Risk Factors Comparison 2024-02-28 to 2023-02-24 Form: 10-K

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

Ownership of our common stock involves a significant degree of risk and uncertainty. The material risks and uncertainties that management believes affect us are described below. Any of the following risks, as well as risks that we do not know or currently deem immaterial, could have a material adverse effect on our business, financial condition or results of operations. To the extent that any of the information in this Form 10- K constitutes forward- looking statements, the risk factors below are cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any forward- looking statements made by us or on our behalf. See " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations – Cautionary Note Regarding Forward- Looking Statements. " Summary of Risk Factors The following is a summary of the most significant risks and uncertainties that we believe could adversely affect our business, financial condition or results of operations. In addition to the following summary, you should consider the other information set forth in this " Risk Factors " section and the other information contained in this report before investing in our securities. Market Risks • Our business may be adversely affected by conditions in the financial markets and economic conditions generally and in Hawaii, Guam and Saipan in particular. • A sustained period of high inflation could pose a risk to the economy and the financial performance of the Bank. • Our business is significantly dependent on the real estate markets in which we operate, as a significant percentage of our loan portfolio is secured by real estate. • Our business is subject to risk arising from conditions in the commercial real estate market. • Concentrated exposures to certain asset classes and individual obligors may unfavorably impact our operations. • Our business is subject to interest rate risk and fluctuations in interest rates may adversely affect our earnings. • ~~Certain of our businesses, our funding and financial products may be adversely affected by changes or the discontinuance of the London Interbank Offered Rate (" LIBOR "). •~~ The value of the investment securities we own may decline in the future. Credit Risks • Our business, profitability and liquidity may be adversely affected by 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. • We might underestimate the credit losses inherent in our loan and lease portfolio and have credit losses in excess of the amount we reserve for loan and lease losses. Liquidity Risks • Loss of deposits could increase our funding costs. • Our liquidity is dependent on dividends from First Hawaiian Bank. Operational Risks • Our ability to maintain, attract and retain customer relationships is highly dependent on our reputation. • We may not be able to attract and retain key personnel and other skilled employees. • If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses. • We are dependent on the use of data and modeling both in our management decision- making generally and in meeting regulatory expectations in particular. • The appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property, other real estate owned (" OREO ") and repossessed personal property may not accurately describe the net value of the asset. • The occurrence of fraudulent activity, breaches or failures of our information security controls or cybersecurity- related incidents could have a material adverse effect on our business, financial condition or results of operations **. • The development and use of AI present risks and challenges that may adversely impact our business** . • Employee misconduct or mistakes could expose us to significant legal liability and reputational harm. • We may be adversely affected by changes in the actual or perceived soundness or condition of other financial institutions. • Consumer protection initiatives related to the foreclosure process could materially affect our ability as a creditor to obtain remedies. • We are subject to a variety of risks in connection with any sale of loans we may conduct. • Our operations could be interrupted if certain external vendors on which we rely experience difficulty, terminate their services or fail to comply with banking laws and regulations. • We depend on the accuracy and completeness of information about customers and counterparties. • Our accounting estimates and risk management processes and controls rely on analytical and forecasting techniques and models and assumptions, and actual results may differ from these estimates. • Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition. ~~16Strategic~~ **17Strategic** Risks • Geographic concentration in our existing markets may unfavorably impact our operations. • We operate in a highly competitive industry and market area. • New lines of business, products, product enhancements or services may subject us to additional risks. • We have dealer- centric automotive finance businesses, and a change in the key role of dealers within the automotive industry or our ability to maintain or build relationships with them could have an adverse effect on our business, results of operations, financial condition, or prospects. • We continually encounter technological change. Legal, Regulatory and Compliance Risks • The banking industry is highly regulated, and the