% 25.00%) for the same period in 2022. The reduction in the effective tax rate was partially due to an increase in non-taxable BOLI income recognized during the three and six nine months ended June 30, 2023 September 30, 2023.

#### Analysis of Business Segments

Our business segments are Retail Banking, Commercial Banking and Treasury and Other. Table 11 summarizes net income from our business segments for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022. Additional information about operating segment performance is presented in "Note 18, 17. Reportable Operating Segments" contained in our unaudited interim consolidated financial statements.

Business Segment Net Income (dollars in thousands)	Table 11				Table 11			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Retail Banking	\$ 37,085	\$ 42,214	\$ 78,600	\$ 79,048	\$ 48,463	\$ 47,854	\$ 127,063	\$ 126,902
Commercial Banking	23,605	22,414	44,459	44,941	27,896	22,670	72,355	67,611
Treasury and Other	1,752	(5,268)	6,201	(6,910)	(18,138)	(1,506)	(11,937)	(8,416)
<b>Total</b>	<b>\$ 62,442</b>	<b>\$ 59,360</b>	<b>\$ 129,260</b>	<b>\$ 117,079</b>	<b>\$ 58,221</b>	<b>\$ 69,018</b>	<b>\$ 187,481</b>	<b>\$ 186,097</b>

*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 \$37.1 million \$48.5 million for the three months ended June 30, 2023 September 30, 2023, a decrease an increase of \$5.1 million \$0.6 million or 12% 1% as compared to the same period in 2022. The decrease increase in net income for the Retail Banking segment was primarily due to a \$4.2 million \$2.0 million increase in noninterest expense, a \$3.1 million decrease in net interest income and a \$1.6 million increase in the Provision, partially offset by a \$2.5 million \$0.9 million decrease in the provision for income taxes, partially offset by a \$1.6 million increase in the Provision and a \$1.3 million \$1.1 million increase in noninterest income expense. The increase in noninterest expense was primarily due to increases in salaries and benefits expense and regulatory assessment and fees. The decrease in net interest income was primarily due to lower loan higher deposit spreads, partially offset by higher deposit lower loan spreads. The decrease in the provision for income taxes was primarily due to the decrease in pretax income. The increase in Provision for the Provision three months ended September 30, 2023, was primarily due to increases in the provision for our commercial lending. The increase in noninterest income was primarily due to increases in trust and investment services income and service charges on deposit accounts.

Net income for the Retail Banking segment was \$78.6 million for the six months ended June 30, 2023, a decrease of \$0.4 million or 1% as compared to the same period in 2022. The decrease in net income for the Retail Banking segment was primarily due to a \$9.9 million increase in noninterest expense and a Provision of \$4.6 million for the six months ended June 30, 2023, compared to a negative Provision of \$1.5 million for the six months ended June 30, 2022. This was partially offset by a \$11.7 million increase in net interest income, a \$2.3 million increase in noninterest income and a \$1.4 million decrease in the provision for income taxes. residential real estate lending portfolio segments. The increase in noninterest expense was primarily due to increases in salaries and benefits expense, regulatory assessment and fees and occupancy expense, other tax expense, partially offset by lower overall expenses that were allocated to the Retail Banking segment.

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Net income for the Retail Banking segment was \$127.1 million for the nine months ended September 30, 2023, an increase of \$0.2 million as compared to the same period in 2022. The increase in net income for the Provision Retail Banking segment was primarily due to an increase in net interest income, a \$2.6 million increase in noninterest income and a \$2.3 million decrease in the provision for commercial, residential income taxes. This was partially offset by a \$10.9 million increase in noninterest expense and consumer lending, a Provision of \$6.9 million for the nine months ended September 30, 2023, compared to a negative Provision of \$0.7 million for the nine months ended September 30, 2022. The increase in net interest income was primarily due to higher deposit spreads, partially offset by lower loan spreads. The increase in noninterest income was primarily due to increases in trust and investment services income and net mortgage servicing rights income. The decrease in the provision for income taxes was primarily due to the decrease in pretax income. The increase in noninterest expense was primarily due to increases in salaries and benefits expense, regulatory assessment and fees and occupancy expense, partially offset by lower overall expenses that were allocated to the Retail Banking segment. The Provision for the nine months ended September 30, 2023, was primarily due to increases in the provision for our commercial, residential real estate and consumer lending portfolio segments.

*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.

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Net income for the Commercial Banking segment was \$23.6 million for the three months ended June 30, 2023 September 30, 2023, an increase of \$1.2 million or 5% as compared to the same period in 2022. The increase in net income for the Commercial Banking segment was primarily due to a \$4.7 million increase in net interest income and a \$3.1 million decrease in noninterest expense, partially offset by a \$2.4 million increase in the Provision, and a \$1.3 million decrease in noninterest income and a \$0.9 million increase in the provision for income taxes. The increase in net interest income was primarily due to higher loan spreads and average loan balances and spreads, balances. The decrease in noninterest expense was primarily due to lower overall expenses that were allocated to the Commercial Banking segment, partially offset by lower deposit spreads. The increase in salaries and benefits expense. The Provision for the three months ended September 30, 2023, was primarily due to an increase in the provision for our commercial lending, lending portfolio segment. The decrease in noninterest income was primarily due to a decrease in credit and debit card fees, partially offset by an increase in volume-based incentives. The increase in the provision for income taxes was primarily due to the increase in pretax income.

Net income for the Commercial Banking segment was \$44.5 million for the nine months ended June 30, 2023 September 30, 2023, a decrease of \$0.5 million or 1% as compared to the same period in 2022. The decrease in net income for the Commercial Banking segment was primarily due to a \$16.8 million increase in net interest income and a \$1.7 million decrease in noninterest expense. This was partially offset by a Provision of \$6.9 million for the nine months ended June 30, 2023 September 30, 2023, compared to a negative Provision of \$1.9 million for the nine months ended June 30, 2022. The decrease in net income for the Commercial Banking segment also stemmed from addition to a \$2.1 million decrease in noninterest income and a \$1.4 million increase in noninterest expense, partially offset by a \$10.5 million increase in net interest income and a \$1.3 million decrease in the provision for income taxes. The increase in the Provision was primarily due to increases in the provision for commercial and consumer lending. The decrease in noninterest income was primarily due to a tax refund received in 2022. The increase in noninterest expense was primarily due to increases in card rewards program expense, contracted services and professional fees, regulatory assessment and fees and operational losses, partially offset by lower overall expenses that were allocated to the Commercial Banking segment. The increase in net

interest income was primarily due to higher average loan balances and spreads, partially offset by a decrease in loan fees. The decrease in the provision for income taxes noninterest expense was primarily due to lower overall expenses that were allocated to the Commercial Banking segment, partially offset by increases in salaries and benefits expense, card rewards program expense, regulatory assessment and fees and contracted services and professional fees. The Provision for the nine months ended September 30, 2023, was primarily due to increases in the provision for our commercial and consumer lending portfolio segment. The decrease in pretax income, noninterest income was primarily due to decreases in credit and debit card fees and customer-related interest rate swap fees.

**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

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income earning segments. Expenses incurred by these support units are charged to the applicable business segments through an internal cost allocation process.

Net income loss for the Treasury and Other segment was \$1.8 million \$18.1 million for the three months ended June 30, 2023 September 30, 2023, an increase of \$7.0 million \$16.6 million as compared to the same period in 2022. The increase in net income loss for the Treasury and Other segment was primarily due to a \$13.3 million \$13.9 million increase in net interest income expense and a \$3.2 million an \$8.1 million increase in noninterest income, expense. This was partially offset by a \$7.3 million \$4.9 million increase in the benefit for income taxes and a \$0.9 million increase in noninterest expense and a \$2.1 million increase in the provision for income taxes, income. The increase in net interest income expense was primarily due to an increase in interest expense from public deposits and higher borrowing costs, partially offset by an increase in net transfer pricing credits that reside in the Treasury and Other segment and higher yields on our interest-bearing deposits in other banks, banks. The increase in noninterest expense was primarily due to lower credit allocations to the Treasury and Other segment and an increase in equipment expense, partially offset by an a decrease in occupancy expense. The increase in interest expense from public deposits and higher borrowings costs, the benefit for income taxes was primarily due to the increase in pretax loss. The increase in noninterest income was primarily due to increases in BOLI income and market adjustments on mutual funds purchased, partially offset by an increase in net losses recognized in income related to derivative contracts. The increase in noninterest expense was primarily due to increases in salaries and benefits expense, equipment expense and a lower credit allocation to the Treasury and Other segment. This was partially offset by a decrease in contracted services and professional fees. The increase in the provision for income taxes was primarily due to the increase in pretax income.

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Net income loss for the Treasury and Other segment was \$6.2 million \$11.9 million for the six nine months ended June 30, 2023 September 30, 2023, an increase of \$13.1 million \$3.5 million as compared to the same period in 2022. The increase in net income loss was primarily due to a \$25.9 million increase in net interest income and a \$10.7 million \$23.1 million increase in noninterest income. This was partially offset by a \$15.0 million increase in noninterest expense, and a \$4.8 million increase in the provision for income taxes, in addition to a Provision of \$2.4 million \$3.9 million for the six nine months ended June 30, 2023 September 30, 2023, compared to a negative Provision of \$1.4 million \$0.2 million for the six nine months ended June 30, 2022 September 30, 2022. This was partially offset by a \$12.0 million increase in net interest income and an \$11.6 million increase in noninterest income. The increase in noninterest expense was primarily due to lower credit allocations to the Treasury and Other segment, in addition to increases in equipment expense, salaries and benefits expense and regulatory assessment and fees. This was partially offset by decreases in contracted services and professional fees and occupancy expense. The Provision for the nine months ended September 30, 2023, was due to increases in the provision for unfunded commitments. The increase in net interest income was primarily due to an increase in net transfer pricing credits that reside in the Treasury and Other segment and higher yields on interest-bearing deposits in other banks and our investment securities portfolio, partially offset by an increase in interest expense from public deposits and higher borrowing costs. The increase in noninterest income was primarily due to increases in BOLI income and market adjustments on mutual funds purchased and income due to adjustments to certain liabilities assumed as a result of the Reorganization Transactions, partially offset by an increase in net losses recognized in income related to derivative contracts. The increase in noninterest expense was primarily due to increases in equipment expense and salaries and benefits expense, in addition to a lower credit allocation to the Treasury and Other segment. This was partially offset by a decrease in contracted services and professional fees. 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 increases in the provision for unfunded construction and home equity commitments.

#### **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.

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Immediate liquid resources are available in cash, which is primarily on deposit with the Federal Reserve Bank of San Francisco (the "FRB"). As of June 30, 2023 September 30, 2023 and December 31, 2022, cash and cash equivalents were \$0.6 billion \$1.2 billion and \$0.5 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 \$2.9 billion \$2.7 billion and \$4.2 billion \$4.1 billion as of June 30, 2023 September 30, 2023, respectively. The carrying values of our available-for-sale investment securities and held-to-maturity investment securities were \$3.2 billion and \$4.3 billion as of December 31, 2022, respectively. As of June 30, 2023 September 30, 2023 and December 31, 2022, 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 June 30, 2023 September 30, 2023, our available-for-sale investment securities portfolio was comprised of

securities with a weighted average life of approximately 4.2 years and our held-to-maturity investment securities portfolio was comprised of securities with a weighted average life of approximately 8.1 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. Our available-for-sale investment securities portfolio and our held-to-maturity investment securities portfolio could also be used to support borrowings through the Federal Reserve's new Bank Term Funding Program ("BTFP"). Under the program, eligible depository institutions can obtain loans of up to one year in length by pledging U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral. These assets will be valued at par. Although the Bank currently has no intention to borrow funds under the program, the BTFP is available and intended to provide depository institutions with liquidity so as to avoid selling securities at market values below cost. Liquidity is further enhanced by our ability to pledge loans to access secured borrowings from the FHLB and the FRB. As of **June 30, 2023** **September 30, 2023**, we have borrowing capacity of **\$2.9 billion** **\$2.8 billion** from the FHLB and **\$3.8 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 **\$18.9 billion** **\$19.3 billion** and \$20.2 billion as of **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively, which represented 90% and 93% of our total deposits as of **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively. These core deposits are normally less volatile, 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 and Long-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, 2022. 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.

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#### ***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 **\$40.6 million** **\$62.2 million** and \$47.2 million as of **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 \$1.4 billion as of both **June 30, 2023** **September 30, 2023** and December 31, 2022. 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 **six** **nine** months ended **June 30, 2023** **September 30, 2023**, there was one residential mortgage loan repurchase totaling \$0.2 million 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 **six** **nine** months ended **June 30, 2023** **September 30, 2023**, we had no repurchase requests related to loan servicing activities, nor were there any pending repurchase requests as of **June 30, 2023** **September 30, 2023**.

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 **June 30, 2023** **September 30, 2023**, 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 **June 30, 2023** **September 30, 2023**, 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.

