Risk Factors Comparison 2024-02-21 to 2023-02-24 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

• The ~~COVID~~ occurrence of fraudulent activity, data privacy breaches, failures of our information security controls or cybersecurity - ~~19~~ related incidents could have a material adverse effect on our business, financial condition and results of operations. General Risk Factors • We are dependent on key personnel and the loss of one or more of those key personnel may materially and adversely affect our prospects. • Natural disasters and other external events (including pandemic viruses or disease) could have a material adverse effect on our financial condition and results of operations. • Climate change could have a material adverse effect on us and our customers. Risks Related to General Economic Conditions Recent negative developments affecting the banking industry, such as bank failures or concerns involving liquidity, may have a material adverse effect on the Company' s operations. High- profile bank failures in the first half of 2023, and the resulting media coverage, caused general uncertainty and concern regarding the liquidity adequacy of the banking industry and in particular, regional and community banks like the Company. Uncertainty and concern may be compounded by the reach and depth of media attention, including social media, and its ability to disseminate concerns or rumors about these kinds of events or other similar risks, and may have in the past and may in the future lead to market- wide liquidity problems and concerns from the Company' s own customer base. These bank failures underscore the importance of maintaining diversified sources of funding as key measures to ensure the safety and soundness of a financial institution. As a ~~resulted~~ -- result ~~in~~ , market conditions ~~an~~ and ~~extreme decline in tourism to the~~ other ~~state~~ external factors may impact the competitive landscape for deposits in the banking industry and could materially adversely impact the Company' s liquidity and results of operations. While the Department of the Treasury, the Federal Reserve, and the FDIC took steps to ensure that depositors of these recently failed banks would have access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will continue to be successful in restoring customer confidence in the banking industry. Difficult economic and market conditions in Hawaii would ~~in 2020. In 2021 and 2022, we experienced a rebound in tourism, but not to the full extent of pre- pandemic levels. Should economic conditions in the state of Hawaii deteriorate again due to actual or perceived increase in COVID- 19 risk, including further spread and new variants, it can negatively impact our results~~ - result in significant ~~of operations, including our net income. In addition, material~~ adverse effects on us because of the geographic concentration of our business ~~may include all~~ . Unlike larger national or other regional banks that are more geographically diversified, ~~or~~ our ~~a combination of valuation impairments~~ business and operations are closely tied to the Hawaii market. The Hawaii economy relies on tourism, real estate, government and other service- based industries. Declines in tourism, fluctuations in foreign exchange rates, increases in energy costs, the availability of affordable air transportation, adverse weather and natural disasters, and local budget issues impact consumer and corporate spending. As a result, such events may contribute to the deterioration in Hawaii' s general economic condition, which could adversely impact us and our borrowers. In addition, the high concentration of Hawaii real estate loans in our portfolio, combined with the deterioration in these sectors caused by an economic downturn, previously had and could have in the future a significantly more adverse impact on our operating results than many other banks across the nation. If our borrowers experience financial difficulty, ~~our~~ - or if property values securing our real estate loans decline, we will incur elevated credit costs due to the composition and concentration of our loan portfolio, which will have an adverse effect on our financial condition and results of operations. The fiscal, monetary and regulatory policies of the federal government and its agencies could have a material adverse effect on our results of operations. The FRB regulates the supply of money and credit in the U. S. Its policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments, ~~loans, mortgage servicing rights, deferred tax~~ both of which affect the net interest margin. It also can materially decrease the value of financial assets we hold, such as debt securities. Our net interest income and net interest margin may be negatively impacted during periods of rate tightening due to pressure on ~~or~~ our ~~counter~~ funding costs, particularly if we are unable to realize higher rates on our assets at a pace that matches that of the funding. Additionally, during periods of rate easing, our asset yields are expected to decline and the pace at which we are able to reduce our funding costs may be impacted by competitive and liquidity pressures. Changes in the slope of the yield curve, which represents the spread between short - ~~party risk derivatives~~ term and long- term interest rates, could also reduce our net interest income and net interest margin . ~~Further~~ Historically, the yield curve is upward sloping, meaning short- term rates are lower than long- term rates. When the yield curve flattens or inverts, our net interest income and net interest margin could decrease as our cost of funds increases relative to the yield we can earn on our assets. In a high interest rate environment, as we are currently experiencing , there is potential for decreased demand for our loan products, an increase in our cost of funds, and the curtailment of economic recovery. Changes in FRB policies and our regulatory environment are beyond our control, and we are unable to predict ~~that~~ what changes may occur or the manner in which any future changes may affect our business ~~operations may be disrupted if our workforce is unable to work effectively~~ , ~~including because of illness, quarantines, government actions, or other restrictions. While the COVID- 19 pandemic impact to our business has diminished in 2022, there is potential that it could continue to impact our business, results of operations, and~~ financial condition and results of operation. Negative developments in the global and U. S. economies could have an adverse effect on us. Our business and operations are sensitive to business and economic conditions globally and domestically. Adverse economic and business conditions in the U. S. generally , and in our market areas, in particular, could reduce our growth rate, affect our

borrowers' ability to repay their loans and, consequently, adversely affect our financial condition and performance. Other economic conditions that affect our financial performance include short- term and long- term interest rates, the prevailing yield curve, inflation (which we are currently experiencing) and price levels (particularly for real estate), monetary policy, unemployment and the strength of the domestic economy as ~~well as our~~ **a whole. Unfavorable market conditions can** ~~results~~ - **result in a deterioration in the credit quality** of ~~operations~~ **our borrowers and the demand for our products and services,** ~~and~~ - **an increase in the number of loan delinquencies, defaults and charge- offs, additional provisions for credit losses, adverse asset values and an overall material adverse effect on the quality of our loan portfolio. Unfavorable** ~~our~~ - **or** ~~regulatory~~ **uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and** capital ~~and liquidity ratios~~ **; increases in inflation or interest rates; high unemployment; natural disasters; or a combination of these or other factors** . Credit Risks A large percentage of our loans are collateralized by real estate and ~~any~~ deterioration in the real estate market may ~~result in additional losses and~~ adversely affect our financial results. Our results of operations have been, and in future periods, will continue to be significantly impacted by the economy in Hawaii, and to a lesser extent, other markets we are exposed to including California. Approximately ~~76~~ **78** % of our loan portfolio as of December 31, ~~2022~~ **2023** was comprised of loans primarily collateralized by real estate, with the significant majority of these loans concentrated in Hawaii. Deterioration of the economic environment in Hawaii, California or other markets we are exposed to, domestic or foreign, including a decline in the real estate market and single- family home resales or a material external shock, may significantly impair the value of our collateral and our ability to sell the collateral upon foreclosure. In the event of a default with respect to any of these loans, amounts received upon sale of the collateral may be insufficient to recover outstanding principal and interest on the loan. Our **real estate loan operations have a considerable effect on our results of operations. The performance of our real estate loans depends on a number of factors, including the continued strength of the real estate markets in which we operate. As we have previously seen in the Hawaii and U. S. Mainland construction and real estate markets, the strength of the real estate market and the results of our operations could be negatively affected by an economic downturn. In addition, declines in the market for commercial property could cause some of our borrowers to suffer losses on their projects, which would negatively affect our financial condition, results of operations and prospects. Declines in housing prices and the supply of existing houses for sale could cause residential developers who are our borrowers to suffer losses on their projects and encounter difficulty in repaying their loans. We cannot provide assurance that we will have an adequate** allowance for credit ~~loss~~ **losses** ~~methodology~~ **to cover future losses. If we suffer greater losses than we are projecting, our financial condition and** ~~resulted~~ **results** ~~in a~~ **of operations would be adversely affected. Provisions for** credit ~~to~~ **losses and charge- offs of additional loans in the future, could adversely affect** our **results of operations. For the year ended December 31, 2023, we recorded $ 15. 