regulatory framework, together with any future legislative or regulatory changes, may have a significant adverse effect on our operations. • **Fee revenues from overdraft protection programs constitute a portion of our noninterest income and may be subject to increased supervisory scrutiny. •** We are required to act as a source of financial and managerial strength for our bank in times of stress. • We are subject to capital adequacy requirements and may be subject to more stringent capital requirements. • We may not pay dividends on our common stock in the future. • Rulemaking changes implemented by the CFPB have in the past resulted and may in the future result in higher regulatory and compliance costs that may adversely affect our results of operations. • Litigation and regulatory actions, including possible enforcement actions, could subject us to significant fines, penalties, judgments or other requirements resulting in increased expenses or restrictions on our business activities. • Increases in FDIC insurance premiums may adversely affect our earnings. • Non- compliance with the USA PATRIOT Act, the Bank Secrecy Act or other laws and regulations could result in fines or sanctions against us. • Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities. • Differences in regulation can affect our ability to compete effectively. • Our use of third- party vendors and our other ongoing third- party business relationships are subject to increasing regulatory requirements and attention. • We are subject to environmental liability risk associated with our bank branches and any real estate collateral we acquire upon foreclosure. • We may be subject to litigation risk pertaining to our fiduciary responsibilities. Other Risks Affecting Our Business ~~• The COVID- 19 pandemic has adversely affected, and may continue to adversely affect, us and our customers, counterparties, employees, and third- party service providers, and the adverse impacts on our business, financial position, results of operations, and prospects could be significant and are difficult to predict.~~ • Severe weather, hurricanes, tsunamis, natural disasters, pandemics, acts of war or terrorism or other external events could significantly impact our business. • Climate change could have a material negative impact on us and our customers. • We may be subject to unexpected income tax liabilities in connection with the Reorganization Transactions. BWHI is required to pay us for any unexpected income tax liabilities that arise in connection with the Reorganization Transactions. However, in the event that BWHI does not satisfy its payment obligations, we could be subject to significantly higher federal and / or state and local income tax liabilities than currently anticipated. Risks Related to Our Common Stock • Our stock price may be volatile, and you could lose part or all of your investment as a result. • Future sales and issuances of our common stock, including sales as part of our equity- based compensation plans, could result in dilution of the percentage ownership of our stockholders and could lower our stock price. • Certain banking laws and certain provisions of our certificate of incorporation may have an anti- takeover effect. ~~17Market~~ **18Market** RisksOur business may be adversely affected by conditions in the financial markets and economic conditions generally and in Hawaii, Guam and Saipan in particular. We provide banking and financial services to customers primarily in Hawaii, Guam and Saipan. Our financial performance generally, and the ability of our borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans in particular, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment in the markets in which we operate. Economic conditions in our markets depend mainly on tourism, U. S. military and defense products and services, real estate, government and other service- based industries. In addition, Hawaii' s economy depends significantly on conditions of the U. S. economy and key international economies, particularly Japan. Declines in the economic conditions in these markets, tourism, fluctuations in the strength of currencies such as the U. S. dollar and the Japanese yen, the inability of the Hawaii economy to absorb continuing construction expansion, increases in levels of underemployment, increases in energy costs, and other inflationary conditions, **high interest rates,** the availability of affordable air transportation, supply chain disruptions, pandemics or other widespread health emergency (or concerns over the possibility of such an emergency ~~) (including COVID- 19~~), real or threatened acts of war or terrorism, adverse weather, natural disasters and local or national budget issues, among other factors, may impact consumer and corporate spending. As a result, these events may contribute to a deterioration in Hawaii' s general economic condition, which, as a result of our geographic concentration, could adversely impact us and our borrowers. Commercial lending represents approximately ~~53~~ **54** % of our total loan and lease portfolio as of December 31, ~~2022~~ **2023** , and we generally make loans to small to mid- sized businesses whose financial performance depends on the regional economy. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities and may expose us to greater credit risks. We also engage in mortgage lending and automobile financing, as well as other forms of consumer lending. Adverse economic and business conditions in our market areas could reduce our growth rate, affect our borrowers' ability to repay their loans or the value of the collateral underlying their loans and consequently, adversely affect our financial condition and performance. The U. S. military has a major presence in Hawaii and Guam and, as a result, is an important aspect of the economies in which we operate. The funding of the U. S. military occurs as part of the overall U. S. government budget and appropriation process which is driven by numerous factors, including geopolitical events, macroeconomic conditions and the ability of the U. S. government to enact legislation such as appropriations bills. Cuts to defense and other security spending could have an adverse impact on the economy in our markets. Other economic conditions that affect our financial performance include short- term and long- term interest rates, the prevailing yield curve, inflation and price levels (particularly for real estate), monetary policy, unemployment and the strength of the domestic economy as a whole. Unfavorable market conditions can result in a deterioration in the credit quality of our borrowers and the demand for our products and services, an increase in the number of loan delinquencies, defaults and charge- offs, additional provisions for loan losses, adverse asset values and an overall material adverse effect on the quality of our loan portfolio. Unfavorable or 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, increases in inflation or interest rates, high unemployment, natural disasters or a combination of these or other factors. Evolving responses from federal and state governments and other regulators, and our customers or our third- party partners or vendors, to new challenges such as climate change have impacted and could continue to impact the economic and political conditions under which we operate. ~~18A~~ **19In addition, federal budget deficit concerns and the potential for political conflict over legislation to fund U. S. government operations and raise the U. S. government' s debt limit may increase the possibility of a default by the U. S. government on its debt obligations, related credit- rating downgrades, or an economic recession in the United States. Many of our investment securities are issued by the U. S. government and government agencies and sponsored entities. As a result of uncertain domestic political conditions, including potential future federal government shutdowns, the possibility of the federal government defaulting on its obligations for a period of time due to debt ceiling limitations or other unresolved political issues, investments in financial instruments issued or guaranteed by the federal government pose liquidity risks. In connection with prior political disputes over U. S. fiscal and budgetary issues leading to the U. S. government shutdown in 2011, S & P lowered its long term sovereign credit rating on the U. S. from AAA to AA . A further downgrade, or a downgrade by other rating agencies, as well as sovereign debt issues facing the governments of other countries, could have a material adverse impact on financial markets and economic conditions in the U. S. and worldwide. A** sustained period of high inflation could pose a risk to the economy and the financial performance of the Bank. In recent periods, the increase in inflationary conditions accelerated due to, among other factors, global supply chain disruptions, changes in the labor market and geopolitical tensions. Higher commodity prices, labor shortages and supply chain disruptions, including those resulting from Russia' s ongoing invasion of Ukraine **and the conflict in the Middle East** , are also contributing to higher inflation levels, which could, in turn, adversely affect the U. S. economy, the demand for our products and creditworthiness of our borrowers. A sustained period of inflation could impact the Bank in many ways. Higher cost could reduce our profit margins. Aggressive action by monetary authorities to combat inflation could lead to higher rates which could negatively affect economic growth. Higher rates could make less creditworthy customers less able to meet their payment obligations. Higher rates could also lead to reduced valuations on long duration financial assets and real estate and impact the value of collateral pledged for loans. Finally, higher rates could result in deposit outflows or higher deposit costs. Our business is significantly dependent on the real estate markets in which we operate, as a significant percentage of our loan portfolio is secured by real estate. As of December 31, ~~2022~~ **2023** , our real estate loans represented approximately $ 10. ~~3~~ **7** billion, or ~~73~~ **75** % of our total loan and lease portfolio. Our real estate loans consist primarily of residential loans, including home equity loans (representing 38 % of our total loan and lease portfolio) and commercial and construction loans (representing ~~35~~ **37** % of our total loan and lease portfolio), with the significant majority of these loans concentrated in Hawaii. Real property values in Hawaii may be affected by a variety of factors outside of our control and the control of our borrowers, including national and local economic conditions generally. Declines in real property prices, including