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### **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 13, 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 12 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 **June 30, 2023** **September 30, 2023** and December 31, 2022:

Investment Securities (dollars in thousands)	Table 12		Table 12	
	June 30, 2023		December 31, 2022	
	2023	2022	2023	2022
U.S. Treasury and government agency debt securities	\$ 116,885	\$ 150,982	\$ 114,159	\$ 150,982
Government-sponsored enterprises debt securities	44,240	44,301	19,260	44,301
Mortgage-backed securities:				
Residential - Government agency	57,202	59,723	52,362	59,723
Residential - Government-sponsored enterprises	1,082,992	1,160,455	1,005,782	1,160,455
Commercial - Government agency	225,462	237,853	211,897	237,853
Commercial - Government-sponsored enterprises	87,897	119,573	84,920	119,573
Commercial - Non-agency	21,379	21,471	21,602	21,471
Collateralized mortgage obligations:				
Government agency	605,221	653,322	565,852	653,322
Government-sponsored enterprises	427,480	462,132	400,748	462,132
Collateralized loan obligations	240,614	241,321	246,122	241,321
<b>Total available-for-sale securities</b>	<b>\$ 2,909,372</b>	<b>\$ 3,151,133</b>	<b>\$ 2,722,704</b>	<b>\$ 3,151,133</b>
Government agency debt securities	\$ 53,189	\$ 54,318	\$ 53,105	\$ 54,318
Mortgage-backed securities:				
Residential - Government agency	45,097	46,302	44,379	46,302
Residential - Government-sponsored enterprises	102,940	106,534	100,905	106,534
Commercial - Government agency	30,675	30,544	30,733	30,544
Commercial - Government-sponsored enterprises	1,137,157	1,150,449	1,132,818	1,150,449
Collateralized mortgage obligations:				
Government agency	1,036,671	1,080,492	1,010,551	1,080,492
Government-sponsored enterprises	1,720,672	1,798,178	1,677,519	1,798,178
Debt securities issued by states and political subdivisions	54,007	53,822	54,104	53,822
<b>Total held-to-maturity securities</b>	<b>\$ 4,180,408</b>	<b>\$ 4,320,639</b>	<b>\$ 4,104,114</b>	<b>\$ 4,320,639</b>

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Table 13 presents the maturity distribution at amortized cost and weighted-average yield to maturity of our investment securities portfolio as of **June 30, 2023** **September 30, 2023**:

Maturities and Weighted-Average Yield on Securities <sup>(1)</sup>	Table 13 Maturities and Weighted-Average Yield on Securities <sup>(1)</sup>				
	Maturities and Weighted-Average Yield on Securities <sup>(1)</sup>				Total
	1 Year or Less	After 1 Year - 5 Years	After 5 Years - 10 Years	Over 10 Years	
	Weighted	Weighted	Weighted	Weighted	Weighted

(dollars in millions)	Average		Average		Average		Average		Average		Fair	Average		Average		Average	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Value	Amount	Yield	Amount	Yield	Amount	Yield
<b>As of June 30, 2023</b>																	
<b>As of September 30, 2023</b>																	
<b>Available-for-sale securities</b>																	
U.S. Treasury and government agency debt securities	\$ 19.8	1.53 %	\$ 40.6	1.97 %	\$ 68.2	1.03 %	—	— %	\$ 128.6	1.40 %	\$ 116.9	\$ 19.9	1.53 %	\$ 40.6	1.97 %	\$ 65.7	— %
Government-sponsored enterprises debt securities	25.0	3.30	20.0	3.33	—	—	—	—	45.0	3.31	44.2	—	—	20.0	3.33	—	—
Mortgage-backed securities:																	
Residential - Government agency <sup>(2)</sup>	—	—	—	—	63.5	2.33	—	—	63.5	2.33	57.2	—	—	—	—	—	61.8
Residential - Government-sponsored enterprises <sup>(2)</sup>	—	—	1,168.2	1.63	61.2	1.73	—	—	1,229.4	1.63	1,083.0	—	—	1,125.8	1.64	59.5	—
Commercial - Government agency <sup>(2)</sup>	4.4	3.19	237.4	1.88	34.6	1.76	—	—	276.4	1.88	225.5	4.2	3.18	235.2	1.88	33.0	—
Commercial - Government-sponsored enterprises <sup>(2)</sup>	29.3	2.90	67.1	1.36	—	—	—	—	96.4	1.83	87.9	28.3	2.92	65.7	1.33	—	—
Commercial - Non-agency	—	—	—	—	—	—	22.0	5.83	22.0	5.83	21.4	—	—	—	—	—	—
Collateralized mortgage obligations <sup>(2)</sup> :																	
Government agency	5.3	1.80	274.0	2.05	409.5	1.79	—	—	688.8	1.89	605.2	6.1	1.87	242.0	2.07	413.1	—
Government-sponsored enterprises	3.0	1.94	325.7	1.39	168.1	1.82	—	—	496.8	1.54	427.5	4.8	1.67	286.2	1.30	188.2	—
Collateralized loan obligations	—	—	—	—	107.0	6.33	142.9	5.80	249.9	6.03	240.6	—	—	—	—	—	107.0
<b>Total available-for-sale securities as of June 30, 2023</b>	<b>\$ 86.8</b>	<b>2.62 %</b>	<b>\$ 2,133.0</b>	<b>1.69 %</b>	<b>\$ 912.1</b>	<b>2.30 %</b>	<b>\$ 164.9</b>	<b>5.81 %</b>	<b>\$ 3,296.8</b>	<b>2.09 %</b>	<b>\$ 2,909.4</b>						
<b>Total available-for-sale securities as of September 30, 2023</b>												<b>\$ 63.3</b>	<b>2.31 %</b>	<b>\$ 2,015.5</b>	<b>1.68 %</b>	<b>\$ 928.3</b>	
<b>Held-to-maturity securities</b>																	
Government agency debt securities	\$ —	— %	\$ —	— %	\$ —	— %	\$ 53.2	1.58 %	\$ 53.2	1.58 %	\$ 47.5	\$ —	— %	\$ —	— %	\$ —	— %
Mortgage-backed securities <sup>(2)</sup> :																	
Residential - Government agency	—	—	—	—	45.1	2.14	—	—	45.1	2.14	39.6	—	—	—	—	—	—
Residential - Government-sponsored enterprises	—	—	—	—	25.9	1.76	77.0	1.54	102.9	1.59	91.1	—	—	—	—	—	25.4
Commercial - Government agency	—	—	6.2	1.62	24.5	2.00	—	—	30.7	1.92	24.3	—	—	6.3	1.63	24.4	—
Commercial - Government-sponsored enterprises	—	—	59.7	1.42	532.1	1.78	545.4	2.26	1,137.2	1.99	1,007.4	—	—	128.9	1.91	540.5	—
Collateralized mortgage obligations <sup>(2)</sup> :																	
Government agency	—	—	—	—	909.6	1.39	127.0	1.36	1,036.6	1.39	917.2	—	—	—	—	—	885.6
Government-sponsored enterprises	—	—	208.0	1.58	1,347.2	1.50	165.5	1.38	1,720.7	1.49	1,522.2	—	—	201.5	1.60	1,284.0	—
Debt securities issued by state and political subdivisions	—	—	—	—	10.2	2.08	43.8	2.32	54.0	2.27	48.0	—	—	—	—	—	10.3
<b>Total held-to-maturity securities as of June 30, 2023</b>	<b>\$ —</b>	<b>— %</b>	<b>\$ 273.9</b>	<b>1.55 %</b>	<b>\$ 2,894.6</b>	<b>1.53 %</b>	<b>\$ 1,011.9</b>	<b>1.91 %</b>	<b>\$ 4,180.4</b>	<b>1.63 %</b>	<b>\$ 3,697.3</b>						
<b>Total held-to-maturity securities as of September 30, 2023</b>												<b>\$ —</b>	<b>— %</b>	<b>\$ 336.7</b>	<b>1.72 %</b>	<b>\$ 2,770.2</b>	

(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 **\$7.1 billion** **\$6.8 billion** as of **June 30, 2023** **September 30, 2023**, a decrease of **\$382.0 million** **\$645.0 million** or **5% 9%** compared to December 31, 2022. 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.

During the year ended December 31, 2022, we reclassified at fair value \$4.6 billion in available-for-sale investment securities to the held-to-maturity category. The related total unrealized after-tax losses of approximately \$372.4 million remained in accumulated other comprehensive loss to be amortized over the estimated remaining life of the securities as an adjustment of yield, offsetting the related accretion of the discount on the transferred securities. No gains or losses were recognized at the time of reclassification. In addition, we consider the held-to-maturity classification of these investment securities to be appropriate as there is both the positive intent and ability to hold these securities to maturity. There were no securities transferred from available-for-sale investment securities to the held-to-maturity category during the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

As of **June 30, 2023** **September 30, 2023**, 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 **\$3.8 billion** **\$3.7 billion** invested in collateralized mortgage obligations issued by Ginnie Mae, Fannie Mae and Freddie Mac. Our investment securities portfolio also included **\$2.8 billion** **\$2.7 billion** in mortgage-backed securities issued by Ginnie Mae, Freddie Mac, Fannie Mae, Municipal Housing Authorities

and non-agency entities, **\$240.6 million** **\$246.1 million** in collateralized loan obligations, **\$214.3 million** **\$186.5 million** in debt securities issued by the U.S. Treasury, government agencies (U.S. International Development Finance Corporation bonds) and government-sponsored enterprises and **\$54.0 million** **\$54.1 million** in debt securities issued by states and political subdivisions.

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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 \$0.2 million and \$0.1 million as of **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively. Gross unrealized losses in our investment securities portfolio were **\$870.8 million** **\$1.1 billion** and \$904.3 million as of **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively. The lower gross increase in unrealized loss position was primarily due to paydowns higher market interest rates as of September 30, 2023, relative to December 31, 2022, resulting in a lower valuation. Additionally, the increase in unrealized loss positions were primarily related to our investment collateralized mortgage obligations, commercial mortgage-backed securities portfolio, 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 and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, 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 **June 30, 2023** **September 30, 2023**, 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 **June 30, 2023** **September 30, 2023** and December 31, 2022, we held **\$26.1 million** **\$30.1 million** and \$10.1 million in FHLB stock, respectively, 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 14 presents the composition of our loan and lease portfolio by major categories as of **June 30, 2023** **September 30, 2023** and December 31, 2022:

Loans and Leases (dollars in thousands)	Table 14		Table 14	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Commercial and industrial:				

Commercial and industrial excluding Paycheck Protection Program loans	\$ 2,175,841	\$ 2,217,604	\$ 2,091,379	\$ 2,217,604
Paycheck Protection Program loans	\$ 11,990	\$ 18,293	\$ 10,063	\$ 18,293
Total commercial and industrial	\$ 2,187,831	\$ 2,235,897	\$ 2,101,442	\$ 2,235,897
Commercial real estate	\$ 4,290,948	\$ 4,132,309	\$ 4,387,751	\$ 4,132,309
Construction	\$ 913,837	\$ 844,643	\$ 885,112	\$ 844,643
Residential:				
Residential mortgage	\$ 4,317,537	\$ 4,302,788	\$ 4,303,924	\$ 4,302,788
Home equity line	\$ 1,138,163	\$ 1,055,351	\$ 1,167,388	\$ 1,055,351
Total residential	\$ 5,455,700	\$ 5,358,139	\$ 5,471,312	\$ 5,358,139
Consumer	\$ 1,182,116	\$ 1,222,934	\$ 1,154,203	\$ 1,222,934
Lease financing	\$ 332,400	\$ 298,090	\$ 332,515	\$ 298,090
<b>Total loans and leases</b>	<b>\$ 14,362,832</b>	<b>\$ 14,092,012</b>	<b>\$ 14,332,335</b>	<b>\$ 14,092,012</b>

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Total loans and leases were \$14.4 billion \$14.3 billion as of June 30, 2023 September 30, 2023, an increase of \$270.8 million \$240.3 million or 2% from December 31, 2022. The increase in total loans and leases was primarily due to increases in commercial real estate loans, construction loans, residential real estate loans and lease financing, partially offset by decreases in commercial and industrial loans and consumer loans.

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 financing lines to our customers in Hawaii and California to assist with the financing of their inventory. Commercial and industrial loans were \$2.2 billion \$2.1 billion as of June 30, 2023 September 30, 2023, a decrease of \$48.1 million \$134.5 million or 2% 6% from December 31, 2022.

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 \$4.4 billion as of June 30, 2023 September 30, 2023, an increase of \$158.6 million \$255.4 million or 4% 6% from December 31, 2022. This increase was primarily due to \$130.0 million \$280.0 million in completed construction loans that were converted to commercial real estate loans during the six nine months ended June 30, 2023 September 30, 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 \$913.8 million \$885.1 million as of June 30, 2023 September 30, 2023, an increase of \$69.2 million \$40.5 million or 8% 5% from December 31, 2022. The increase in construction loans was primarily due to draws on existing lines, partially offset by the completion of \$130.0 million \$280.0 million in construction loans mentioned above during the six nine months ended June 30, 2023 September 30, 2023.

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, which commenced 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 \$5.5 billion as of **June 30, 2023** **September 30, 2023**, an increase of **\$97.6 million** **\$113.2 million** or 2% from December 31, 2022.

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 \$1.2 billion as of **June 30, 2023** **September 30, 2023**, a decrease of **\$40.8 million** **\$68.7 million** or **3%** **6%** from December 31, 2022.

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 **\$332.4 million** **\$332.5 million** as of **June 30, 2023** **September 30, 2023**, an increase of **\$34.3 million** **\$34.4 million** or 12% from December 31, 2022. The increase was primarily due to the closing of several large lease transactions during the **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

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.