7 million in** provision for credit losses ~~but the credit provision may not continue~~ . **Because** ~~In 2021 and 2022,~~ we ~~recorded a credit to the provision for credit losses. Although other factors of our overall risk profile~~ have **a significant amount of** ~~improved in recent years and general economic trends and market conditions have stabilized, concerns over the global and U. S. economies still remain. Accordingly, it is possible that the~~ real estate ~~markets we participate~~ **loans, decreases** in **real estate values** could ~~deteriorate~~ **adversely affect the value of property used** as **collateral for our loans** ~~it did from the latter part of 2007 through 2010~~ . **As a** ~~If this occurs, it may~~ result **of a variety of factors** ~~in an increase in loan delinquencies~~ , ~~loan charge- offs~~ **including a decline in local** , ~~and~~ **national** ~~our~~ - **or international** ~~allowance for credit losses. Even if~~ economic conditions ~~improve or stay the same~~ , it is possible that we may experience material credit losses and in turn, ~~increases~~ **decreases** to our allowance for credit losses ~~, due to any number of factors~~ . If that were to occur, we may have to record ~~a~~ **additional** ~~provision~~ **provisions** for credit losses which would have an adverse impact on our net income **, financial** ~~. Under typical stable portfolio and market conditions~~ - **condition and capital ratios** ~~, we would generally record a provision for credit losses when there is growth in our loan portfolio~~ . Our allowance for credit losses may not be sufficient to cover actual credit losses, which could adversely affect our results of operations. Additional credit losses may occur in the future and may occur at a rate greater than we have experienced to date. As a lender, we are exposed to the risk that our loan customers may not repay their loans according to their terms and that the collateral or guarantees securing these loans may be insufficient to assure repayment. The underwriting and credit monitoring policies and procedures that we have adopted to address this risk may not prevent unexpected losses that could have a material adverse effect on our business, financial condition, results of operations and cash flows. We maintain an allowance for credit losses to provide for loan defaults and non- performance, which also includes increases for new loan growth. While we believe that our allowance for credit losses is appropriate to cover expected losses, we cannot **provide** ~~assure~~ **assurance** ~~you~~ that we will not increase the allowance for credit losses further or that regulators will not require us to increase the allowance for credit losses which could have a material adverse effect on our net income and financial condition. Management makes various assumptions and judgments about the collectability of our loan portfolio, which are regularly reevaluated and are based in part on: • current **and forecasted** economic conditions and their estimated effects on specific borrowers; • an evaluation of the existing relationships among loans, potential credit losses and the present level of the allowance for credit losses; • results of examinations of our loan portfolios by regulatory agencies; and • management' s internal review of the loan portfolio. In determining the size of the allowance for credit loss, we rely on an analysis of our loan portfolio, our experience and a third- party economic forecast. If our assumptions prove to be incorrect, our current allowance for credit losses may not be sufficient to cover the losses. In addition, third parties, including our federal and state regulators, periodically evaluate the adequacy of our allowance for credit losses and may communicate with us concerning the methodology or judgments that we have raised in determining the allowance for credit losses. As a result of this input, we may be required to assign different grades to specific credits, increase our provision for credit losses, and / or recognize further loan charge offs which could have a material adverse effect on our net income and financial condition. See Note 1- Summary of Significant Accounting Policies to the Consolidated

Financial Statements under" Part II, Item 8. Financial Statements and Supplementary Data." Our commercial ~~, financial~~ and ~~agricultural~~ **industrial** loan and commercial real estate loan portfolios expose us to risks that may be greater than the risks related to our other loans. Our loan portfolio includes commercial ~~, financial~~ and ~~agricultural~~ **industrial** loans and commercial real estate loans, which are secured by commercial real estate, including but not limited to, structures and facilities to support activities designated as multi- family residential properties, industrial, warehouse, general office, retail, health care and religious dwellings. Commercial ~~, financial~~ and ~~agricultural~~ **industrial** and commercial real estate loans carry more risk as compared to other types of lending, because they typically involve larger loan balances often concentrated with a single borrower or groups of related borrowers. Accordingly, charge- offs on commercial ~~, financial~~ and ~~agricultural~~ **industrial** and commercial real estate loans may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. In addition, these loans expose a lender to greater credit risk than loans secured by residential real estate. The payment experience on commercial real estate loans that are secured by income producing properties are typically dependent on the successful operation of the related real estate property and thus, may subject us to adverse conditions in the real estate market or to the general economy. The collateral securing these loans typically cannot be liquidated as easily as residential real estate. If we foreclose on these loans, our holding period for the collateral typically is longer than residential properties because there are fewer potential purchasers of the collateral. Unexpected deterioration in the credit quality of our commercial or commercial real estate loan portfolios would require us to increase our provision for credit losses, which would reduce our profitability and could materially adversely affect our business, financial condition, results of operations and prospects. **Furthermore, such deterioration could require us to raise additional capital.** In addition, federal and state banking regulators may require banks with higher levels of commercial real estate loans to implement more stringent underwriting, internal controls, risk management policies and portfolio stress testing, as well as possibly higher levels of allowances for credit losses and capital levels as a result of commercial real estate lending growth and exposures. We may incur future losses in connection with certain representations and warranties we have made with respect to mortgages that we have sold in the secondary market. In connection with the sale of mortgage loans into the secondary market, we make representations and warranties, which, if breached, may require us to repurchase such loans, substitute other loans or indemnify the purchasers of such loans for actual losses incurred in respect to such loans. A substantial decline in residential real estate values in the markets in which we originated such loans could increase the risk of such consequences. While we currently believe our repurchase risk is low, it is possible that requests to repurchase loans could occur in the future and such requests may have a material adverse effect on our Consumer protection initiatives related to the foreclosure process could materially affect our ability as a creditor to obtain remedies.In 2011,Hawaii revised its rules for nonjudicial,or out- of- court,foreclosures.Prior to the revision,most lenders used the nonjudicial foreclosure method to handle foreclosures in Hawaii,as the process was less expensive and quicker than going through the court foreclosure process.After the revised rules went