prices for homes and commercial properties, in Hawaii, Guam or Saipan could result in a deterioration of the credit quality of our borrowers, an increase in the number of loan delinquencies, defaults and charge- offs, and reduced demand for our products and services generally. In addition, nearly all residential mortgage loans and home equity lines of credit and loans outstanding 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, earthquakes and tsunamis, like the ~~October 2018~~ **May 2023** super typhoon that struck **Guam and August 2023 Maui wildfires** ~~Saipan causing material damage to the island~~ . Finally, declines in real property values in the areas in which we operate, particularly Hawaii, whether as a result of these or other factors, could result in a deterioration of the credit quality of our borrowers, an increase in the number of loan delinquencies, defaults and charge- offs, and reduced demand for our products and services generally. Additionally, such declines in real property values could reduce the value of any collateral we realize following a default on these loans and could adversely affect our ability to continue to grow our loan portfolio consistent with our underwriting standards. Our failure to mitigate these risks effectively could have a material adverse effect on our business, financial condition or results of operations. ~~Our~~ **20Our** business is subject to risk arising from conditions in the commercial real estate market. As of December 31, ~~2022~~ **2023** , our commercial real estate loans represented approximately $ 4. ~~1~~ **3** billion or ~~29~~ **30** % of our total loan and lease portfolio. Commercial real estate loans may have a greater risk of loss than residential mortgage loans, in part because these loans are generally larger or more complex to underwrite and 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. As payments on loans secured by commercial real estate often depend upon the successful operation and management of the properties and the businesses which operate from within them, repayment of such loans may be affected by factors outside the borrower' s control, such as adverse conditions in the real estate market or the economy or changes in government regulation. In recent years, commercial real estate markets have been experiencing substantial growth, and increased competitive pressures have contributed significantly to historically low capitalization rates and rising property values. Commercial real estate markets have been particularly impacted by the economic disruption resulting from the COVID- 19 pandemic **and a reduced demand for office space driven by the implications of hybrid work arrangements** . Accordingly, federal banking regulatory agencies have expressed concerns about weaknesses in the current commercial real estate market. Our failure to adequately implement risk management policies, procedures and controls could adversely affect our ability to increase this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio. ~~19Concentrated~~ -- **Concentrated** exposures to certain asset classes and individual obligors may unfavorably impact our operations. We have naturally developed concentrated exposures to those asset classes and industries in which we have specific knowledge or competency, such as commercial real estate lending and dealer financing. In management' s judgment, our extensive experience within these concentration areas, and our strategic relationships within such areas, allows us to better evaluate the associated risks and price credit accordingly. However, the presence of similar exposures concentrated in certain asset classes leaves us exposed to the risk of a focused downturn or increased competitive pressures within a concentration area. Additionally, we have cultivated relationships with market leaders that result in relatively larger exposures to select single obligors than would be typical for an institution of our size in a larger operating market. For example, our top five dealer relationships represented approximately ~~36~~ **39** % of our outstanding dealer flooring commitments as of December 31, ~~2022~~ **2023** . The failure to properly anticipate and address risks associated with these concentrated exposures could have a material adverse effect on our business, financial condition or results of operations. Our business is subject to interest rate risk and fluctuations in interest rates may adversely affect our earnings. Fluctuations in interest rates **have in the past negatively impacted and** may **in the future** negatively impact our banking business and ~~may weaken~~ demand for some of our products. Our earnings and cash flows are largely dependent on net interest income, which is the difference between the interest income we receive from interest- earning assets (e. g., loans and investment securities) and the interest expense we pay on interest- bearing liabilities (e. g., deposits and borrowings). The level of net interest income is primarily a function of the average balance of interest- earning assets, the average balance of interest- bearing liabilities and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of interest- earning assets and interest- bearing liabilities. Interest rates are volatile and highly sensitive to many factors that are beyond our control, such as economic conditions, inflationary trends, changes in government spending and debt issuances and policies of various governmental and regulatory agencies, and, in particular the monetary policy of the Federal Open Market Committee of the Federal Reserve System (the "