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The Company's loan and lease portfolio includes adjustable-rate loans, primarily tied to SOFR, **LIBOR** **Prime** and **Prime**, **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 15 presents the recorded investment in our loan and lease portfolio as of **June 30, 2023** **September 30, 2023** by rate type:

Loans and Leases by Rate Type		Table 15 Loans and Leases by Rate Type														
		September 30, 2023														
		June 30, 2023														
(dollars in thousands)		Prime	LIBOR	Treasury	SOFR	BSBY	Other	Total	Rate	Rate	Total	Treasury	LIBOR	BSBY	Prime	SOFR (1)
Commercial and industrial		\$ 292,241	\$ 286,841	\$ —	\$ 788,781	\$ 115,406	\$ 375,311	\$ 1,858,580	\$ 28,482	\$ 300,769	\$ 2,187,831	\$ —	\$ —	\$ 444,419	\$ 292,110	\$ 911,774
Commercial real estate		431,662	1,000,614	—	1,336,117	145,369	873,752	3,787,514	138,663	364,771	4,290,948	—	—	99,124	453,576	2,468,617
Construction		98,684	159,981	12	423,556	50,775	15,582	748,590	6,574	158,673	913,837	10	—	43,789	110,722	554,001
Residential:																
Residential mortgage		18,120	98,508	15,816	140,697	—	71,866	345,007	505,339	3,467,191	4,317,537	8,038	91,928	—	16,564	141,284
Home equity line		1,028	—	92	—	—	—	1,120	879,345	257,698	1,138,163	92	—	—	843	—
Total residential		19,148	98,508	15,908	140,697	—	71,866	346,127	1,384,684	3,724,889	5,455,700	8,130	91,928	—	17,407	141,284
Consumer		328,934	—	1,059	—	207	1,169	331,369	3,735	847,012	1,182,116	1,062	—	4,693	331,859	—
Lease financing		—	—	—	—	—	—	—	—	332,400	332,400	—	—	—	—	—
Total loans and leases		\$1,170,669	\$1,545,944	\$16,979	\$2,689,151	\$311,757	\$1,337,680	\$7,072,180	\$1,562,138	\$5,728,514	\$14,362,832	\$ 9,202	\$91,928	\$592,025	\$1,205,674	\$4,075,676

% by rate type at													
June 30, 2023	8 %	11 %	1 %	18 %	2 %	9 %	49 %	11 %	40 %	100 %			
% by rate type at													
September 30, 2023									1 %	1 %	4 %	8 %	28 %

(1) Includes \$3.3 billion in CME Term SOFR loans.

Tables 16 and 17 present the geographic distribution of our loan and lease portfolio as of **June 30, 2023** **September 30, 2023** and December 31, 2022:

Geographic Distribution of Loan and Lease Portfolio	Table 16										Table 16									
	June 30, 2023					September 30, 2023					June 30, 2023					September 30, 2023				
	(dollars in thousands)		U.S.	Guam &	Foreign &	U.S.		Guam &	Foreign &	U.S.		Guam &	Foreign &	U.S.		Guam &	Foreign &	U.S.		Guam &
	Hawaii	Mainland <sup>(1)</sup>	Saipan	Other	Total	Hawaii	Mainland <sup>(1)</sup>	Saipan	Other	Total	Hawaii	Mainland <sup>(1)</sup>	Saipan	Other	Total	Hawaii	Mainland <sup>(1)</sup>	Saipan	Other	Total
Commercial and industrial	\$ 901,775	\$ 1,171,086	\$ 81,245	\$ 33,725	\$ 2,187,831	\$ 869,942	\$ 1,113,838	\$ 91,360	\$ 26,302	\$ 2,101,442										
Commercial real estate	2,361,587	1,553,816	375,545	—	4,290,948	2,399,519	1,618,248	369,984	—	4,387,751										
Construction	430,732	470,476	12,629	—	913,837	417,885	436,983	30,244	—	885,112										
Residential:																				
Residential mortgage	4,167,606	437	149,494	—	4,317,537	4,156,758	429	146,737	—	4,303,924										
Home equity line	1,097,437	479	40,247	—	1,138,163	1,125,076	285	42,027	—	1,167,388										
Total residential	5,265,043	916	189,741	—	5,455,700	5,281,834	714	188,764	—	5,471,312										
Consumer	839,522	39,877	300,462	2,255	1,182,116	800,347	44,619	306,787	2,450	1,154,203										
Lease financing	115,754	200,036	16,610	—	332,400	123,946	192,342	16,227	—	332,515										
<b>Total Loans and Leases</b>	<b>\$ 9,914,413</b>	<b>\$ 3,436,207</b>	<b>\$ 976,232</b>	<b>\$ 35,980</b>	<b>\$ 14,362,832</b>	<b>\$ 9,893,473</b>	<b>\$ 3,406,744</b>	<b>\$ 1,003,366</b>	<b>\$ 28,752</b>	<b>\$ 14,332,335</b>										
<b>Percentage of Total Loans and Leases</b>	<b>69%</b>	<b>24%</b>	<b>6%</b>	<b>1%</b>	<b>100%</b>	<b>69%</b>	<b>24%</b>	<b>6%</b>	<b>1%</b>	<b>100%</b>										

(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.

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Geographic Distribution of Loan and Lease Portfolio						Table 17				
						December 31, 2022				
						U.S.	Guam &	Foreign &		
(dollars in thousands)		Hawaii	Mainland <sup>(1)</sup>	Saipan	Other				Total	
Commercial and industrial		\$ 917,232	\$ 1,192,766	\$ 98,601	\$ 27,298	\$ 2,235,897				
Commercial real estate		2,306,075	1,435,512	390,722	—	4,132,309				

Construction	361,899	475,744	7,000	—	844,643
Residential:					
Residential mortgage	4,152,272	452	150,064	—	4,302,788
Home equity line	1,020,538	—	34,813	—	1,055,351
Total residential	5,172,810	452	184,877	—	5,358,139
Consumer	877,550	41,647	300,324	3,413	1,222,934
Lease financing	90,755	193,423	13,912	—	298,090
<b>Total Loans and Leases</b>	<b>\$ 9,726,321</b>	<b>\$ 3,339,544</b>	<b>\$ 995,436</b>	<b>\$ 30,711</b>	<b>\$ 14,092,012</b>
<b>Percentage of Total Loans and Leases</b>	<b>69%</b>	<b>23%</b>	<b>7%</b>	<b>1%</b>	<b>100%</b>

(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 financing 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 18 presents the contractual maturities of our loan and lease portfolio by major categories and the sensitivities to changes in interest rates as of **June 30, 2023** **September 30, 2023**:

(dollars in thousands)	Table 18									
	June 30, 2023					September 30, 2023				
	Due in One Year or Less	Due After One Year to Five Years	Due After Five Years to Fifteen Years	Due After Fifteen Years	Total	Due in One Year or Less	Due After One Year to Five Years	Due After Five Years to Fifteen Years	Total	
	Year or Less	to Five Years	to Fifteen Years	Fifteen Years	Total	Year or Less	to Five Years	to Fifteen Years	Total	
Commercial and industrial	\$ 802,498	\$ 1,042,674	\$ 267,043	\$ 75,616	\$ 2,187,831	\$ 791,370	\$ 991,779	\$ 243,701	\$ 74,592	\$ 2,
Commercial real estate	722,273	1,988,044	1,560,590	20,041	4,290,948	759,866	2,155,760	1,444,932	27,193	4,
Construction	221,969	554,994	95,325	41,549	913,837	279,165	473,644	93,714	38,589	
Residential:										
Residential mortgage	16,009	40,791	462,237	3,798,500	4,317,537	12,684	41,044	465,560	3,784,636	4,
Home equity line	14,663	112,112	166,599	844,789	1,138,163	16,203	105,616	162,886	882,683	1,
Total residential	30,672	152,903	628,836	4,643,289	5,455,700	28,887	146,660	628,446	4,667,319	5,
Consumer	167,657	782,680	231,779	—	1,182,116	190,794	753,843	209,261	305	1,
Lease financing	19,325	154,410	133,826	24,839	332,400	16,074	149,990	142,420	24,031	
<b>Total Loans and Leases</b>	<b>\$1,964,394</b>	<b>\$4,675,705</b>	<b>\$ 2,917,399</b>	<b>\$ 4,805,334</b>	<b>\$14,362,832</b>	<b>\$2,066,156</b>	<b>\$4,671,676</b>	<b>\$ 2,762,474</b>	<b>\$4,832,029</b>	<b>\$14,</b>
Total of loans and leases with:										
Adjustable interest rates	\$1,759,899	\$3,396,120	\$ 1,647,098	\$ 269,063	\$ 7,072,180	\$1,812,427	\$ 3,403,776	\$ 1,524,185	\$ 264,633	\$ 7,
Hybrid interest rates	38,816	187,943	152,243	1,183,136	1,562,138	41,485	179,007	149,529	1,252,080	1,
Fixed interest rates	165,679	1,091,642	1,118,058	3,353,135	5,728,514	212,244	1,088,893	1,088,760	3,315,316	5,
<b>Total Loans and Leases</b>	<b>\$1,964,394</b>	<b>\$4,675,705</b>	<b>\$ 2,917,399</b>	<b>\$ 4,805,334</b>	<b>\$14,362,832</b>	<b>\$2,066,156</b>	<b>\$4,671,676</b>	<b>\$ 2,762,474</b>	<b>\$4,832,029</b>	<b>\$14,</b>

(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 19 presents information on our non-performing assets and accruing loans and leases past due 90 days or more as of **June 30, 2023** **September 30, 2023** and December 31, 2022:

Non-Performing Assets and Accruing Loans and Leases Past Due 90 Days or More (dollars in thousands)	Table 19		Table 19	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Non-Performing Assets</b>				
Non-Accrual Loans and Leases				
Commercial Loans:				
Commercial and industrial	\$ 1,024	\$ 1,215	\$ 988	\$ 1,215
Commercial real estate	—	727	—	727
Total Commercial Loans	<u>1,024</u>	<u>1,942</u>	<u>988</u>	<u>1,942</u>
Residential Loans:				
Residential mortgage	6,097	6,166	7,435	6,166
Home equity line	<u>6,107</u>	<u>3,797</u>	<u>6,200</u>	<u>3,797</u>
Total Residential Loans	<u>12,204</u>	<u>9,963</u>	<u>13,635</u>	<u>9,963</u>
Total Non-Accrual Loans and Leases	<u>13,228</u>	<u>11,905</u>	<u>14,623</u>	<u>11,905</u>
Other Real Estate Owned ("OREO")	—	91	—	91
<b>Total Non-Performing Assets</b>	<b>\$ 13,228</b>	<b>\$ 11,996</b>	<b>\$ 14,623</b>	<b>\$ 11,996</b>
<b>Accruing Loans and Leases Past Due 90 Days or More</b>				
Commercial Loans:				
Commercial and industrial	\$ 599	\$ 291	\$ 289	\$ 291
Commercial real estate	<u>619</u>	—	<u>170</u>	—
Total Commercial Loans	<u>1,218</u>	<u>291</u>	<u>459</u>	<u>291</u>
Residential mortgage	58	58	1,430	58
Consumer	<u>1,975</u>	<u>2,885</u>	<u>1,681</u>	<u>2,885</u>
<b>Total Accruing Loans and Leases Past Due 90 Days or More</b>	<b>\$ 3,251</b>	<b>\$ 3,234</b>	<b>\$ 3,570</b>	<b>\$ 3,234</b>
<b>Total Loans and Leases</b>	<b>\$ 14,362,832</b>	<b>\$ 14,092,012</b>	<b>\$ 14,332,335</b>	<b>\$ 14,092,012</b>
Ratio of Non-Accrual Loans and Leases to Total Loans and Leases	0.09 %	0.08 %	0.10 %	0.08 %
Ratio of Non-Performing Assets to Total Loans and Leases and OREO	0.09 %	0.09 %	0.10 %	0.09 %
Ratio of Non-Performing Assets and Accruing Loans and Leases Past Due 90 Days or More to Total Loans and Leases and OREO	0.11 %	0.11 %	0.13 %	0.11 %

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Table 20 presents the activity in Non-Performing Assets ("NPAs") for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022:

Non-Performing Assets (dollars in thousands)	Table 20		Table 20	
	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Balance at beginning of period	\$ 11,996	\$ 7,257	\$11,996	\$ 7,257
Additions	5,500	2,461	8,025	4,050
Reductions				
Payments	(2,099)	(619)	(2,745)	(1,467)
Return to accrual status	(1,805)	(760)	(2,289)	(760)
Sales of other real estate owned	(91)	(175)	(91)	(175)
Charge-offs/write-downs	(273)	(305)	(273)	(483)
Total Reductions	(4,268)	(1,859)	(5,398)	(2,885)
<b>Balance at end of period</b>	<b>\$ 13,228</b>	<b>\$ 7,859</b>	<b>\$14,623</b>	<b>\$ 8,422</b>

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 **\$13.2 million** **\$14.6 million** as of **June 30, 2023** **September 30, 2023**, an increase of **\$1.2 million** **\$2.6 million** or **10%** **22%** from December 31, 2022. The ratio of our NPAs to total loans and leases and OREO was 0.10% and 0.09% as of **both June 30, 2023** **September 30, 2023** and December 31, 2022, respectively. The increase in NPAs during the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, was primarily due to increases in home equity line non-accrual loans of **\$2.3 million** **\$2.4 million** and residential mortgage non-accrual loans of **\$1.3 million**, partially offset by decreases in commercial real estate non-accrual loans of **\$0.7 million** and commercial and industrial 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 **June 30, 2023** **September 30, 2023**, residential mortgage non-accrual loans were **\$6.1 million** **\$7.4 million**, a decrease an increase of **\$0.1 million** **\$1.3 million** or **1%** **21%** from December 31, 2022. This decrease increase was due to additions of **\$2.8 million**, partially offset by payments of **\$0.9 million** **\$1.0 million** and returns to accrual status of **\$0.5 million**, partially offset by additions of residential mortgage non-accrual loans totaling **\$1.3 million**. As of **June 30, 2023** **September 30, 2023**, our residential mortgage non-accrual loans were comprised of **3435** loans with a weighted average current LTV ratio of **37%** **36%**.

As of **June 30, 2023** **September 30, 2023**, home equity line non-accrual loans were **\$6.1 million** **\$6.2 million**, an increase of **\$2.3 million** **\$2.4 million** or **61%** **63%** from December 31, 2022. This increase was due to additions in home equity lines line non-accrual loans totaling **\$4.2 million** **\$5.2 million**, partially offset by returns to accrual status of **\$1.3 million** **\$1.7 million**, payments of **\$0.3 million** **\$0.8 million** and charge-offs of **\$0.3 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 **June 30, 2023** **September 30, 2023**. OREO was **\$0.1 million** as of December 31, 2022, which comprised of one residential property.