into effect,many lenders ended up forgoing nonjudicial foreclosures entirely and filing all foreclosures in court,which has created a backlog and slowed the judicial foreclosure process.Many lenders continue to exclusively use the judicial foreclosure process,making the foreclosure process very lengthy.Additionally,the joint federal- state settlement with several mortgage servicers over abuse of foreclosure practices creates further uncertainty for us and the mortgage servicing industry in general with respect to implementation of mortgage loan modifications and loss mitigation practices going forward.The manner in which these issues are ultimately resolved could impact our foreclosure procedures,which in turn could adversely affect our business, financial condition ~~and~~ **or** results of operations. ~~Our~~ Banking- as- a- Service (" BaaS") collaboration agreements **that we may enter into** may expose us to credit risk. ~~In connection~~ **Our BaaS collaboration agreements, as they have in the past, may include loan or line of credit arrangements** with our **partners** ~~collaboration with Swell Financial, Inc. (" Swell") and Elevate Credit, Inc. (" Elevate "), our bank has entered into an~~ **and may also include various loss sharing** ~~agreement~~ **agreements** ~~with Swell in which Swell markets~~ **. We typically will require guarantees and / or collateral to protect the** ~~bank~~ **Bank against** ~~consumer checking and consumer line of~~ credit **risk. However,** ~~(" LOC ") accounts using the~~ **there is a risk that our partners** ~~Swell brand and Swell' s digital platform. A subsidiary of Elevate~~ will be **unable** ~~providing the underwriting model for the LOC accounts. There is a credit enhancement agreement in place between the Company and Elevate, in which a subsidiary of Elevate will cover losses on the LOC accounts up~~ to ~~a certain specified amount, and will provide cash collateral to the bank to secure payment of such losses. Further, Elevate is a partial guarantor of losses on the LOC accounts. While the bank believes the cash collateral on deposit at the bank from Elevate' s subsidiary will be sufficient to cover any foreseeable losses on the LOC accounts, in the event the cash collateral amount is not adequately maintained or the cash collateral amount is insufficient to cover the losses on the LOC accounts, and Elevate, including its subsidiaries, does not or cannot otherwise~~ meet ~~its~~ **their** obligations under ~~its~~ **the** ~~agreement~~ **agreements** ~~with the bank, including its obligation under the partial guaranty, the bank may incur losses on the LOC accounts~~ . Losses associated with the ~~LOC~~ **loans or lines of credit** accounts **related to BaaS relationships that** ~~(or the portfolios of other third parties with whom~~ we **may** enter into **,** ~~comparable BaaS relationships) in such circumstances~~ could have a material adverse effect on our net income, results of operations and financial condition. Interest Rate and Liquidity Risks Our business is subject to interest rate risk and fluctuations in interest rates may adversely affect our earnings. The majority of our assets and liabilities are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our earnings and profitability depend significantly on our net interest income, which is the difference between interest income on interest- earning assets, such as loans and investment securities, and interest expense on interest- bearing liabilities, such as deposits and borrowings. We expect that we will periodically experience" gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest- bearing liabilities will be more sensitive to changes in market interest rates than our interest- earning assets, or vice versa. If market interest rates should move contrary to our position, this" gap" will work against us and our earnings may be negatively affected ~~. In light of our current volume and mix of interest- earning assets and interest- bearing liabilities, our net interest margin could be expected to increase modestly during periods of rising interest rates, and to decline~~

~~slightly during periods of falling interest rates~~. We are unable to predict or control fluctuations of market interest rates, which are affected by many factors, including the following: • inflation; • recession; • market conditions; • changes in unemployment; • the money supply; • international disorder and instability in domestic and foreign financial markets; and • governmental actions. Our asset / liability management strategy may not be able to control our risk from changes in market interest rates and it may not be able to prevent changes in interest rates from having a material adverse effect on our results of operations and financial condition. From time to time, we may reposition our assets and liabilities to reduce our net interest income volatility. Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations. If we are unable to effectively manage the composition and risk of our investment securities portfolio, which we expect will continue to comprise a significant portion of our earning assets, our net interest income and net interest margin could be adversely affected. Our primary sources of interest income include interest on loans, as well as interest earned on investment securities. Interest earned on investment securities represented ~~13~~ **11** . ~~4~~ **2** % of our interest income in the year ended December 31, ~~2022~~ **2023** , as compared to ~~11~~ **13** . ~~2~~ **4** % of our interest income in the year ended December 31, ~~2021~~ **2022** . Accordingly, effectively managing our investment securities portfolio to generate interest income while managing the composition and risks (including credit, interest rate and liquidity) associated with that portfolio, including the mix of government agency and non-agency securities, remains important. If we are unable to effectively manage our investment securities portfolio or if the interest income generated by our investment securities portfolio declines, our net interest income and net interest margin could be adversely affected. **Rising interest rates have decreased the market value of the Company’ s fixed- rate investment securities and loan portfolios, and the Company would realize losses if we were required to sell such securities or loans to meet liquidity needs. As a result of inflationary pressures and the resulting rapid increases in interest rates initiated by the Federal Reserve over the years, the market values of the Company' s fixed- rate investment securities and loan portfolios have declined significantly. While the Company does not currently intend to sell these securities or loans, if the Company were required to sell such securities or loans to meet liquidity needs, it could incur losses, which could impair the Company’ s capital, financial condition, and results of operations, thereby negatively impacting our profitability. While the Company has taken actions to maximize its funding sources, there is no guarantee that such actions will be successful or sufficient in the event of sudden liquidity needs. Furthermore, there is no guarantee that government programs or the Company' s other borrowing facilities will be effective in addressing the Company' s liquidity needs as they arise. Our ability to maintain adequate sources of funding and liquidity and required capital levels may be negatively impacted by uncertainty in the economic environment which may, among other things, impact our ability to satisfy our obligations. Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of investments or loans, and other sources would have a substantial negative effect on our liquidity which could affect or limit our ability to satisfy our obligations and our ability to grow profitability at the same rate. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors that affect us specifically, the financial services industry, or the economy in general. Factors that could detrimentally impact our access to liquidity sources include concerns regarding deterioration in our financial condition, increased regulatory actions against us and a decrease in the level of our business activity as a result of a downturn in the markets in which our loans or deposits are concentrated. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial industry in light of the past turmoil faced by banking organizations and the credit markets. In addition, our financial flexibility could be constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates, including in the current rising interest rate environment. The management of liquidity risk is critical to the management of our business and our ability to service our customer base. In managing our balance sheet, our primary source of funding is customer deposits. Our ability to continue to attract these deposits and other funding sources is subject to variability based upon a number of factors including volume and volatility in the securities' markets, our financial condition, our credit rating and the relative interest rates that we are prepared to pay for these liabilities. The availability and level of deposits and other funding sources is highly dependent upon the perception of the liquidity and creditworthiness of the financial institution, and perception can change quickly in response to market conditions or circumstances unique to a particular company. Concerns about our past and future financial condition or concerns about our credit exposure to other parties could adversely impact our sources of liquidity, financial position, including regulatory capital ratios, results of operations and our business prospects. If our level of deposits were to materially decrease, we would need to raise additional funds by increasing the interest that we pay on certificates of deposits or other depository accounts, seek other debt or equity financing or draw upon our available lines of credit.