FOMC "). ~~Interest~~ **21Interest** rates in the United States fell dramatically during the first quarter of 2020 and remained low through 2021, which adversely affected our net interest income. The Federal Reserve raised benchmark interest rates throughout 2022 and **2023 and** may continue to raise interest rates **, or maintain them at elevated levels by recent historical standards,** in response to economic conditions, particularly inflationary pressures. When interest rates are increasing, we can generally be expected to earn higher net interest income. However, higher interest rates can also lead to fewer originations of loans, less liquidity in the financial markets, and higher funding costs, each of which could adversely affect our revenues, liquidity and capital levels. Higher interest rates can also negatively affect the payment performance on loans that are linked to variable interest rates. If borrowers of variable rate loans are unable to afford higher interest payments, those borrowers may reduce or stop making payments, thereby causing us to incur losses and increased operational costs related to servicing a higher volume of delinquent loans. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but also our ability to originate loans and deposits. Changes in interest rates also have a significant impact on (i) the carrying value of certain assets, including loans, real estate and investment securities, on our balance sheet **, and may result in material differences between the values of our assets and liabilities** , 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. The cost of our deposits is largely based on short- term interest rates, the level of which is driven primarily by the FOMC' s actions. However, the yields generated by our loans and securities are often difficult to re- price and are typically driven by longer- term interest rates, which are set by the market or, at times, the FOMC' s actions, and vary over time. The level of net interest income is therefore influenced by movements in such interest rates and the pace at which such movements occur. If the interest rates paid on our deposits and other borrowings increase at a faster pace than the interest rates on our loans and other investments, our net interest income may decline and, with it, a decline in our earnings may occur. Our net interest income and earnings would be similarly affected if the interest rates on our interest- earning assets declined at a faster pace than the interest rates on our deposits and other borrowings. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our business, financial condition or results of operations. ~~20As~~ **As** of December 31, ~~2022~~ **2023** , we had $ ~~8~~ **7** . ~~9~~ **6** billion of noninterest- bearing demand deposits and $ ~~12~~ **13** . ~~8~~ **7** billion of interest- bearing deposits. If market conditions were to change, including as a result of monetary policy or the competitive environment, in a manner that caused us to offer higher interest rates on core deposit accounts to maintain current clients or attract new clients, our interest expense will increase, perhaps materially. Furthermore, if we fail to offer interest in a sufficient amount to keep these deposits, our ~~core~~ deposits may be reduced, which would require us to obtain funding in other ways or risk slowing our future asset growth. ~~Certain of our businesses, our funding and financial products may be adversely affected by changes or the discontinuance of LIBOR. Our floating- rate funding, certain hedging transactions and certain of the products that we offer, such as floating- rate loans and mortgages, determine the applicable interest rate or payment amount by reference to a benchmark rate, such as LIBOR, or to an index, currency, basket or other financial metric. LIBOR and certain other benchmark rates are the subject of recent national, international, and other regulatory guidance and proposals for reform. The United Kingdom' s Financial Conduct Authority, which regulates LIBOR, has announced that publication of the most commonly used U. S. Dollar LIBOR settings will cease to be provided or cease 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. The U. S. federal banking agencies have issued guidance strongly encouraging banking organizations to cease using the U. S. Dollar LIBOR as a reference rate in " new " contracts by December 31, 2021 at the latest. Because the transition from LIBOR is ongoing, there continues to be significant uncertainty with respect to the effect of the transition on the financial markets for LIBOR- linked financial instruments. The market transition from LIBOR to SOFR or a different alternative reference rate is complex and could have a range of adverse impacts on the Company. In particular, any such transition or reform could, among other things, (i) adversely impact the value of, return on and trading for the Company' s financial assets or liabilities that are linked to LIBOR, including its securities, loans and derivatives; (ii) require renegotiations of outstanding financial assets and liabilities; (iii) result in additional inquiries or other actions from