*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 \$3.3 million \$3.6 million as of June 30, 2023 September 30, 2023, a nominal an increase of \$0.3 million or 10% from December 31, 2022. This increase was comprised primarily due to increases in residential mortgage loans of increases in \$1.4 million and commercial real estate loans of \$0.6 million and commercial and industrial loans of \$0.3 million \$0.2 million, partially offset by a decrease in consumer loans of \$0.9 million \$1.2 million, that were past due 90 days or more and still accruing interest.

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

Table 21 presents an analysis of our ACL for the periods indicated:

Allowance for Credit Losses and Reserve for Unfunded Commitments (dollars in thousands)	Table 21							
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Balance at Beginning of Period	\$ 183,321	\$ 179,238	\$ 177,735	\$ 187,584	\$ 184,780	\$ 177,900	\$ 177,735	\$ 187,584
Loans and Leases Charged-Off								
Commercial Loans:								
Commercial and industrial	(997)	(243)	(1,788)	(949)	(784)	(328)	(2,572)	(1,277)
Commercial real estate					—	(750)	—	(750)
Total Commercial Loans					(784)	(1,078)	(2,572)	(2,027)
Residential Loans:								
Residential mortgage	—	—	(122)	—	—	(1)	(122)	(1)
Home equity line	(137)	(1,120)	(272)	(1,163)	—	—	(272)	(1,163)
Total Residential Loans	(137)	(1,120)	(394)	(1,163)	—	(1)	(394)	(1,164)
Consumer	(4,516)	(3,659)	(9,298)	(7,768)	(3,665)	(3,986)	(12,963)	(11,754)
Total Loans and Leases Charged-Off	(5,650)	(5,022)	(11,480)	(9,880)	(4,449)	(5,065)	(15,929)	(14,945)
Recoveries on Loans and Leases Previously Charged-Off								
Commercial Loans:								
Commercial and industrial	292	301	538	354	2,637	240	3,175	594
Commercial real estate	—	—	—	14	—	—	—	14
Lease financing	—	60	—	60	—	—	—	60
Total Commercial Loans	292	361	538	428	2,637	240	3,175	668

Residential Loans:								
Residential mortgage	30	192	57	208	53	37	110	245
Home equity line	59	191	236	219	303	356	539	575
Total Residential Loans	89	383	293	427	356	393	649	820
Consumer	1,728	1,940	3,894	4,088	1,746	1,653	5,640	5,741
<b>Total Recoveries on Loans and Leases</b>								
<b>Previously Charged-Off</b>	<b>2,109</b>	<b>2,684</b>	<b>4,725</b>	<b>4,943</b>	<b>4,739</b>	<b>2,286</b>	<b>9,464</b>	<b>7,229</b>
<b>Net Loans and Leases</b>								
Charged-Off	(3,541)	(2,338)	(6,755)	(4,937)				
Net Loans and Leases								
Recovered (Charged-Off)					290	(2,779)	(6,465)	(7,716)
Provision for Credit Losses	5,000	1,000	13,800	(4,747)	7,500	3,183	21,300	(1,564)
<b>Balance at End of Period</b>	<b>\$ 184,780</b>	<b>\$ 177,900</b>	<b>\$ 184,780</b>	<b>\$ 177,900</b>	<b>\$ 192,570</b>	<b>\$ 178,304</b>	<b>\$ 192,570</b>	<b>\$ 178,304</b>
Components:								
Allowance for Credit Losses	\$ 148,581	\$ 148,942	\$ 148,581	\$ 148,942	\$ 154,795	\$ 148,163	\$ 154,795	\$ 148,163
Reserve for Unfunded Commitments	36,199	28,958	36,199	28,958	37,775	30,141	37,775	30,141
Total Allowance for Credit Losses and Reserve for Unfunded Commitments	\$ 184,780	\$ 177,900	\$ 184,780	\$ 177,900	\$ 192,570	\$ 178,304	\$ 192,570	\$ 178,304
Average Loans and Leases Outstanding	\$ 14,283,222	\$ 13,058,558	\$ 14,181,842	\$ 12,939,745	\$ 14,349,402	\$ 13,491,428	\$ 14,238,309	\$ 13,125,660
Ratio of Net Loans and Leases Charged-Off to Average Loans and Leases Outstanding <sup>(1)</sup>	0.10 %	0.07 %	0.10 %	0.08 %				
Ratio of Net Loans and Leases (Recovered) Charged-Off to Average Loans and Leases Outstanding <sup>(1)</sup>					(0.01)%	0.08 %	0.06 %	0.08 %
Ratio of Allowance for Credit Losses for Loans and Leases to Loans and Leases Outstanding	1.03 %	1.12 %	1.03 %	1.12 %	1.08 %	1.08 %	1.08 %	1.08 %
Ratio of Allowance for Credit Losses for Loans and Leases to Non-accrual Loans and Leases	11.23x	18.95x	11.23x	18.95x	10.59x	17.89x	10.59x	17.89x

(1) Annualized for the three and ~~six~~ nine months ended **June 30, 2023** **September 30, 2023** and 2022.

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Tables 22 and 23 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 **June 30, 2023** **September 30, 2023** and December 31, 2022:

Allocation of the Allowance for Credit Losses by Loan and Lease Category (dollars in thousands)		Table 22			Table 22		
		June 30, 2023			September 30, 2023		
		Allocated Amount	Loan category as % of loan or lease	Leases	Allocated Amount	Loan category as % of loan or lease	Leases
Commercial and industrial	\$ 13,810	0.63 %	15.23 %	15.23 %	\$ 13,700	0.65 %	14.66 %
Commercial real estate	39,887	0.93	29.87	29.87	43,798	1.00	30.61
Construction	9,871	1.08	6.36	6.36	10,204	1.15	6.18
Lease financing	1,447	0.44	2.32	2.32	1,710	0.51	2.32
Total commercial	65,015	0.84	53.78	53.78	69,412	0.90	53.77
Residential mortgage	32,803	0.76	30.06	30.06	36,999	0.86	30.03
Home equity line	11,806	1.04	7.92	7.92	11,427	0.98	8.15
Total residential	44,609	0.82	37.98	37.98	48,426	0.89	38.18
Consumer	38,957	3.30	8.24	8.24	36,957	3.20	8.05
<b>Total</b>	<b>\$ 148,581</b>	<b>1.03 %</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>\$154,795</b>	<b>1.08 %</b>	<b>100.00 %</b>

Allocation of the Allowance for Credit Losses by Loan and Lease Category (dollars in thousands)		Table 23		
		December 31, 2022		
		Allocated Amount	Loan category as % of loan or lease	Leases
Commercial and industrial	\$ 14,564	0.65 %	15.87 %	15.87 %
Commercial real estate	43,810	1.06	29.31	29.31
Construction	5,843	0.69	5.99	5.99
Lease financing	1,551	0.52	2.13	2.13
Total commercial	65,768	0.88	53.30	53.30
Residential mortgage	35,175	0.82	30.53	30.53
Home equity line	8,296	0.79	7.49	7.49
Total residential	43,471	0.81	38.02	38.02
Consumer	34,661	2.83	8.68	8.68
<b>Total</b>	<b>\$ 143,900</b>	<b>1.02 %</b>	<b>100.00 %</b>	<b>100.00 %</b>

Table 24 presents the net charge-offs (recoveries) to average loans and leases by category during the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022:

Net Charge-Offs (Recoveries) to Average Loans and Leases By Category <sup>(1)</sup>	Table 24				Table 24			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Commercial and industrial	0.12 %	(0.01) %	0.11 %	0.06 %	(0.35) %	0.02 %	(0.04) %	0.05 %
Commercial real estate	—	—	—	—	—	0.07	—	0.03
Construction	—	—	—	—	—	—	—	—
Lease financing	—	(0.10)	—	(0.05)	—	—	—	(0.03)
Total commercial	0.04	(0.01)	0.03	0.02	(0.10)	0.05	(0.01)	0.03
Residential mortgage	—	(0.02)	—	(0.01)	—	—	—	(0.01)
Home equity line	0.03	0.39	0.01	0.21	(0.10)	(0.14)	(0.03)	0.08

Total residential	—	0.06	—	0.03	(0.03)	(0.03)	(0.01)	0.01
Consumer	<b>0.93</b>	0.57	<b>0.90</b>	0.61	<b>0.65</b>	0.76	<b>0.82</b>	0.66
Total loans and leases	<b>0.10 %</b>	0.07 %	<b>0.10 %</b>	0.08 %	<b>(0.01)%</b>	0.08 %	<b>0.06 %</b>	0.08 %

(1) Annualized for the three and **six nine** months ended **June 30, 2023 September 30, 2023** and 2022.

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As of **June 30, 2023 September 30, 2023**, the ACL was **\$148.6 million \$154.8 million** or **1.03% 1.08%** of total loans and leases outstanding, compared with an ACL of \$143.9 million or 1.02% of total loans and leases outstanding as of December 31, 2022. The reserve for unfunded commitments was **\$36.2 million \$37.8 million** as of **June 30, 2023 September 30, 2023**, compared to \$33.8 million as of December 31, 2022.

Net **charge-offs recoveries** of loans and leases were **\$3.5 million \$0.3 million** or **0.10% 0.01%** of total average loans and leases, on an annualized basis, for the three months ended **June 30, 2023 September 30, 2023**, compared to net charge-offs of **\$2.3 million \$2.8 million** or **0.07% 0.08%** for the three months ended **June 30, 2022 September 30, 2022**. Net **charge-offs recoveries** in our commercial lending portfolio were **\$0.7 million \$1.9 million** for the three months ended **June 30, 2023 September 30, 2023**, compared to net **recoveries charge-offs** of **\$0.1 million \$0.8 million** for the three months ended **June 30, 2022 September 30, 2022**. Net **charge-offs recoveries** in our residential lending portfolio were **nil \$0.7 million \$0.4 million** for both the three months ended **June 30, 2023 September 30, 2023** and 2022, respectively. Net charge-offs in our consumer lending portfolio were **\$2.8 million \$1.9 million** and **\$1.7 million \$2.3 million** for the three months ended **June 30, 2023 September 30, 2023** and 2022, 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.

Net charge-offs of loans and leases were **\$6.8 million \$6.5 million** or **0.10% 0.06%** of total average loans and leases on an annualized basis, for the **six nine** months ended **June 30, 2023 September 30, 2023**, compared to **\$4.9 million \$7.7 million** or 0.08% of total average loans and leases, on an annualized basis, for the **six nine** months ended **June 30, 2022 September 30, 2022**. Net **charge-offs recoveries** in our commercial lending portfolio were **\$1.3 million and \$0.5 million \$0.6 million** for the **six nine** months ended **June 30, 2023 and 2022, respectively**. **September 30, 2023**, compared to net charge-offs of \$1.4 million for the nine months ended September 30, 2022. Net **charge-offs recoveries** in our residential lending portfolio were **\$0.1 million and \$0.7 million \$0.3 million** for the **six nine** months ended **June 30, 2023 and 2022, respectively**. **September 30, 2023**, compared to net charge-offs of \$0.3 million for the nine months ended September 30, 2022. Net charge-offs in our consumer lending portfolio were **\$5.4 million \$7.3 million** and **\$3.7 million \$6.0 million** for the **six nine** months ended **June 30, 2023 September 30, 2023** and 2022, respectively. Net charge-offs in our consumer portfolio segment include those related to credit card, 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 **June 30, 2023 September 30, 2023** and December 31, 2022. Furthermore, as of **June 30, 2023**, while the allocation of our ACL to the commercial portfolio segment was lower as compared to December 31, 2022 **September 30, 2023**, 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 **June 30, 2023 September 30, 2023** and December 31, 2022. 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 and **six** **nine** months ended **June 30, 2023** **September 30, 2023**. 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.

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**Other Assets**

Other assets were **\$813.1 million** **\$853.6 million** as of **June 30, 2023** **September 30, 2023**, an increase of **\$16.2 million** **\$56.6 million** or **2%** **7%** from December 31, 2022. The increase in other assets was primarily due to increases of **\$18.4 million** **\$25.7 million** in municipal advances, **\$18.2 million** **\$24.6 million** in **interest rate swap agreements** **current tax receivables** and **\$16.0 million** **deferred tax assets**, **\$20.0 million** in FHLB stock, **stock** and **\$7.3 million** in **LIHTC investments**. This was partially offset by decreases of **\$14.8 million** **\$11.9 million** in **prepaid assets**, **\$12.3 million** in **LIHTC investments** and **\$8.1 million** in **mutual funds**.

**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 25 presents the composition of our deposits as of **June 30, 2023** **September 30, 2023** and December 31, 2022:

Deposits (dollars in thousands)	Table 25		Table 25	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
U.S.:				
Demand	<b>\$ 7,297,964</b>	<b>\$ 7,978,046</b>	<b>\$ 6,931,032</b>	<b>\$ 7,978,046</b>
Savings	<b>5,438,653</b>	<b>5,957,368</b>	<b>5,599,787</b>	<b>5,957,368</b>
Money Market	<b>3,511,904</b>	<b>3,714,244</b>	<b>3,668,328</b>	<b>3,714,244</b>
Time	<b>3,097,843</b>	<b>2,265,163</b>	<b>3,398,957</b>	<b>2,265,163</b>
Foreign(1):				
Demand	<b>868,663</b>	<b>886,600</b>	<b>967,964</b>	<b>886,600</b>
Savings	<b>397,322</b>	<b>425,542</b>	<b>428,521</b>	<b>425,542</b>
Money Market	<b>255,888</b>	<b>251,179</b>	<b>254,726</b>	<b>251,179</b>
Time	<b>209,929</b>	<b>210,887</b>	<b>262,174</b>	<b>210,887</b>
<b>Total Deposits(2)</b>	<b>\$ 21,078,166</b>	<b>\$ 21,689,029</b>	<b>\$21,511,489</b>	<b>\$21,689,029</b>

(1) Foreign deposits were comprised of Guam and Saipan deposit accounts.