** We ~~may~~ **rely on commercial and retail deposits, and to a lesser extent, advances from the Federal Home Loan Bank of Des Moines (" FHLB") and the Federal Reserve discount window, to fund our operations. Although we have historically been able to replace maturing deposits and advances as necessary, we might not** be **able to replace such funds in the future if, among other things, our results of operations or financial condition or the results of operations or financial condition of the FHLB were to change. Our line of credit with the FHLB serves as a primary outside source of liquidity. The Federal Reserve discount window also serves as an additional outside source of liquidity. Borrowings under this arrangement are through the Federal Reserve' s primary facility under the borrower- in- custody program. The duration of borrowings from the Federal Reserve discount window are generally for a very short period, usually overnight. In the event that these outside sources of liquidity become unavailable to us, we will need to seek additional sources of liquidity, including selling assets. We cannot provide assurance that we will be able to sell assets at a level to allow us to repay borrowings or meet our liquidity needs. We**

constantly monitor our activities with respect to liquidity and evaluate closely our utilization of our cash assets; however, there can be no assurance that our liquidity or the cost of funds to us may not be materially and adversely impacted ~~by the transition from LIBOR~~ as a **result of economic** ~~reference rate In 2017~~ , **market, or operational considerations** ~~the United Kingdom Financial Conduct Authority (" FCA") announced~~ that **we may** ~~after 2021 it would no~~ **not** ~~longer compel banks to submit the rates required to calculate the LIBOR. In March 2021, the FCA and Intercontinental Exchange (ICE) Benchmark Administration (IBA) announced that the publication of the most commonly used U. S. dollar LIBOR settings would~~ be **able** ~~extended through June 30, 2023 and cease publishing other LIBOR settings after December 31, 2021. In December 2022, the Federal Reserve Board adopted the Adjustable Interest Rate (LIBOR) Act of 2021~~ to **control** ~~provide a uniform, nationwide solution for so- called tough legacy contracts that do not have clear and practicable provisions for replacing LIBOR after June 30, 2023 and identified replacement benchmark rates based on Secured Overnight Financing Rate (" SOFR") to replace LIBOR. It is expected that the Company will not have any LIBOR- based contracts after June 30, 2023 and they will be replaced by SOFR benchmark rates. We have loans, derivatives and debt with attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR could create considerable costs and additional risk. Since proposed alternative rates are calculated differently, payments under contracts referencing new rates will differ from those referencing LIBOR. The transition may change our market risk profile, and require changes to risk and pricing models, valuation tools, product design and hedging strategies. Failure to adequately manage the transition could have a material adverse effect on our business, financial condition, and results of operations~~ . We rely on the mortgage secondary market for some of our **revenue and** liquidity. We originate and sell **residential** mortgage loans. We rely on Federal National Mortgage Association (" Fannie Mae"), Federal Home Loan Mortgage Corporation (" Freddie Mac") and other purchasers to purchase first mortgage loans in order to reduce our credit risk and interest rate risk and provide funding for additional loans we desire to originate. We cannot provide assurance that these purchasers will not materially limit their purchases from us due to capital constraints or other factors, including, with respect to Fannie Mae and Freddie Mac, a change in the criteria for conforming loans. In addition, various proposals have been made to reform the U. S. residential mortgage finance market, including the role of Fannie Mae and Freddie Mac. The exact effects of any such reforms are not yet known, but may limit our ability to sell conforming loans to Fannie Mae or Freddie Mac. In addition, mortgage lending is highly regulated, and our inability to comply with all federal and state regulations and investor guidelines regarding the origination, underwriting, documentation and servicing of mortgage loans may also impact our ability to continue selling mortgage loans. If we are unable to continue to sell loans in the secondary market, our ability to fund, and thus originate, additional mortgage loans may be adversely affected, which could have a material adverse effect on our business, financial condition or results of operations. We are required to act as a source of financial and managerial strength for our ~~bank~~ **Bank** . We are required to act as a source of financial and managerial strength to the ~~bank~~ **Bank** . We may be required to commit additional resources to the ~~bank~~ **Bank** at times when we may not be in a financial position to provide such resources or when it may not be in our, or our shareholders' best interests to do so. Providing such support is more likely during times of financial stress for us and the ~~bank~~ **Bank** , which may make any capital we are required to raise to provide such support more expensive than it might otherwise be. In addition, any capital loans we make to the ~~bank~~ **Bank** are subordinate in right of payment to depositors and to certain other indebtedness of the ~~bank~~ **Bank** . We rely on dividends from our subsidiary for most of our revenue **and liquidity** . Because we are a holding company with no significant operations other than our ~~bank~~ **Bank** , we depend upon dividends from our ~~bank~~ **Bank** for a substantial portion of our ~~revenues~~ - **revenue** and our liquidity, including as the source of funds for payment of interest and principal on our holding company debt obligations. Hawaii law only permits the ~~bank~~ **Bank** to pay dividends out of retained earnings as defined under Hawaii banking law (" Statutory Retained Earnings"), which differs from GAAP retained earnings. As of December 31, ~~2022~~ **2023** , the ~~bank~~ **Bank** had Statutory Retained Earnings of $ ~~145~~ **169** . ~~7~~ **1** million. In addition, regulatory authorities could limit the ability of the ~~bank~~ **Bank** to pay dividends to CPF. The inability to receive dividends from the ~~bank~~ **Bank** could have a material adverse effect on our financial condition, results of operations and prospects. Our ability to pay cash dividends to our shareholders is subject to restrictions under federal and Hawaii law, including restrictions imposed by the FRB and covenants set forth in various agreements we are a party to, including covenants set forth in our subordinated debentures and subordinated notes. We cannot provide any assurance that we will continue to pay dividends to our shareholders. ~~Operational~~ Risks **Related to the Operation of** Our **Business** ~~agreements~~ **Agreements** with BaaS partners **that we may enter into** may produce limited revenue and may expose us to liability for compliance violations by BaaS partners and may require additional resources to review and monitor performance by our BaaS partners. We previously announced the launch of our BaaS initiative with the goal of expanding our services in Hawaii and on the U. S. Mainland by collaborating with and investing in fintech companies ~~. In conjunction with that initiative, we are collaborating with Elevate Credit, Inc. and Swell Financial, Inc. where the bank serves as the bank sponsor for a new consumer banking application. There is a risk that our BaaS partners may change their strategic focus or business model; these changes could impact the Company' s business arrangement with our BaaS partners and may adversely impact the Company' s financial projections and financial returns on our BaaS programs~~ . We may enter into agreements with other BaaS partners pursuant to which we will provide certain banking services for the BaaS partner customers. Ensuring contractual and regulatory compliance with these agreements will require additional internal and external resources which will increase our compliance costs and could adversely affect our business. Our agreements with our partners will also have varying terms and may be terminated by the parties under certain circumstances. If our BaaS partners are not successful in achieving customer acceptance of their programs or terminate the agreements before the end of their respective terms, our revenue under the various agreements may be limited or may cease altogether. **There is a risk that our BaaS partners may change their strategic focus or business model; these changes could impact the Company' s business arrangements that we may enter into with our BaaS partners and may adversely impact the Company' s financial projections and financial returns on our BaaS programs.