regulators in respect of the Company' s preparation and readiness for the LIBOR transition; (iv) increase the risk of disputes or litigation and / or increase expenses related to the transition, including with respect to any actions resulting from the Company' s interpretation and execution of its roles and responsibilities in corporate trust transactions; (v) adversely impact the Company' s reputation as it works with customers to transition loans and financial instruments from LIBOR; (vi) require successful system and analytics development and operationalization to transition the Company' s systems, loan portfolio and risk management processes away from LIBOR, which will require the Company to rely on the readiness of its customers, counterparties and third- party vendors; and (vii) cause significant disruption to financial markets that are relevant to the Company' s business segments. In addition, there can be no assurance that actions taken by the Company and third parties to address these risks and otherwise prepare for the transition from LIBOR to alternative interest rate benchmarks will be successful.~~ The value of the investment securities we own may decline in the future. As of December 31, ~~2022~~ **2023** , we owned investment securities with a carrying value of $ ~~7~~ **6** . ~~5~~ **3** billion, which largely consisted of our positions in obligations of the U. S. government and government- sponsored enterprises. We evaluate our investment securities on at least a quarterly basis, and more frequently when economic and market conditions warrant such an evaluation. For available- for- sale debt securities in an unrealized loss position, we assess whether we intend to sell, or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security' s amortized cost basis is written down to fair value through income. Because of changing economic and market conditions affecting issuers, we may be required to recognize losses in future periods, which could adversely affect our business, results of operations or financial condition. **Additionally, significant unrealized losses could negatively impact market and / or customer perceptions of the Company, which could**

lead to a loss of depositor confidence and an increase in deposit withdrawals, particularly among those with uninsured deposits. ~~21Credit~~ **22Credit** RisksOur business, profitability and liquidity may be adversely affected by 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. A number of our products expose us to credit risk. We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions **or regulatory responses, including additional special assessments under the FDIA** , which in turn could adversely affect us. We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances or that there is a deterioration in the credit quality of third parties whose securities or obligations we hold, including a deterioration in the value of collateral posted by third parties to secure their obligations to us under derivatives contracts and loan agreements. A deterioration in credit quality of such obligors, could result in losses and / or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. We might underestimate the credit losses inherent in our loan and lease portfolio and have credit losses in excess of the amount we reserve for loan and lease losses. We maintain an allowance for credit losses (“ ACL ”), which is a reserve established through a provision for credit losses (the “ Provision ”) charged to expense representing management’ s best estimate of ~~inherent~~ **lifetime expected credit** losses within our existing portfolio of loans and leases. The level of the ACL reflects management’ s continuing evaluation of specific credit risks, the quality of the loan and lease portfolio, the value of the underlying collateral, the level of non- accruing loans and leases, the unidentified losses inherent in the current loan and lease portfolio, and economic, political and regulatory conditions. For our commercial loans, we perform an internal loan review and grade loans on an ongoing basis, and we estimate and establish reserves for credit risks and credit losses inherent in our credit exposure (including unfunded lending commitments). The objective of our loan review and grading procedures is to identify existing or emerging credit quality problems so that appropriate steps can be initiated to avoid or minimize future losses. This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments of loan collectibility, including forecasts of economic conditions and how these economic predictions might impair the ability of the Company’ s borrowers to repay their loans. The Company may not be able to accurately predict these economic conditions and / or some or all of their effects, which may, in turn, negatively impact the reliability of the process. Accordingly, as is the case with any such assessments, there is always the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impacts of factors that we identify. Although our management has established an ACL it believes is adequate, we could sustain credit losses that are significantly higher than the amount of our ACL. Higher credit losses could arise for a variety of reasons, such as growth in our loan and lease portfolio, changes in economic conditions affecting borrowers, new information regarding our loans and leases and other factors within