(2) Public deposits were **\$2.2 billion** **\$2.4 billion** as of **June 30, 2023** **September 30, 2023**, an increase of **\$353.1 million** **\$454.7 million** or **19%** **24%** compared to December 31, 2022.

Total deposits were **\$21.1 billion** **\$21.5 billion** as of **June 30, 2023** **September 30, 2023**, a decrease of **\$610.9 million** **\$177.5 million** or **3%** **1%** from December 31, 2022. The decrease in deposit balances stemmed primarily from a **\$698.6 million** **\$960.5 million** decrease in non-public demand deposit balances, a **\$333.4 million** **\$276.1 million** decrease in non-public savings deposit balances, a **\$213.5 million** **\$78.5 million** decrease in public savings deposit balances and a **\$205.5 million** **\$50.3 million** decrease in non-public money market deposit balances. These decreases

were partially offset by a **\$558.2 million** **\$530.5 million** increase in public time deposit balances and a **\$273.5 million** **\$654.6 million** increase in non-public time deposit balances.

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the amount of **uninsured** deposits that exceeded FDIC insurance limits were estimated to be **\$10.7 billion** **\$11.1 billion**, or **51%** **52%** of total deposits, and \$11.1 billion, or 51% of total deposits, respectively. At **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company had **\$2.2 billion** **\$2.4 billion** and \$1.9 billion, respectively, of public deposits, all of which were fully collateralized with investment securities. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the amount of **uninsured** deposits excluding public deposits that exceeded FDIC insurance limits were estimated to be **\$8.5 billion** **\$8.8 billion**, or **40%** **41%** of total deposits, and \$9.2 billion, or 42% of total deposits, respectively. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, deposit accounts above \$250,000 were estimated to be **\$12.5 billion** **\$12.9 billion** and \$13.3 billion, respectively. As of **September 30, 2023** and **December 31, 2022**, deposit balances over \$250,000 in corporate operating accounts were estimated to be \$2.3 billion and \$2.9 billion, respectively.

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Table 26 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 **June 30, 2023** **September 30, 2023**:

Uninsured Time Deposits (dollars in thousands)	Table 26		Table 26
	June 30, 2023	September 30, 2023	September 30, 2023
Three months or less	\$ 989,052	\$ 1,096,732	
Over three through six months	667,010	538,783	
Over six through twelve months	401,666	504,250	
Over twelve months	81,520	85,632	
<b>Total(1)</b>	<b>\$ 2,139,248</b>	<b>\$ 2,225,397</b>	

(1) Includes \$1.4 billion in public time **deposits**, deposits that are fully collateralized with investment securities.

#### **Short-term and Long-term Borrowings**

As of **June 30, 2023** **September 30, 2023**, the Company had no Company's short-term borrowings as the remaining consisted of \$500.0 million in short-term FHLB **repo advance** matured fixed-rate advances with a weighted average interest rate of 4.71% and maturity dates in **April 2023** **September 2024**. As of December 31, 2022, the Company's short-term borrowings consisted of \$75.0 million in federal funds purchased with a 4.35% annual interest rate that matured in January 2023.

Long-term borrowings were \$500.0 million as of June 30, 2023. The Company's long-term borrowings consisted of \$500.0 million in FHLB fixed-rate advances with a weighted average interest rate of 4.71% and maturity dates in September 2024. There were no long-term borrowings as of December 31, 2022. Long-term borrowings mature in excess of one year from the unaudited interim consolidated balance sheet date.

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company had a remaining line of credit of **\$2.9 billion** **\$2.8 billion** and \$2.5 billion available from the FHLB, respectively. The FHLB fixed-rate advances and remaining borrowing capacity were secured by commercial real estate and residential real estate loan collateral as of **June 30, 2023** **September 30, 2023**. The FHLB borrowing capacity was secured by residential real estate loan collateral as of December 31, 2022.

#### **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 **\$93.5 million** **\$93.2 million** as of **June 30, 2023** **September 30, 2023**, a nominal decrease from December 31, 2022. This decrease was primarily due to payments of **\$4.2 million** **\$6.2 million**, offset by net periodic benefit costs for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** of **\$3.8 million** **\$5.6 million**.

See "Note **16** **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").

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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.

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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 **June 30, 2023** **September 30, 2023**, 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 27 below. There have been no conditions or events since **June 30, 2023** **September 30, 2023** that management believes have changed either the Company's or the Bank's capital

classifications. CET1 was **12.05%** **12.21%** as of **June 30, 2023** **September 30, 2023**, an increase of **23** **39** basis points from December 31, 2022. The increase in CET1 was primarily due to earnings for the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, partially offset by the dividends declared and paid to the Company's stockholders and an increase in risk-weighted assets driven by an increase in loans and leases.

Regulatory Capital (dollars in thousands)	Table 27		Table 27	
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
	\$ 2,359,738	\$ 2,269,005	\$ 2,351,009	\$ 2,269,005
Stockholders' Equity	\$ 2,359,738	\$ 2,269,005	\$ 2,351,009	\$ 2,269,005
Less:				
Goodwill	995,492	995,492	995,492	995,492
Accumulated other comprehensive loss, net	(612,736)	(639,254)	(648,731)	(639,254)
Common Equity Tier 1 Capital and Tier 1 Capital	\$ 1,976,982	\$ 1,912,767	\$ 2,004,248	\$ 1,912,767
Add:				
Qualifying allowance for credit losses and reserve for unfunded commitments	184,780	177,735	192,570	177,735
Total Capital	\$ 2,161,762	\$ 2,090,502	\$ 2,196,818	\$ 2,090,502
Risk-Weighted Assets	<u>\$ 16,408,132</u>	<u>\$ 16,182,743</u>	<u>\$ 16,415,387</u>	<u>\$ 16,182,743</u>
<b><u>Key Regulatory Capital Ratios</u></b>				
Common Equity Tier 1 Capital Ratio	<b>12.05 %</b>	<b>11.82 %</b>	<b>12.21 %</b>	<b>11.82 %</b>
Tier 1 Capital Ratio	<b>12.05 %</b>	<b>11.82 %</b>	<b>12.21 %</b>	<b>11.82 %</b>
Total Capital Ratio	<b>13.17 %</b>	<b>12.92 %</b>	<b>13.38 %</b>	<b>12.92 %</b>
Tier 1 Leverage Ratio	<b>8.30 %</b>	<b>8.11 %</b>	<b>8.45 %</b>	<b>8.11 %</b>

Total stockholders' equity was \$2.4 billion as of **June 30, 2023** **September 30, 2023**, an increase of **\$90.7 million** **\$82.0 million** or 4% from December 31, 2022. The increase in stockholders' equity was primarily due to earnings for the period of **\$129.3 million**, net unrealized gains in our investment securities portfolio, net of tax, of **\$26.2 million** **\$187.5 million**, partially offset by dividends declared and paid to the Company's stockholders of **\$66.3 million** **\$99.5 million** and net unrealized losses in our investment securities portfolio, net of tax, of **\$10.7 million** during the **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

In January 2023, the Company announced a stock repurchase program for up to \$40.0 million of its outstanding common stock during 2023. The Company has not repurchased any common stock outstanding under this stock repurchase program during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and, as a result, \$40.0 million remained of the \$40.0 million total repurchase amount authorized under the stock repurchase program for 2023 as of **June 30, 2023** **September 30, 2023**. 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.

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In **July** **October** 2023, 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 **September 1, 2023** **December 1, 2023** to shareholders of record at the close of business on **August 21, 2023** **November 20, 2023**.

## Future Application of Accounting Pronouncements

For a discussion of the expected impact of accounting pronouncements recently issued but not adopted by us as of **June 30, 2023** **September 30, 2023**, 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 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.

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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 ~~\$395,000~~ \$396,000 at September 30, 2023. 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 2% over the fully indexed rate. 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.

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**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 28 presents, for the twelve months subsequent to **June 30, 2023** **September 30, 2023** and December 31, 2022, 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 **June 30, 2023** **September 30, 2023** and December 31, 2022 are held constant.

Net Interest Income Sensitivity Profile - Estimated Percentage Change Over 12 Months	Table 28			
	Static Forecast	Static Forecast	Static Forecast	Static Forecast
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Gradual Change in Interest Rates (basis points)</b>				
+100	3.2 %	3.2 %	2.4 %	3.2 %
+50	1.6	1.6	1.2	1.6
(50)	(1.7)	(1.7)	(1.3)	(1.7)
(100)	(3.4)	(3.4)	(2.6)	(3.4)
<b>Immediate Change in Interest Rates (basis points)</b>				
+100	5.7 %	5.8 %	4.3 %	5.8 %
+50	2.9	2.9	2.1	2.9
(50)	(3.1)	(3.1)	(2.4)	(3.1)
(100)	(6.1)	(6.3)	(4.8)	(6.3)

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 and +100 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 **June 30, 2023** **September 30, 2023**, our net interest income sensitivity profile is **relatively unchanged** **slightly lower** in higher and lower interest rate scenarios compared to similar forecasts as of December 31, 2022. The sensitivity outcomes outcome described above are primarily due to the impact of holding a similar asset accelerated deposit repricing balance as of June 30, 2023 as compared with December 31, 2022.

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.

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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 12.11. 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.

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In addition, our business ~~relied~~ upon a large volume of loans, derivative contracts and other financial instruments with attributes that are 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 Secured Overnight Financing Rate ("SOFR"). A working group of key stakeholders from throughout the Company has been working to spearhead 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.

Our LIBOR transition plan included work to ensure that our technology systems are prepared for the transition, our loan documents that reference LIBOR-based rates have been appropriately amended to reference other methods of interest rate determinations and internal and external stakeholders are apprised of the transition. We have ~~already~~ implemented certain Prime Rate, SOFR and BSBY conventions as we transitioned our products and transaction agreements to reference rates other than LIBOR. Commercial loans and investment securities ~~will be~~ have fully transitioned to SOFR ~~rates at the first reset date post June 30, 2023 and expected to fully transition off LIBOR before the end of the third quarter in 2023.~~ rates. Residential mortgages with adjustable rates ~~will also~~ are in transition to SOFR at the first reset date post June 30, 2023 but ~~will~~ and expected to fully transition off LIBOR during the fourth quarter of 2024 as resets occur six months prior to the effective date for terms up to 12 months. To see the recorded investment in our loan and lease portfolio by rate type, refer to Table 15 in the section titled "Loans and Leases" in this MD&A.

For a further discussion of the various risks the Company faces in connection with the expected replacement of LIBOR on its operations, see "Risk Factors—Market Risks—Certain of our businesses, our funding and financial products may be adversely affected by changes or the discontinuance of LIBOR" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 24, 2023.

***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.

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[Table of Contents](#)**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 **June 30, 2023** **September 30, 2023**. 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 **June 30, 2023** **September 30, 2023**.

*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 **June 30, 2023** **September 30, 2023** 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, 2022, filed with the SEC on February 24, 2023 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, 2022.

**ITEM 5. OTHER INFORMATION**

During the three months ended **June 30, 2023** **September 30, 2023**, 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.

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**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**

10.1	<a href="#"><u>Separation Agreement, between Ralph M. Mesick, First Hawaiian, Inc. and First Hawaiian Bank, dated June 28, 2023.</u></a>
10.2	<a href="#"><u>Separation Agreement, between Lance A. Mizumoto, First Hawaiian, Inc. and First Hawaiian Bank, dated June 28, 2023.</u></a>
31.1	<a href="#"><u>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</u></a>
31.2	<a href="#"><u>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</u></a>
32.1	<a href="#"><u>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</u></a>
32.2	<a href="#"><u>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</u></a>
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)

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**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: **August 7, 2023** **November 6, 2023**

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

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**Exhibit 10.1**



**Robert S. Harrison**

Chairman, President & Chief Executive Officer

June 28, 2023

**Mr. Ralph M. Mesick**

[Address]

[Address]

Dear Ralph:

This letter (this "Letter Agreement") memorializes our recent discussions regarding your employment transition with First Hawaiian, Inc. (the "Company") and First Hawaiian Bank (the "Bank" and, together with the Company, the "Employer"). All capitalized terms

that are not defined in this Letter Agreement are used with the meanings assigned in the Executive Severance Plan of First Hawaiian, Inc. (the "Severance Plan").

## 1. Separation

(a) **Separation Date.** As of July 1, 2023 (the "Separation Date"), your service as an officer and employee of the Employer and its affiliates shall cease. You agree that no further action is required by you or any of the preceding to make the termination provided for in this Section 1(a) effective, but you nonetheless agree to execute any documentation the Employer reasonably requests to confirm it and to not reassume any such service or position without the written consent of the Employer. During the period between the date of this Letter Agreement and the Separation Date, the Company will continue to pay you a base salary at your current rate. You will be eligible to receive a discretionary annual performance bonus for the fiscal year ending December 31, 2023, pro-rated based on the number of full months that have elapsed as of the Separation Date for such fiscal year, subject to the terms of the First Hawaiian Inc. Bonus Plan and achievement of both Company and individual performance goals with respect to such plan; provided that the Company will recommend to the Compensation Committee of the Board of Directors of the Company that, in respect of your individual performance, you have met expectations on all metrics. If awarded, the pro-rated bonus shall be paid to you at the same time awards are paid to all other participants, provided however, that the bonus shall be paid no later than March 15, 2024.