** In addition, our ~~bank~~ regulators may hold us responsible for the activities of our ~~bank~~ partners with respect to various aspects of the marketing or administration of their programs, which may result in increased operational and compliance costs for us or potentially compliance violations as a result of BaaS partner activities, any of which could have a material adverse effect on our financial condition or results of operations. The strategy of offering BaaS has been adopted by other institutions with which we compete. Other ~~online banking operations as well as the online banking programs of other~~ banks **and institutions** have instituted BaaS strategies similar to ours. As a consequence, we anticipate that we will encounter competition in this area currently and in the future. This competition may increase our costs, reduce our revenues or revenue growth or make it difficult for us to compete effectively in obtaining these relationships. **Additionally, the BaaS model has faced recent challenges due to macroeconomic conditions, regulatory scrutiny and overall risk exposure.** Managing reputational risk is important to attracting and maintaining customers, investors and employees **.** Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, negative sentiment about our business ~~including our BaaS initiatives~~ , unethical practices, employee mistakes, misconduct or fraud, failure to deliver minimum standards of service or quality, failure of any product or service offered by us to meet our customers' expectations, compliance deficiencies, government investigations, litigation, and questionable, unlawful or fraudulent activities of our partners, contract counterparties, employees or customers. We have policies and procedures in place to protect our reputation and promote ethical conduct, but these policies and procedures may not be fully effective to address reputational threats in all circumstances. Negative publicity regarding our business, employees, partners, contracting counterparties, employees or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental scrutiny and regulation. Consumer protection initiatives related to the foreclosure...... financial condition or results of operations. Our deposit customers may pursue alternatives to deposits at our ~~bank~~ **Bank** or seek higher yielding deposits causing us to incur increased funding costs. Checking and savings account balances and other forms of deposits can decrease when our deposit customers perceive alternative investments, such as the stock market or other non- depository investments, as providing superior expected returns or seek to spread their deposits over several banks to maximize FDIC insurance coverage. Furthermore, technology and other changes have made it more convenient for the ~~bank~~ **Bank** ' s customers to transfer funds into alternative investments including products offered by other financial institutions or non- bank service providers. Increases in short- term interest rates could increase transfers of deposits to higher yielding deposits. Efforts and initiatives that we undertake to retain and increase deposits, including deposit pricing, can increase our costs. When the ~~bank~~ **Bank** ' s customers move money out of bank deposits in favor of alternative investments or into higher yielding deposits, or spread their accounts over several banks, we can lose a relatively inexpensive source of funds, thus increasing our funding costs. ~~The occurrence of fraudulent activity, data privacy breaches, failures~~ - **Failure to manage** ~~of our information security controls or~~ **our** ~~cybersecurity- related incidents~~ **growth may adversely affect our performance. Our financial performance and profitability depend on our ability to manage past and possible future growth. Continued organic growth and any future acquisitions we may make may present operating, integration, regulatory, management and other issues that** could have a material adverse effect on our business, financial condition ~~and~~ **,** results of operations . As a financial institution, we...... trends, we have also experienced an **and cash flows** increase in attempted electronic fraudulent activity,...... of operations could be materially adversely affected . Failure to maintain effective internal control over financial reporting or disclosure controls and procedures could adversely affect our ability to report our financial condition and results of operations accurately and on a timely basis. A failure to maintain effective internal control over financial reporting or disclosure controls and procedures could adversely affect our ability to report our financial results accurately and on a timely basis, which could result in a loss of investor confidence in our financial reporting or adversely affect our access to sources of liquidity. Furthermore, because of the inherent limitations of any system of internal control over financial reporting, including the possibility of human error, the circumvention or overriding of controls and fraud may not prevent or detect all misstatements even with effective internal controls. Frequent or rapid changes in procedures, methodologies, systems, personnel and technology exacerbate the challenges of developing and maintaining a system of internal controls and can increase the cost and level of effort to develop and maintain such systems. Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition. Periodically the Financial Accounting Standards Board (" FASB") and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. As a result of changes to financial accounting or reporting standards, whether promulgated or required by the FASB or other regulators, we could be required to change certain assumptions or estimates that we have previously used in preparing our financial statements, which could adversely affect our business, financial condition and results of operations. See Note 1- Summary of Significant Accounting Policies to the Consolidated Financial Statements under" Part II, Item 8. Financial Statements and Supplementary Data." Financial services companies depend on the accuracy and completeness of information about customers and counterparties. In deciding whether to extend credit or enter into other transactions, we rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. We may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on our business and, in turn, our financial condition and results of operations. We operate in a highly competitive industry and market area. We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources. Such competitors primarily include national, regional and community banks within the various markets we operate. Additionally, various out of state banks conduct business in the market areas in which we currently operate. We also face competition from many other types of financial institutions, including without limitation, savings banks, credit unions, finance companies, financial service providers, including mortgage providers and brokers, operating via the internet and other technology platforms, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can virtually offer any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Technology has also lowered barriers to entry and made it possible for non- banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than we can. Our ability to compete successfully depends on a number of factors, including, among other things: • the ability to develop, maintain and build upon long- term customer relationships based on top quality service, high ethical standards and safe, sound assets; • the ability to expand our market position; • the scope, relevance and pricing of products and services offered to meet customer needs and demands; • the rate at which we introduce new products and services relative to our competitors; • customer satisfaction with our level of service; and • industry and general economic trends. Failure to perform in any of these areas could significantly weaken our competitive position and adversely affect our growth and profitability, which in turn, could have a material adverse effect on our financial condition and results of operations. In addition, the soundness of our financial condition may also affect our competitiveness. Customers may decide not to do business with the ~~bank~~ **Bank** due to its financial condition. We are subject to environmental liability risk associated with our bank branches and any real estate collateral we acquire upon foreclosure. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans that we have originated or acquired. We also own several of our branch locations **and are building new branch locations in the State of Hawaii** . For any real property that we may possess, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage and costs of complying with applicable environmental regulatory requirements. Failure to comply with such requirements can result in penalties. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property' s value or limit our ability to use, sell or lease the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our business, financial condition or results of operations. Our business could be adversely affected by unfavorable actions from rating agencies. Ratings assigned by ratings agencies to us, our affiliates or our securities may impact the decision of certain customers, **or** ~~orinstitutions~~ -- **institutions** in particular, to do business with us. A rating downgrade or a negative rating could adversely affect our deposits, our ability to access the capital markets on favorable terms and our business relationships. **Our operational risks include risks associated with third- party vendors and other financial institutions. We rely upon certain third- party vendors to provide products and services necessary to maintain our day- to- day operations, including, providing the core processing system that services the Bank, as well as data processing and storage, online and mobile banking interfaces and services, internet connections, telecommunications, and network access. Accordingly, our operations are exposed to the risk that these vendors might not perform in accordance with applicable contractual arrangements or service level agreements, as the vendors may experience service outages, cybersecurity attacks, data breaches, or other events that may impair their ability to provide fully functioning systems or other services. The failure of an external vendor to perform in accordance with applicable contractual arrangements or service level agreements could be disruptive to our operations and could have a material adverse effect on our business, financial condition or results of operations, and / or damage our reputation. Further, third- party vendor risk management continues to be an area of high regulatory focus. Failure to follow applicable regulatory guidance in this area could expose us to regulatory actions. The ongoing operation of many financial institutions may be closely interrelated as a result of credit, trading, execution of transactions or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market- wide liquidity and credit problems, losses or defaults by other institutions. This risk may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which we interact on a daily basis, and, therefore, could adversely affect us. Any of these operational or other risks could materially adversely affect our business, financial condition and results of operations.** Risks Related to Legal, Compliance and Regulatory Matters Governmental regulation and regulatory actions against us may impair our operations or restrict our growth. As a regulated financial institution, we are subject to significant governmental supervision and regulation. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Statutes and regulations affecting our business **as well as** ~~may be changed at any time and~~ the interpretation of these statutes and regulations by examining authorities may ~~also~~ **be subject to** change **at any time** . In addition, regulations may be adopted that increase expenses associated with running our business and adversely affect our earnings. There can be no assurance that such statutes and regulations, any changes thereto or to their interpretation will not adversely affect our business. In particular, these statutes and regulations, and any changes thereto, could subject us to additional costs (including legal and compliance costs), limit the types of financial services and products we may offer and / or increase the ability of non- banks to offer competing financial services and products, among other things. In addition to governmental supervision and regulation, we are subject to changes in other federal and state laws, including changes in tax laws, which could materially affect us and **generally affect** the banking industry ~~generally~~ . We are subject to the rules and regulations of the FRB, the FDIC and the DFI, and certain rules and regulations promulgated by the CFPB. In addition, we are subject to the rules and regulation of the NYSE and the SEC and are subject to enforcement actions and other punitive actions by these agencies. If we fail to comply with federal and state regulations, the regulators may limit our activities or growth, impose fines on us or in the case of our ~~bank~~ regulators, ultimately require our ~~bank~~ **Bank** to cease its operations. Bank regulations can hinder our ability to compete with financial services companies that are not regulated in the same manner or are less regulated. Federal and state bank regulatory agencies regulate many aspects of our operations. These areas include: • ~~the~~ capital that must be maintained; • **types** ~~the kinds~~ of activities that can be engaged in; • **types** ~~the kinds~~ and amounts of investments that can be made; • ~~the~~ locations of offices; • insurance of deposits and the premiums that ~~we~~ must ~~pay~~ **be paid** for this insurance; • procedures and policies ~~we~~ must ~~adopt~~ **be paid** ; • conditions and restrictions on our executive compensation; and • how much cash ~~we~~ must **be** set aside as reserves for deposits. In addition, bank regulatory authorities may bring enforcement actions against banks and bank holding companies, including CPF and the ~~bank~~ **Bank** , for unsafe or unsound practices in the conduct of their businesses or for violations of any law, rule or regulation. Enforcement actions against us, including any condition imposed in writing by the appropriate bank regulatory agency or any written agreement with the authority, could include a federal conservatorship or receivership for the ~~bank~~ **Bank** , the issuance of additional orders that could be judicially enforced, the imposition of civil monetary penalties, the issuance of directives to enter into a strategic transaction, whether by merger or otherwise, with a third- party, the termination of insurance of deposits, the issuance of removal and prohibition orders against institution- affiliated parties, and the enforcement of such actions through injunctions or restraining orders. In addition, **as we approach, and** if we were to **exceed** ~~grow beyond~~ $ 10 billion in assets, we ~~would~~ **may** be subject to enhanced CFPB examination and our compliance costs would increase. We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti- money laundering statutes and regulations. The Bank Secrecy Act, the USA PATRIOT Act of 2001, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti- money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network is authorized to impose significant civil money penalties for violations of those requirements and has engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U. S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control and compliance with the Foreign Corrupt Practices Act. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could materially and adversely affect our business, financial condition and results of operations. Regulatory capital standards impose enhanced capital adequacy requirements on us. Increased regulatory capital requirements ~~(~~ and the associated compliance costs **that were** ~~), which have been~~ adopted by federal banking regulators, impose additional capital requirements on our business. The administration of existing capital adequacy laws as well as **the** adoption of new laws and regulations relating to capital adequacy, or more expansive or aggressive interpretations of existing laws and regulations, could have a material adverse effect on our business, liquidity, financial condition and results of operations and could substantially restrict our ability to pay dividends, repurchase any of our capital stock, or pay executive bonuses. In addition, increased regulatory capital requirements as well as our financial condition could require us to raise additional capital **,** which would dilute our existing shareholders at the time of such capital issuance. Costs of compliance with environmental laws and regulations are significant, and the cost of compliance with new environmental laws, including limitations on emissions relating to climate change, could adversely affect our financial condition and results of operations. Our operations are subject to extensive federal, state and local environmental statutes, rules and regulations. Compliance with these legal requirements require us to incur costs for, **installation and operation of pollution control equipment, emissions monitoring and fees, remediation and permitting at our branches and other facilities,** among other things ~~, installation and operation of pollution control equipment, emissions monitoring and fees, remediation and permitting at our branches and other facilities~~ . These expenditures and other associated costs associated with compliance have been significant in the past and may increase in the future **,** which could have an adverse effect on our financial condition and results of operations. We are subject to various legal claims and litigation. From time to time, customers, employees and others whom