(b) **Separation Payments.** In accordance with the terms of the Severance Plan and subject to Section 1(c) of this Letter Agreement, without duplication of any payments or benefits, the Company shall pay you the cash severance you are entitled to receive specified in Section 4.2(a) of the Severance Plan ("the **Severance Benefit**") comprised of (1) an amount equal to one times your highest annual Base Salary earned at any time during

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the three complete fiscal years immediately preceding the Separation Date; and (2) an amount equal to one times the average of your actual payment amounts under the Annual Incentive Plan for each of the two completed fiscal years immediately preceding the fiscal year in which the Separation Date occurs. The Company shall pay the Severance Benefit, which totals \$1,127,527, to you in a lump sum within fifteen (15) days following the date that the Release described in Section 1(c) below becomes effective and irrevocable pursuant to its terms; provided that in no event shall such amounts be paid later than March 15 of the year following the year during which the Separation Date occurs.

(c) **Release.** Payment of the Severance Benefit is conditioned on your execution, on or after the Separation Date, but not later than the 58<sup>th</sup> day following the Separation Date (as required by Section 4.5 of the Severance Plan), of a general release and waiver of claims in the form attached as Exhibit A relating to the period of your employment with the Employer (the "Release"), and such Release not being revoked and becoming effective and enforceable in accordance with its terms.

(d) **Equity Compensation.** Upon your separation from employment, you are eligible for Retirement treatment under the terms of the applicable Company equity incentive plans and award agreements, and your entitlements in respect of any equity-based awards shall be governed by the terms and conditions of such equity incentive plans and award agreements.

(e) **Other Retirement Benefits.** Upon your separation from employment, you are eligible for benefits as a retiree in accordance with applicable benefit plans.

## 2. Protective Covenants

(a) **Generally.** You shall continue to be subject to the restrictive covenants set forth under Section 9 of the Severance Plan, which are incorporated herein by reference and reaffirmed in all respects.

(b) **Trade Secrets; Whistleblower Rights.** The Employer hereby informs you that, notwithstanding any provision of this Letter Agreement or the Severance Plan to the contrary, an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (1) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law, or (2) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order. In addition, notwithstanding anything in this Letter Agreement to the contrary, nothing in this Letter Agreement shall impair your rights under the whistleblower

provisions of any applicable federal law or regulation or, for the avoidance of doubt, limit your right to receive an award for information provided to any government authority under such law or regulation.

### 3. Miscellaneous

(a) *Cooperation.* Following the Separation Date, you agree to provide cooperation, at the reasonable request of the Employer and without unreasonable interference as to

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your professional and personal pursuits, to be compensated by Employer at the rate of \$250.00 per hour, with the transitioning of your job duties and responsibilities and any investigation, litigation, arbitration or regulatory proceeding or other legal, equitable or business matters or proceedings that occurred during your employment with the Employer, including by making yourself reasonably available to consult with the Employer's counsel.

(b) *Indemnification.* Notwithstanding anything herein to the contrary, the parties hereto acknowledge and agree that any indemnification obligation by Employer and/or indemnification agreement between you and the Employer will remain in full force and in effect and the parties' obligations and duties thereunder are not in any way modified or superseded by this Letter Agreement.

(c) *Governing Law; Amendment.* This Letter Agreement shall be governed and construed in accordance with the laws of the State of Hawaii, without regard to conflict of laws principles thereof. This Letter Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(d) *Dispute Resolution.* Any controversy or claim arising out of or relating to this Letter Agreement or the breach thereof shall be settled by arbitration in Honolulu, Hawaii. Discovery shall be allowed in any such proceeding to the same extent as would be allowed under the rules of the civil courts of the State of Hawaii and shall be conducted in accordance with such rules. The arbitrator shall be chosen by mutual agreement or, if no agreement is reached, under the rules for arbitrator selection provided by the American Arbitration Association Employment Arbitration Rules. The arbitrator's award shall be in the form of a written opinion sufficient to allow for appropriate judicial review, shall be a final and binding determination of the dispute, and shall be fully enforceable as an arbitration award by the Hawaii courts in accordance with Hawaii law. The arbitrator shall decide whether the conduct complained of violates the legal rights of the complaining party and, if so, to award the relief allowed by law. The Company shall pay the cost of the arbitration and shall pay your attorney's fees if you prevail as determined by the arbitrator; if the Employer prevails as determined by the arbitrator, you shall pay the Employer's attorney's fees. The arbitrator shall not have jurisdiction or authority to change, add to or subtract from any of the lawful provisions of this Letter Agreement. YOU ACKNOWLEDGE AND AGREE THAT, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, ARBITRATION SHALL BE THE SOLE FORUM FOR THE RESOLUTION OF ANY AND ALL DISPUTES ARISING OUT OF OR RELATING TO THIS LETTER AGREEMENT. The decision of the arbitrator shall be a complete defense to any suit, action or proceeding instituted in any federal, state or local court or before any administrative agency with respect to any dispute which is arbitrable as herein set forth. The arbitration provisions hereof shall, with respect to any grievance, survive the termination or expiration of this Letter Agreement.

(e) *Section 409A.* This Letter Agreement is intended to comply with, or be exempt from, the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (including the applicable regulations thereunder) ("Section 409A"). To the extent that any provision in this Letter Agreement is ambiguous as to its compliance with Section 409A or to the extent any provision in this Letter Agreement must be modified to comply with Section 409A (including, without limitation, Treasury Regulation 1.409A-3(c)), such provision shall be read, or shall be modified (with the mutual consent of the parties, which consent shall not be unreasonably withheld), as the case may be, in such a manner so

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that all payments due under this Letter Agreement shall comply with Section 409A. For purposes of Section 409A, each payment made under this Letter Agreement shall be treated as a separate payment. In no event may you, directly or indirectly, designate the calendar year of payment. All reimbursements provided under this Letter Agreement shall be made or provided in accordance with Section 409A. Notwithstanding any other provision of this Letter Agreement to the contrary, if you are considered a "specified employee" for purposes of Section 409A (as determined in accordance with the methodology established by the Company), any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A that is otherwise due to you under this Letter Agreement during the six (6)-month period immediately following the Separation Date on account of your separation as described in Section 1(a) of this Letter Agreement shall instead be paid, with interest (based on the rate in effect for the month in which the Separation Date occurs), on the first business day of the seventh (7th) month following the Separation Date (the "Delayed Payment Date"), to the extent necessary to prevent the imposition of tax penalties on you under Section 409A. If you die during the postponement period, the amounts and entitlements delayed on account of Section 409A shall be paid to the personal representative of your estate on the first to occur of the Delayed Payment Date or thirty (30) calendar days after the date of your death.

(f) *Entire Agreement.* This Letter Agreement, together with the Severance Plan, set forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, term sheets, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of such subject matter.

(g) *Withholding Taxes.* The Company may withhold from any amounts or benefits payable under this Letter Agreement income taxes and payroll taxes that are required to be withheld pursuant to any applicable law or regulation.

(h) *Survival.* Upon the expiration or other termination of this Letter Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties hereunder.

(i) *Counterparts.* This Letter Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original instrument without the production of any other counterpart. Any signature on this Letter Agreement, delivered by either party by photographic, facsimile or PDF shall be deemed to be an original signature thereto.

[Signature Page Follows]

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If this Letter Agreement correctly describes our understanding, please execute and deliver a counterpart of this signature page, which shall become a binding agreement on our receipt.

Sincerely,

FIRST HAWAIIAN, INC.

By: /s/Robert S. Harrison

Name: Robert S. Harrison

Title: Chairman, President and  
Chief Executive Officer

By: /s/Robert S. Harrison

Name: Robert S. Harrison

Title: Chairman, President and

Chief Executive Officer

**Accepted and Agreed**

I hereby agree with and accept the terms  
and conditions of this Letter Agreement:

/s/Ralph M. Mesick

Name: Ralph M. Mesick

Date: June 28, 2023

[Signature Page to Letter Agreement]

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**Exhibit A**

**FORM OF RELEASE**

**THIS RELEASE** (this "Release") is entered into between Ralph M. Mesick ("Executive"), First Hawaiian, Inc. (the "Company") and First Hawaiian Bank (the "Bank", together with the Company, the "Employer") for the benefit of the Employer and its affiliates. The entering into and non-revocation of this Release is a condition to Executive's right to receive certain payments and benefits under Section 1 of the Letter Agreement entered into by and between Executive and the Employer, dated as of June 28, 2023 (the "Letter Agreement"). Capitalized terms used and not defined herein shall have the meaning provided in the Letter Agreement.

Accordingly, Executive and the Employer agree as follows.

**1. General Release and Waiver of Claims.**

(a) In consideration for the payments and other benefits provided to Executive by the Letter Agreement, to which Executive is not otherwise entitled, and the sufficiency of which Executive acknowledges, Executive, for himself, his agents, heirs, successors, assigns, executors and/or administrators (collectively, "Releasees"), finally and forever releases the Company and the Bank and the subsidiaries and affiliated companies of each, as well as the successors, predecessors, assigns, agents, directors, officers, employees, attorneys and representatives of all such entities, past or present (collectively, "Releasees"), from any and all causes of action, actions, judgments, liens, debts, contracts, indebtedness, damages, losses, claims, liabilities, rights, interests and demands of whatsoever kind or character, known or unknown, suspected to exist or not suspected to exist, anticipated or not anticipated, whether or not previously brought before any state or federal court or before any state or federal agency or other governmental entity, which Executive has or may have against any released person or entity, by reason of any and all acts, omissions, events or facts occurring or

existing prior to the date on which Executive signs this Release, including, without limitation, all claims concerning the employment of Executive or the termination of Executive's employment.

(b) This release by Executive includes, but is not limited to, claims for breach of contract, express or implied; promissory estoppel claims; constructive discharge claims; tort claims, including, but not limited to, intentional or negligent infliction of emotional distress, invasion of privacy, negligence, negligent investigation, negligent hiring or retention, assault and battery, defamation, intentional or negligent misrepresentation and fraud; claims of employment discrimination, harassment or retaliation; unlawful termination; wrongful termination in violation of public policy; claims for wages, hours, benefits, and compensation; and any and all claims for attorney's fees and costs. This release includes claims arising under any federal, state or other governmental statute, regulation or ordinance or common law, such as, for example and without limitation, Title VII of the Civil Rights Act of 1964, which prohibits discrimination on the basis of sex, race, color, national origin and religion; the Civil Rights Act of 1866; Civil Rights Act of 1991; the Age Discrimination in Employment Act ("ADEA") which prohibits discrimination on the basis of age 40 and older; Older Workers' Benefit Protection Act; the Americans with Disabilities Act, which prohibits discrimination on the basis of disability; the Genetic Information Non-Discrimination Act, which prohibits discrimination on the basis of genetic information; Fair Labor Standards Act; Employee Retirement and Income Security Act; Family Medical Leave Act; the Worker Adjustment and Retraining Notification Act; 42 U.S.C. § 1981; Hawaii Constitution; Hawaii Wage and Hour Law (Chapter 387, Hawaii Revised Statutes ("HRS")); Hawaii Employment Practices Act (Chapter 378, HRS) which, among other things, prohibits discrimination because of race, sex, sexual orientation, age.

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religion, color, ancestry, disability, marital status, arrest and court record, credit history or credit report, gender identity and expression, domestic or sexual violence victim status, or reproductive health decision; Dislocated Workers Act (Chapter 394B, HRS); Payment of Wages and Other Compensation statute (Chapter 388, HRS); the Hawaii Civil Rights Commission Act (Chapter 368, HRS); and the Whistleblowers' Protection Act (Chapter 378, Part V, HRS).

(c) The foregoing release means that Executive cannot sue Employer (or companies or people related to, employed by or who acted on behalf of Employer as set forth above) in court or bring any other legal proceedings for anything that happened during Executive's employment, for anything having to do with the termination of Executive's employment, or for any claim which Executive may have against Employer as of the date on which Executive signs this Release, except as permitted by law or regulation. However, in the event such a proceeding is brought, Executive agrees that the consideration provided to Executive in this Release and in the Letter Agreement shall be the sole relief provided for the claims that are released herein, and Executive will not be entitled to recover and Executive agrees to waive any monetary benefits or other recovery in connection with any such proceedings regardless of who has brought such claims.

2. Proceedings; Whistleblower Rights. To the maximum extent permitted by law, Executive agrees that he has not filed, nor will he ever file, a lawsuit asserting any claims that are released by this Release, or to accept any benefit from any lawsuit that might be filed by another person or government entity based in whole or in part on any event, act, or omission that is the subject of this Release. Notwithstanding the foregoing, nothing in this Release shall impair Executive's rights under the whistleblower provisions of any applicable federal law or regulation or, for the avoidance of doubt, limit Executive's right to receive an award for information provided to any government authority under such law or regulation.

3. Exclusions. Excluded from this Release are: (i) any rights or claims that the law does not allow to be released and/or waived by private agreement; (ii) Executive's rights to receive the benefits specified in Section 1 of the Letter Agreement, subject to the conditions and requirements set forth therein; (iii) Executive's rights to any equity or equity-based awards of the Employer, or payments in respect thereof, (iv) any rights Executive may have to receive vested amounts under any of the Employer's benefit plans and/or retirement or pension plans or programs; (v) Executive's rights in and to any equity or ownership interest that Executive continues to hold following his termination of employment; (vi) Executive's rights to medical benefit continuation coverage pursuant to federal law (COBRA); (vii) any rights or claims that are based on events occurring after the date on which Executive signs this Release, including for breach of the Letter

Agreement; (viii) Executive's rights to enforce or challenge the validity of this Release; or (ix) any claims to indemnification or insurance coverage, including but not limited to "D&O coverage", that Executive may have with respect to any claims made or threatened against Executive in Executive's capacity as a director, officer or employee of the Employer or the Releasees. Nothing contained in this Release shall release Executive from his obligations, including any obligations to abide by the covenants set forth in Section 2 of the Letter Agreement and any other restrictive covenants applicable to Executive that continue or are to be performed following termination of employment.