we do business with, or are regulated by, as well as our shareholders, can make claims and take legal action against us. Regardless of whether these claims and legal actions are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant financial liability and / or adversely affect the market perception of us and our products and services, as well as impact customer demand for our products and services. Any financial liability or reputational damage could have a material adverse effect on our business **and** ~~, which,~~ in turn, could have a material adverse effect on our financial condition and results of operations. Even if these claims and legal actions do not result in a financial liability or reputational damage, defending these claims and actions have resulted in, and will continue to result in, increased legal and professional services costs, which adds to our noninterest expense and negatively impacts our ~~operating~~ results **of operations** . Risks Related to an Investment in the Company' s Securities The market price of our common stock could decline. The trading price of our common stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations could adversely affect the market price of our common stock. Among the factors that could affect our stock price are: • failure to comply with all of the requirements of any governmental orders or agreements we may become subject to and the possibility of resulting action by the regulators; • deterioration of asset quality; • the incurrence of losses; • actual or anticipated quarterly fluctuations in our operating results and financial condition; • changes in revenue or earnings / losses estimates or publication of research reports and recommendations by financial analysts; • failure to meet analysts' revenue or earnings / losses estimates; • speculation in the press or investment community; • strategic actions by us or our competitors, such as mergers, acquisitions, restructurings, changes in products or markets, or public offerings; • additions or departures of key personnel; • actions by institutional shareholders; • fluctuations in the stock price and operating results of our competitors; • future sales of other equity or debt securities, including our common stock; • general market conditions and, in particular, developments related to market conditions for the financial services industry; • proposed or adopted regulatory changes or developments; • breaches in our security systems and loss of customer data; • anticipated or pending investigations, proceedings or litigation that involve or affect us; or • domestic and international economic factors unrelated to our performance. The stock market generally may experience significant volatility. In addition, the trading volume in our common stock may fluctuate more than usual and cause significant price variations to occur. Accordingly, the common stock that ~~you~~ **is** ~~purchase~~ **purchased by individual shareholders** may trade at a price lower than **when** ~~that at which~~ they were purchased. Volatility in the market price of our common stock may prevent individual shareholders from being able to sell their shares when they want or at prices they find attractive. A significant decline in our stock price could result in substantial losses for shareholders and could lead to costly and disruptive securities litigation. Anti- takeover provisions in our restated articles of incorporation and bylaws and applicable federal and state law may limit the ability of another party to acquire us or a significant block of common stock, which could cause our stock price to decline. Various provisions of our restated articles of incorporation and bylaws and certain other actions we have taken could delay or prevent a third- party from acquiring us, even if doing so might be beneficial to our shareholders. ~~These~~ **This** ~~include~~ **includes** ~~, among other things,~~ the authorization to issue" blank check" preferred stock by action of the Board of Directors acting alone ~~, thus~~ without obtaining shareholder approval **among other things** . In addition, applicable provisions of federal and state law require regulatory approval in connection with certain acquisitions of our common stock and super- majority voting provisions in connection with certain transactions. In particular, both federal and state law limit the **ownership** acquisition **for** ~~of ownership of~~ certain percentage thresholds of our common stock without providing prior notice to the regulatory agencies ~~and~~ **,** obtaining prior regulatory approval or non- objection **,** or being able to rely on an exemption from such acquisition. See the" Supervision and Regulation" section. We are also subject to the provisions of the Hawaii Control Share Acquisitions Act **,** which prohibits the consummation of a " control share acquisition " (with threshold ranges starting at 10 % and set at 10 % intervals up to a majority) unless approved by our shareholders or otherwise exempt. Unless approved or otherwise exempt, for a period of one year after acquisition, the shares acquired by a person in a control share acquisition will be (i) denied voting rights, (ii) be nontransferable, and (iii) be subject to redemption at our option. Collectively, these provisions of our restated articles of incorporation and bylaws ~~and~~ **in addition to** applicable federal and state law may prevent a merger or acquisition that would be attractive to shareholders, limit the ability of another party to acquire a significant block of our common stock, and could limit the price investors would be willing to pay in the future for our common stock. Our common stock is equity and therefore is subordinate to our subsidiaries' indebtedness and preferred stock. Our common stock constitutes equity interests and does not constitute indebtedness. As such, common stock will rank junior to all current and future indebtedness and other non- equity claims on us with respect to assets available to satisfy claims against us, including in the event of our liquidation. **CPF** ~~We may~~ , ~~and~~ the ~~bank~~ **Bank ,** and our other subsidiaries may ~~also,~~ incur additional indebtedness from time to time and may increase our aggregate level of outstanding indebtedness. As of December 31, ~~2022~~ **2023** , we had (i) $ 50. 0 million in face amount of trust preferred securities outstanding ~~and~~ **with** accrued and unpaid dividends thereon of $ 0. 2 million ~~and~~ **,** (ii) $ 55. 0 million in principal amount of subordinated notes outstanding ~~and~~ **with** accrued and unpaid interest thereon of $ 0. 4 million **and (iii) $ 50. 0 million in FHLB long- term advances outstanding with accrued and unpaid dividends thereon of $ 6 thousand** . Additionally, ~~holders of~~ common stock **holders** are subject to the prior dividend and liquidation rights of any ~~holders of our~~ preferred stock **holders** that may be outstanding from time to time. The Board of Directors is authorized to cause us to issue additional classes or series of preferred stock without any action on the part of our stockholders. If we issue preferred shares in the future that have a preference over our common stock with respect to the payment of dividends or upon liquidation, or if we issue preferred shares with voting rights that dilute the voting power of the common stock, then the rights of holders of our common stock or the market price of our common stock could be adversely affected. There is a limited trading market for our common stock and as a result, ~~you~~ **shareholders** may not be able to resell ~~your~~ **their** shares at or above the price ~~you~~ **they** pay for them **or** at the time ~~you~~ **they** otherwise may desire. Although our common stock is listed for trading on the NYSE, the volume of trading in our common shares is lower than many other companies listed on the NYSE. A public trading market with depth, liquidity and orderliness depends on the presence in the market of willing buyers and sellers of our common shares at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. As a result, ~~you~~ **shareholders** may not be able to resell ~~your~~ **their** common stock at or above the price ~~you~~ **they** pay or at the time **they** ~~(s) you~~ otherwise may desire. The soundness of other financial institutions could adversely affect us. Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry **have** generally ~~, have~~ led to market- wide liquidity problems and could lead to losses or defaults by us or by other institutions. There is no assurance that any such losses would not materially and adversely affect our results of operations. Our common stock is not insured and ~~you~~ **shareholders** could lose the value of ~~your~~ **their** entire investment. An investment in our common stock is not a deposit and is not insured against loss by the government or any governmental agency. Risks Related to Technology We continually encounter technological change. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to our customers. In addition, there are a limited number of qualified persons in our local marketplace with the knowledge and experience required to effectively maintain our information technology systems and implement our technology initiatives.