4. EEOC/HCRC Matters. The parties agree that this Release shall not affect the rights and responsibilities of the U.S. Equal Employment Opportunity Commission (the "EEOC") and/or the Hawaii Civil Rights Commission ("HCRC") to enforce laws under their respective jurisdictions. In addition, the parties agree that this Release shall not be used to justify interfering with

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Executive's protected right to file a charge or participate in an investigation or proceeding conducted by the EEOC or HCRC. The parties further agree that Executive knowingly and voluntarily waives all rights or claims (that arose prior to Executive's execution of this Release) the Releases may have against the Releasees, or any of them, to receive any benefit or remedial relief (including, but not limited to, reinstatement, back pay, front pay, damages, attorneys' fees, experts' fees) as a consequence of any investigation or proceeding conducted by the EEOC or HCRC.

5. Acknowledgements. Executive acknowledges that the Employer has specifically advised him of the right to seek the advice of an attorney concerning the terms and conditions of this Release. Executive further acknowledges that he has been furnished with a copy of this Release, and he has been afforded forty-five (45) calendar days in which to consider the terms and conditions set forth above prior to this Release. By executing this Release, Executive affirmatively states that he has had sufficient and reasonable time to review this Release and to consult with an attorney concerning his legal rights prior to the final execution of this Release. Executive further agrees that he has carefully read this Release and fully understands its terms. Executive understands that this Release shall become null and void if he revokes this Release within seven (7) days after signing this Release. Executive may revoke this Release at any time during such seven-day period by delivering (or causing to be delivered) written notice of his revocation of this Release no later than 5:00 p.m. Eastern time on the seventh (7th) full day following the date of execution of this Release to Iris Matsumoto, Chief Human Resources Officer, 999 Bishop Street, 29th Floor, Honolulu, HI 96813. Executive agrees and acknowledges that a letter of revocation that is not received by such date and time will be invalid and will not revoke this Release. Executive agrees that any modifications, material or otherwise, made to this Release, do not restart or affect in any manner the original up to forty-five (45) calendar day consideration period.

6. Additional Representations. Executive represents and warrants that, as of the date on which Executive signs this Release, (i) Executive has been paid all wages (including base compensation, incentive pay, bonuses, and any other remuneration) to which Executive was entitled by virtue of Executive's employment with Employer and is unaware of any facts or circumstances indicating that Executive may have an outstanding claim for unpaid wages, and (ii) Executive has not suffered any injury or illness arising out of or in the course and scope of Executive's employment with Employer for which Executive has not already filed a claim.

7. Governing Law. This Release shall be governed by and construed in accordance with the laws of the state of Hawaii, without giving effect to any choice of law or conflicting provision or rule (whether of the state of Hawaii or any other jurisdiction) that would cause the laws of any jurisdiction other than the state of Hawaii to be applied. In furtherance of the foregoing, the internal law of the state of Hawaii shall control the interpretation and construction of this Release, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

8. Severability. The provisions of this Release are severable, and if any part or portion of it is found to be unenforceable, all other parts and provisions shall remain fully valid and enforceable.

9. **Captions; Section Headings.** Captions and section headings used herein are for convenience only and are not a part of this Release and shall not be used in construing it.

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10. **Counterparts; Facsimile Signatures.** This Release may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original instrument without the production of any other counterpart. Any signature on this Release, delivered by either party by photographic, facsimile or PDF shall be deemed to be an original signature thereto.

11. **Effectiveness.** This Release shall become effective and enforceable on the eighth day following its execution by Executive, provided that he does not exercise his right of revocation as described above. If Executive fails to sign and deliver this Release or revokes his signature, this Release shall be without force or effect, and Executive shall not be entitled to the Severance Benefit of Section 1 of the Letter Agreement.

**THE PARTIES ACKNOWLEDGE THAT THEY HAVE READ THIS RELEASE AND THAT THEY FULLY KNOW, UNDERSTAND AND APPRECIATE ITS CONTENTS, AND THAT EACH OF THEM HEREBY EXECUTES THE SAME AND MAKES THIS RELEASE AND THE RELEASE PROVIDED FOR HEREIN VOLUNTARILY AND OF THEIR OWN FREE WILL.**

**BECAUSE THIS RELEASE INCLUDES A RELEASE OF CLAIMS UNDER ADEA, EXECUTIVE IS BEING PROVIDED WITH THE INFORMATION CONTAINED IN SCHEDULE 1 HERETO IN ACCORDANCE WITH THE OLDER WORKERS BENEFIT PROTECTION ACT (OWBPA).**

*[Signature Page Follows]*

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The parties knowingly and voluntarily sign this Release as of the date(s) set forth below:

FIRST HAWAIIAN, INC.

EXECUTIVE

By:

Name: Robert S. Harrison

Ralph M. Mesick

Title: Chairman, President and  
Chief Executive Officer

Date:

Date: \_\_\_\_\_

FIRST HAWAIIAN BANK

By: \_\_\_\_\_

Name: Robert S. Harrison

Title: Chairman, President and

Chief Executive Officer

Date:

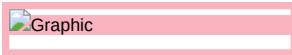
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**Schedule 1**

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**Exhibit 10.2**



Robert S. Harrison

Chairman, President & Chief Executive Officer

June 28, 2023

Mr. Lance A. Mizumoto

[Address]

[Address]

Dear Lance:

This letter (this "Letter Agreement") memorializes our recent discussions regarding your employment transition with First Hawaiian, Inc. (the "Company") and First Hawaiian Bank (the "Bank" and, together with the Company, the "Employer"). All capitalized terms that are not defined in this Letter Agreement are used with the meanings assigned in the Executive Severance Plan of First Hawaiian, Inc. (the "Severance Plan").

**1. Separation**

(a) Separation Date. As of October 1, 2023 (the "Separation Date"), your service as an officer and employee of the Employer and its affiliates shall cease. You agree that no further action is required by you or any of the preceding to make the termination provided for in this Section 1(a) effective, but you nonetheless agree to execute any documentation the Employer reasonably requests to confirm it and to not reassume any such service or position without the written consent of the Employer.

(b) Separation Payments. In accordance with the terms of the Severance Plan and subject to Section 1(c) of this Letter Agreement, without duplication of any payments or benefits, the Company shall pay you the cash severance you are entitled to receive specified in Section 4.2(a) of the Severance Plan (the "Severance Benefit") comprised of (1) an amount equal to one times your highest annual Base Salary earned at any time during the three complete fiscal years immediately preceding the Separation Date; and (2) an amount equal to one times the average of your actual payment amounts under the Annual Incentive Plan for each of the two completed fiscal years immediately preceding the fiscal year in which the Separation Date occurs. The Company shall pay the Severance Benefit, which totals \$842,299, to you in a lump sum on the first business day after January 1, 2024 (and not prior to January 1, 2024, notwithstanding Section 4.2 of the Severance Plan), provided that the Release described in Section 1(c)

has become effective and irrevocable pursuant to its terms; provided that in no event shall such amounts be paid later than March 15 of the year following the year during which the Separation Date occurs.

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(c) **Release.** Payment of the Severance Benefit is conditioned on your execution, on or after the Separation Date, but not later than the 58<sup>th</sup> day following the Separation Date (as required by Section 4.5 of the Severance Plan), of a general release and waiver of claims in the form attached as Exhibit A relating to the period of your employment with the Employer (the "Release"), and such Release not being revoked and becoming effective and enforceable in accordance with its terms.

(d) **Equity Compensation.** Upon your separation from employment, you are eligible for Retirement treatment under the terms of the applicable Company equity incentive plans and award agreements, and your entitlements in respect of any equity-based awards shall be governed by the terms and conditions of such equity incentive plans and award agreements.

(e) **Other Retirement Benefits.** Upon your separation from employment, you are eligible for benefits as a retiree in accordance with applicable benefit plans.

## **2. Transition Period; Early Termination**

(a) **Base Salary; Bonus; Benefits.** During the period between the date of this Letter Agreement and the Separation Date (the "Transition Period"), the Company will continue to pay you a base salary at your current rate and you shall continue to participate in the Company's employee benefits plans in which you currently participate. In addition, you will continue to be eligible for a discretionary annual performance bonus for the fiscal year ending December 31, 2023, prorated based on the number of full months that have elapsed as of the Separation Date for such fiscal year, subject to the terms of the First Hawaiian Inc. Bonus Plan and achievement of both Company and individual performance goals with respect to such plan; provided that the Company will recommend to the Compensation Committee of the Board of Directors of the Company that, in respect of your individual performance, you have met expectations on all metrics through the date hereof. If awarded, the bonus shall be paid to you at the same time awards are paid to all other participants, which shall be no later than March 15 of the year following the year during which the Separation Date occurs.

(b) **Termination without Cause, or for Good Reason.** If, during the Transition Period, your employment is involuntarily terminated by the Employer without Cause, or you terminate employment from the Employer for Good Reason (each, as defined in the Severance Plan), the date of such termination shall be treated as the Separation Date, yet such occurrence shall not affect the compensation to be provided to you (or your estate) under Section 1 of this Letter Agreement or this Section 2, subject to Section 1(c) of this Letter Agreement and your continued compliance with Section 3 of this Letter Agreement.

(c) **Termination for Cause, or without Good Reason.** If, during the Transition Period, your employment is terminated by the Employer for Cause, or you terminate employment from the Employer without Good Reason (each, as defined in the Severance Plan), you shall not be entitled to any further compensation under this Letter Agreement.

## **3. Protective Covenants**

(a) **Generally.** You shall continue to be subject to the restrictive covenants set forth under Section 9 of the Severance Plan, which are incorporated herein by reference and reaffirmed in all respects.

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(b) **Trade Secrets; Whistleblower Rights.** The Employer hereby informs you that, notwithstanding any provision of this Letter Agreement or the Severance Plan to the contrary, an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (1) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law, or (2) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual files any document containing

the trade secret under seal and does not disclose the trade secret, except pursuant to court order. In addition, notwithstanding anything in this Letter Agreement to the contrary, nothing in this Letter Agreement shall impair your rights under the whistleblower provisions of any applicable federal law or regulation or, for the avoidance of doubt, limit your right to receive an award for information provided to any government authority under such law or regulation.

#### 4. Miscellaneous

(a) *Cooperation*. Following the Separation Date, you agree to provide cooperation, at the reasonable request of the Employer and without unreasonable interference as to your professional and personal pursuits, to be compensated by Employer at the rate of \$250.00 per hour, with the transitioning of your job duties and responsibilities and any investigation, litigation, arbitration or regulatory proceeding or other legal, equitable or business matters or proceedings that occurred during your employment with the Employer, including by making yourself reasonably available to consult with the Employer's counsel.

(b) *Indemnification*. Notwithstanding anything herein to the contrary, the parties hereto acknowledge and agree that any indemnification obligation by Employer and/or indemnification agreement between you and the Employer will remain in full force and in effect and the parties' obligations and duties thereunder are not in any way modified or superseded by this Letter Agreement.

(c) *Governing Law; Amendment*. This Letter Agreement shall be governed and construed in accordance with the laws of the State of Hawaii, without regard to conflict of laws principles thereof. This Letter Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(d) *Dispute Resolution*. Any controversy or claim arising out of or relating to this Letter Agreement or the breach thereof shall be settled by arbitration in Honolulu, Hawaii. Discovery shall be allowed in any such proceeding to the same extent as would be allowed under the rules of the civil courts of the State of Hawaii and shall be conducted in accordance with such rules. The arbitrator shall be chosen by mutual agreement or, if no agreement is reached, under the rules for arbitrator selection provided by the American Arbitration Association Employment Arbitration Rules. The arbitrator's award shall be in the form of a written opinion sufficient to allow for appropriate judicial review, shall be a final and binding determination of the dispute, and shall be fully enforceable as an arbitration award by the Hawaii courts in accordance with Hawaii law. The arbitrator shall decide whether the conduct complained of violates the legal rights of the complaining party and, if so, to award the relief allowed by law. The Company shall pay the cost of the

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arbitration and shall pay your attorney's fees if you prevail as determined by the arbitrator; if the Employer prevails as determined by the arbitrator, you shall pay the Employer's attorney's fees. The arbitrator shall not have jurisdiction or authority to change, add to or subtract from any of the lawful provisions of this Letter Agreement. YOU ACKNOWLEDGE AND AGREE THAT, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, ARBITRATION SHALL BE THE SOLE FORUM FOR THE RESOLUTION OF ANY AND ALL DISPUTES ARISING OUT OF OR RELATING TO THIS LETTER AGREEMENT. The decision of the arbitrator shall be a complete defense to any suit, action or proceeding instituted in any federal, state or local court or before any administrative agency with respect to any dispute which is arbitrable as herein set forth. The arbitration provisions hereof shall, with respect to any grievance, survive the termination or expiration of this Letter Agreement.

(e) *Section 409A*. This Letter Agreement is intended to comply with, or be exempt from, the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (including the applicable regulations thereunder) ("Section 409A"). To the extent that any provision in this Letter Agreement is ambiguous as to its compliance with Section 409A or to the extent any provision in this Letter Agreement must be modified to comply with Section 409A (including, without limitation, Treasury Regulation 1.409A-3(c)), such provision shall be read, or shall be modified (with the mutual consent of the parties, which consent shall not be unreasonably withheld), as the case may be, in such a manner so that all payments due under this Letter Agreement shall comply with Section 409A. For purposes of Section 409A, each payment made under this Letter Agreement shall be treated as a separate payment. In no event may you, directly or indirectly, designate the calendar year of payment. All reimbursements provided under this Letter Agreement shall be made or provided in accordance with Section 409A. Notwithstanding any other provision of this Letter Agreement to the contrary, if you are considered a "specified employee" for purposes of Section 409A (as determined in accordance with the methodology established by the Company), any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A that is otherwise due to you under this Letter Agreement during the six (6)-month period

immediately following the Separation Date on account of your separation as described in Section 1(a) of this Letter Agreement shall instead be paid, with interest (based on the rate in effect for the month in which the Separation Date occurs), on the first business day of the seventh (7th) month following the Separation Date (the "Delayed Payment Date"), to the extent necessary to prevent the imposition of tax penalties on you under Section 409A. If you die during the postponement period, the amounts and entitlements delayed on account of Section 409A shall be paid to the personal representative of your estate on the first to occur of the Delayed Payment Date or thirty (30) calendar days after the date of your death.