Failure to successfully attract and retain qualified personnel, or keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations. ~~General Risk Factors We~~ **As a financial institution, we** are ~~dependent~~ **.As a financial institution,we are** susceptible to fraudulent activity,information security breaches and cybersecurity- related incidents that may be committed against us,our customers or our business partners (including by our own employees and consultants),which may result in financial losses or increased costs to us or our customers or our business partners,disclosure or misuse of our information or our client information,misappropriation of assets,privacy breaches against our clients,litigation,or damage to our reputation.Such fraudulent activity may take many forms,including ~~:~~ check fraud,electronic fraud,wire fraud,phishing,social engineering ~~,~~ and other dishonest acts.Information security breaches and cybersecurity- related incidents may include fraudulent or unauthorized access to systems used by us,our vendors,or our clients,denial or degradation of service attacks,and malware or other cyber- attacks.In recent periods,there continues to be a rise in electronic fraudulent activity,security breaches ~~,~~ and cyber- attacks within the financial services industry,especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts.Consistent with industry trends,we have also experienced an ~~increase in attempted electronic fraudulent~~ on ~~key personnel~~ **the networks** and **systems of us, our clients and certain of our third- party partners, such as our online banking or reporting systems. The secure maintenance and transmission of confidential information, as well as execution of transactions over** ~~the~~ **these systems** ,are essential to protect us and our clients against fraud and security breaches and to maintain our clients' confidence.Breaches of information security also may occur,and in infrequent cases have occurred,through intentional or unintentional acts by those having access to our systems or our clients' or counterparties' confidential information,including employees.In addition,increases in criminal activity levels and sophistication,advances in computer capabilities,new discoveries,vulnerabilities in third- party technologies (including browsers and operating systems) or other developments could result in a compromise or breach of the technology,processes and controls that we use to prevent fraudulent transactions and to protect data about us,our clients and underlying transactions,as well as the technology used by our clients to access our systems.Although we have developed,and continue to invest in,systems and processes that are designed to detect and prevent data security breaches and cyber- attacks and periodically test our security,we may fail to anticipate or adequately mitigate breaches of security or experience data privacy breaches that could result in ~~loss~~ loss of **business to us and / or our clients, damage to our reputation, incurrence of additional expenses, disruption to our business, our inability to grow our online services or other businesses, additional regulatory scrutiny or penalties, including resulting violations of law (whether federal or in** one or more **states) or our exposure to civil litigation and possible financial liability — any** of ~~those key personnel may~~ **which could have a** ~~materially~~ -- **material** ~~and adversely~~ -- **adverse** ~~affect~~ **effect on our business, financial condition and, results of operations. More generally, publicized information concerning security and cyber- related problems and other data privacy breaches could inhibit the use** ~~our~~ - **or** ~~prospects~~ **growth of digital or web- based applications or solutions as a means of conducting commercial or retail transactions. Such publicity may also cause damage to our reputation as a financial institution, which could have a material adverse effect on our business, financial condition, and results of operations. See" Cybersecurity" under Part I, Item 1C for a further discussion of cybersecurity risk management, strategy and governance** . Competition for qualified employees and personnel in the banking industry is intense and there is a limited number of qualified persons with knowledge of, and experience in, the regional banking industry, especially in the Hawaii market. The process of recruiting personnel with the combination of skills and attributes required to carry out our strategies is often lengthy. Our success depends to a significant degree upon our ability to attract and retain qualified management, loan origination, finance, administrative, marketing, and technical personnel, and upon the continued contributions of our management and personnel. In particular, our success has been and continues to be highly dependent upon the abilities of key executives, including our President and Chief Executive Officer, our Senior Executive Vice President and Chief Financial Officer, and our other executive officers and certain other employees ~~. Natural disasters and other external events (including pandemic viruses or disease) could have a material adverse affect on our financial condition and results of operations~~ . Our branch offices as well as a substantial majority of our loan portfolio is in the ~~state~~ **State** of Hawaii. As a result, natural disasters and other severe weather occurrences such as tsunamis, volcanic eruptions, hurricanes **, wildfires** and earthquakes and other adverse external events, including the effects of any pandemic viruses or diseases (such as the COVID- 19 pandemic), could have a significant effect on our ability to conduct our business and adversely affect the tourism and visitor industry in the ~~state~~ **State** of Hawaii. Such events could affect the ability of our borrowers to repay their outstanding loans, impair the value of collateral securing our loans, cause significant property damage, result in loss of revenue, adversely impact our deposit base and / or cause us to incur additional expenses. Accordingly, the occurrence of any such natural disasters, severe weather events, or other occurrences over which we have no control could have a material adverse effect on our business, which, in turn, could adversely affect our financial condition and results of operations. **Our business, as well as the operations and activities of our customers, could be negatively impacted by climate change. Climate change presents both immediate and long- term risks to us and our clients, and these risks are expected to increase over time. Climate change presents multi- faceted risks, including: operational risk from the physical effects of climate events on our Bank and our customers’ facilities and other assets; credit risk from borrowers with significant exposure to climate risk; transition risks associated with the transition to a less carbon- dependent economy; and reputational risk from stakeholder concerns about our practices related to climate change, our carbon footprint, and our business relationships with clients who operate in carbon- intensive industries. Hawaii, where our business is located, and where a substantial portion of our customers and loan collateral is located, could be impacted by the effects of climate change, including increased frequency or severity of storms, hurricanes, floods, droughts, and rising sea levels. These effects can disrupt business operations, damage property, devalue assets and change consumer and business preferences, which may adversely affect borrowers, increase credit risk and reduce demand for our products and services. At this time, we have not experienced**

material losses from climate change; however, we are aware that its impact may increase in the future. Climate change, its effects and the resulting, unknown impacts could have a material adverse effect on our financial condition and results of operations. Federal and state banking regulators and supervisory authorities, investors, and other stakeholders have increasingly viewed financial institutions as important in helping to address the risks related to climate change both directly and with respect to their clients, which may result in financial institutions coming under increased pressure regarding the disclosure and management of their climate risks and related lending and investment activities. Given that climate change could impose systemic risks upon the financial sector, either via disruptions in economic activity resulting from the physical impacts of climate change or changes in policies as the economy transitions to a less carbon- intensive environment, we may face regulatory risk of increasing focus on our resilience to climate- related risks, including in the context of stress testing for various climate stress scenarios. Ongoing legislative or regulatory uncertainties and changes regarding climate risk management and practices may result in higher regulatory, compliance, credit, and reputational risks and costs. With the increased importance and focus on climate change, we are in the process of creating governance processes around climate change- related risks and integrating climate considerations into our risk governance framework. Nonetheless, the risks associated with climate change are rapidly changing and evolving in an escalating fashion, making them difficult to assess due to limited data and other uncertainties. We could experience increased expenses resulting from strategic planning, litigation, and technology and market changes, and reputational harm as a result of negative public sentiment, regulatory scrutiny, and reduced investor and stakeholder confidence due to our response to climate change and our climate change strategy, which, in turn, could have a material adverse effect on our business, results of operations, and financial condition.