(f) *Entire Agreement.* This Letter Agreement, together with the Severance Plan, set forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, term sheets, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of such subject matter.

(g) *Withholding Taxes.* The Company may withhold from any amounts or benefits payable under this Letter Agreement income taxes and payroll taxes that are required to be withheld pursuant to any applicable law or regulation.

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(h) *Survival.* Upon the expiration or other termination of this Letter Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties hereunder.

(i) *Counterparts.* This Letter Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original instrument without the production of any other counterpart. Any signature on this Letter Agreement, delivered by either party by photographic, facsimile or PDF shall be deemed to be an original signature thereto.

[Signature Page Follows]

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If this Letter Agreement correctly describes our understanding, please execute and deliver a counterpart of this signature page, which shall become a binding agreement on our receipt.

Sincerely,

FIRST HAWAIIAN, INC.

By: /s/Robert S. Harrison

Name: Robert S. Harrison

Title: Chairman, President and  
Chief Executive Officer

FIRST HAWAIIAN BANK

By: /s/Robert S. Harrison  
Name: Robert S. Harrison  
Title: Chairman, President and  
Chief Executive Officer

**Accepted and Agreed**

I hereby agree with and accept the terms  
and conditions of this Letter Agreement:

/s/Lance A. Mizumoto  
Name: Lance A. Mizumoto  
Date: June 28, 2023

[Signature Page to Letter Agreement]

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**Exhibit A**

**FORM OF RELEASE**

**THIS RELEASE** (this "Release") is entered into between Lance A. Mizumoto ("Executive"), First Hawaiian, Inc. (the "Company") and First Hawaiian Bank (the "Bank", together with the Company, the "Employer") for the benefit of the Employer and its affiliates. The entering into and non-revocation of this Release is a condition to Executive's right to receive certain payments and benefits under Section 1 of the Letter Agreement entered into by and between Executive and the Employer, dated as of June 28, 2023 (the "Letter Agreement"). Capitalized terms used and not defined herein shall have the meaning provided in the Letter Agreement.

Accordingly, Executive and the Employer agree as follows.

**1. General Release and Waiver of Claims.**

(a) In consideration for the payments and other benefits provided to Executive by the Letter Agreement, to which Executive is not otherwise entitled, and the sufficiency of which Executive acknowledges, Executive, for himself, his agents, heirs, successors, assigns, executors and/or administrators (collectively, "Releasees"), finally and forever releases the Company and the Bank and the subsidiaries and affiliated companies of each, as well as the successors, predecessors, assigns, agents, directors, officers, employees, attorneys and representatives of all such entities, past or present (collectively, "Releasees"), from any and all causes of action, actions, judgments, liens, debts, contracts, indebtedness, damages, losses, claims, liabilities, rights, interests and demands of whatsoever kind or character, known or unknown, suspected to exist or not suspected to exist, anticipated or not anticipated, whether or not previously brought before any state or federal court or before any state or federal agency or other governmental entity, which Executive has or may have against any released person or entity, by reason of any and all acts, omissions, events or facts occurring or existing prior to the date on which Executive signs this Release, including, without limitation, all claims concerning the employment of Executive or the termination of Executive's employment.

(b) This release by Executive includes, but is not limited to, claims for breach of contract, express or implied; promissory estoppel claims; constructive discharge claims; tort claims, including, but not limited to, intentional or negligent infliction of emotional distress, invasion of privacy, negligence, negligent investigation, negligent hiring or retention, assault and battery, defamation, intentional or negligent misrepresentation and fraud; claims of employment discrimination, harassment or retaliation; unlawful termination; wrongful termination in violation of public policy; claims for wages, hours, benefits, and compensation; and any and all claims for attorney's fees and costs. This release includes claims arising under any federal, state or other governmental statute, regulation or ordinance or common law, such as, for example and without limitation, Title VII of the Civil Rights Act of 1964, which prohibits discrimination on the basis of sex, race, color, national origin and religion; the Civil Rights Act of 1866; Civil Rights Act of 1991; the Age Discrimination in Employment Act ("ADEA") which prohibits discrimination on the basis of age 40 and older; Older Workers' Benefit Protection Act; the Americans with Disabilities Act, which prohibits discrimination on the basis of disability; the Genetic Information Non-Discrimination Act, which prohibits discrimination on the basis of genetic information; Fair Labor Standards Act; Employee Retirement and Income Security Act; Family Medical Leave Act; the Worker Adjustment and Retraining Notification Act; 42 U.S.C. § 1981; Hawaii Constitution; Hawaii Wage and Hour Law (Chapter 387, Hawaii Revised Statutes ("HRS")); Hawaii Employment Practices Act (Chapter 378, HRS) which, among other things, prohibits discrimination because of race, sex, sexual orientation, age.

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religion, color, ancestry, disability, marital status, arrest and court record, credit history or credit report, gender identity and expression, domestic or sexual violence victim status, or reproductive health decision; Dislocated Workers Act (Chapter 394B, HRS); Payment of Wages and Other Compensation statute (Chapter 388, HRS); the Hawaii Civil Rights Commission Act (Chapter 368, HRS); and the Whistleblowers' Protection Act (Chapter 378, Part V, HRS).

(c) The foregoing release means that Executive cannot sue Employer (or companies or people related to, employed by or who acted on behalf of Employer as set forth above) in court or bring any other legal proceedings for anything that happened during Executive's employment, for anything having to do with the termination of Executive's employment, or for any claim which Executive may have against Employer as of the date on which Executive signs this Release, except as permitted by law or regulation. However, in the event such a proceeding is brought, Executive agrees that the consideration provided to Executive in this Release and in the Letter Agreement shall be the sole relief provided for the claims that are released herein, and Executive will not be entitled to recover and Executive agrees to waive any monetary benefits or other recovery in connection with any such proceedings regardless of who has brought such claims.

2. Proceedings; Whistleblower Rights. To the maximum extent permitted by law, Executive agrees that he has not filed, nor will he ever file, a lawsuit asserting any claims that are released by this Release, or to accept any benefit from any lawsuit that might be filed by another person or government entity based in whole or in part on any event, act, or omission that is the subject of this Release. Notwithstanding the foregoing, nothing in this Release shall impair Executive's rights under the whistleblower provisions of any applicable federal law or regulation or, for the avoidance of doubt, limit Executive's right to receive an award for information provided to any government authority under such law or regulation.

3. Exclusions. Excluded from this Release are: (i) any rights or claims that the law does not allow to be released and/or waived by private agreement; (ii) Executive's rights to receive the benefits specified in Sections 1 and 2 of the Letter Agreement, subject to the conditions and requirements set forth therein; (iii) Executive's rights to any equity or equity-based awards of the Employer, or payments in respect thereof, (iv) any rights Executive may have to receive vested amounts under any of the Employer's benefit plans and/or retirement or pension plans or programs; (v) Executive's rights in and to any equity or ownership interest that Executive continues to hold following his termination of employment; (vi) Executive's rights to medical benefit continuation coverage pursuant to federal law (COBRA); (vii) any rights or claims that are based on events occurring after the date on which Executive signs this Release, including for breach of the Letter Agreement; (viii) Executive's rights to enforce or challenge the validity of this Release; or (ix) any claims to indemnification or insurance coverage, including but not limited to "D&O coverage", that Executive may have with respect to any claims made or threatened against Executive in Executive's capacity as a director, officer or employee of the Employer or the Releasees. Nothing contained in this Release shall release Executive from his obligations, including any obligations to

abide by the covenants set forth in Section 3 of the Letter Agreement and any other restrictive covenants applicable to Executive that continue or are to be performed following termination of employment.

4. **EEOC/HCRC Matters.** The parties agree that this Release shall not affect the rights and responsibilities of the U.S. Equal Employment Opportunity Commission (the "EEOC") and/or the Hawaii Civil Rights Commission ("HCRC") to enforce laws under their respective jurisdictions. In addition, the parties agree that this Release shall not be used to justify interfering with

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Executive's protected right to file a charge or participate in an investigation or proceeding conducted by the EEOC or HCRC. The parties further agree that Executive knowingly and voluntarily waives all rights or claims (that arose prior to Executive's execution of this Release) the Releases may have against the Releasees, or any of them, to receive any benefit or remedial relief (including, but not limited to, reinstatement, back pay, front pay, damages, attorneys' fees, experts' fees) as a consequence of any investigation or proceeding conducted by the EEOC or HCRC.

5. **Acknowledgements.** Executive acknowledges that the Employer has specifically advised him of the right to seek the advice of an attorney concerning the terms and conditions of this Release. Executive further acknowledges that he has been furnished with a copy of this Release, and he has been afforded forty-five (45) calendar days in which to consider the terms and conditions set forth above prior to this Release. By executing this Release, Executive affirmatively states that he has had sufficient and reasonable time to review this Release and to consult with an attorney concerning his legal rights prior to the final execution of this Release. Executive further agrees that he has carefully read this Release and fully understands its terms. Executive understands that this Release shall become null and void if he revokes this Release within seven (7) days after signing this Release. Executive may revoke this Release at any time during such seven-day period by delivering (or causing to be delivered) written notice of his revocation of this Release no later than 5:00 p.m. Eastern time on the seventh (7th) full day following the date of execution of this Release to Iris Matsumoto, Chief Human Resources Officer, 999 Bishop Street, 29th Floor, Honolulu, HI 96813. Executive agrees and acknowledges that a letter of revocation that is not received by such date and time will be invalid and will not revoke this Release. Executive agrees that any modifications, material or otherwise, made to this Release, do not restart or affect in any manner the original up to forty-five (45) calendar day consideration period.

6. **Additional Representations.** Executive represents and warrants that, as of the date on which Executive signs this Release, (i) Executive has been paid all wages (including base compensation, incentive pay, bonuses, and any other remuneration) to which Executive was entitled by virtue of Executive's employment with Employer and is unaware of any facts or circumstances indicating that Executive may have an outstanding claim for unpaid wages, and (ii) Executive has not suffered any injury or illness arising out of or in the course and scope of Executive's employment with Employer for which Executive has not already filed a claim.

7. **Governing Law.** This Release shall be governed by and construed in accordance with the laws of the state of Hawaii, without giving effect to any choice of law or conflicting provision or rule (whether of the state of Hawaii or any other jurisdiction) that would cause the laws of any jurisdiction other than the state of Hawaii to be applied. In furtherance of the foregoing, the internal law of the state of Hawaii shall control the interpretation and construction of this Release, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

8. **Severability.** The provisions of this Release are severable, and if any part or portion of it is found to be unenforceable, all other parts and provisions shall remain fully valid and enforceable.

9. **Captions; Section Headings.** Captions and section headings used herein are for convenience only and are not a part of this Release and shall not be used in construing it.

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10. **Counterparts; Facsimile Signatures.** This Release may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original instrument without the production of any other counterpart. Any signature on this Release, delivered by either party by photographic, facsimile or PDF shall be deemed to be an original signature thereto.

11. **Effectiveness.** This Release shall become effective and enforceable on the eighth day following its execution by Executive, provided that he does not exercise his right of revocation as described above. If Executive fails to sign and deliver this Release or revokes his signature, this Release shall be without force or effect, and Executive shall not be entitled to the Severance Benefit of Section 1 of the Letter Agreement.

**THE PARTIES ACKNOWLEDGE THAT THEY HAVE READ THIS RELEASE AND THAT THEY FULLY KNOW, UNDERSTAND AND APPRECIATE ITS CONTENTS, AND THAT EACH OF THEM HEREBY EXECUTES THE SAME AND MAKES THIS RELEASE AND THE RELEASE PROVIDED FOR HEREIN VOLUNTARILY AND OF THEIR OWN FREE WILL.**

**BECAUSE THIS RELEASE INCLUDES A RELEASE OF CLAIMS UNDER ADEA, EXECUTIVE IS BEING PROVIDED WITH THE INFORMATION CONTAINED IN SCHEDULE 1 HERETO IN ACCORDANCE WITH THE OLDER WORKERS BENEFIT PROTECTION ACT (OWBPA).**

*[Signature Page Follows]*

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The parties knowingly and voluntarily sign this Release as of the date(s) set forth below:

FIRST HAWAIIAN, INC.

EXECUTIVE

By:

Name: Robert S. Harrison

Title: Chairman, President and  
Chief Executive Officer

Date:

Lance A. Mizumoto

Date: \_\_\_\_\_

FIRST HAWAIIAN BANK

By: \_\_\_\_\_

Name: Robert S. Harrison

Title: Chairman, President and  
Chief Executive Officer

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**Schedule 1**

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**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: **August 7, 2023** November 6, 2023

/s/ Robert S. Harrison

Robert S. Harrison

Chairman of the Board, President and Chief Executive Officer  
(Principal Executive Officer)

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**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: **August 7, 2023** November 6, 2023

/s/ James M. Moses

James M. Moses

Vice Chairman and Chief Financial Officer

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**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 **June 30, 2023** **September 30, 2023** (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: **August 7, 2023** November 6, 2023

/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.

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**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 **June 30, 2023** **September 30, 2023** (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: **August 7, 2023** November 6, 2023

/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.

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