and outside our control. If real estate values were to decline or if economic conditions in our markets were to deteriorate unexpectedly, additional loan and lease losses not incorporated in the existing ACL might occur. Losses in excess of the existing ACL will reduce our net income and could have a material adverse effect on our business, financial condition or results of operations. A severe downturn in the economy generally, in our markets specifically or affecting the business and assets of individual customers would generate increased charge- offs and a need for higher reserves. While we believe that our ACL was adequate as of December 31, ~~2022~~ **2023** , there is no assurance that it will be sufficient to cover all incurred credit losses. In the event of significant deterioration in economic conditions, we may be required to increase reserves in future periods, which would reduce our earnings. Bank regulatory agencies will periodically review our ACL and the value attributed to non- accrual loans and leases or to real estate we acquire through foreclosure. Such regulatory agencies may require us to adjust our determination of the value for these items, increase our ACL or reduce the carrying value of owned real estate, reducing our net income. Further, if charge- offs in future periods exceed the ACL, we may need additional adjustments to increase the ACL. These adjustments could have a material adverse effect on our business, financial condition or results of operations. ~~22Liquidity~~ **23Liquidity** RisksLoss of deposits could increase our funding costs. Like many banking companies, we rely on customer deposits to meet a considerable portion of our funding, and we continue to seek customer deposits to maintain this funding base. We accept deposits directly from consumer and commercial customers and, as of December 31, ~~2022~~ **2023** , we had $ 21. ~~7~~ **3** billion in deposits. Deposits are subject to potentially dramatic fluctuations in availability or price due to certain factors outside our control, such as a loss of confidence by customers in us or the banking sector generally, customer perceptions of our financial health and general reputation, increasing competitive pressures from other financial services firms for consumer or corporate customer deposits, changes in interest rates and returns on other investment classes, which could result in significant outflows of deposits within short periods of time or significant changes in pricing necessary to maintain current customer deposits or attract additional deposits. In addition, if the Company’ s competitors raise the rates they pay on deposits, the Company’ s funding costs may increase, either because the Company raises its rates to avoid losing deposits or because the Company loses deposits and must rely on more expensive sources of funding. Higher funding costs could reduce the Company’ s net interest margin and net interest income and could have a material adverse effect on the Company’ s business, financial condition, and results of operations. **For example, we could be subject to sudden withdrawals of deposits, including as a result of negative media coverage, which may be spread through social media, regarding the financial services industry generally, a subset of financial institutions, or the Company specifically. Online and mobile banking have made it easier for customers to withdraw their deposits or transfer funds to other accounts with short notice. This may make retaining deposits during periods of stress more difficult. Further, depositors of certain types of deposits, such as uninsured or uncollateralized deposits, may be more likely to withdraw their deposits or do so more quickly. Any such withdrawals could result in higher funding costs for us as we lose a lower cost source of funding, and significant unanticipated withdrawals could materially and adversely affect our liquidity, financial condition, and results of operations.** Our liquidity is dependent on dividends from First Hawaiian Bank. We are a legal entity separate and distinct from our banking and other subsidiaries. Dividends from the Bank provide virtually all of our cash flow, including cash flow to pay dividends on our common stock and principal and interest on any debt we may incur. Various federal and state laws and regulations limit the amount of dividends that our bank may pay to us. For example, **we are subject to regulatory capital requirements which may limit the Bank' s ability to pay dividends to us, and** Hawaii law only permits our bank to pay dividends out of retained earnings as defined under Hawaii banking law, which differs from retained earnings calculated under GAAP. Also, our right to participate in a distribution of assets upon a subsidiary' s liquidation or reorganization is subject to the prior claims of the subsidiary' s creditors. In the event the Bank is unable to pay dividends to us, we may not be able to service any debt we may incur, pay obligations or pay dividends on our common stock. The inability to receive dividends from the Bank could have a material adverse effect on our business, financial condition, liquidity or results of operations. Operational RisksOur ability to maintain, attract and retain customer relationships is highly dependent on our reputation. As the parent company of Hawaii' s oldest and largest bank, we rely in part on our bank' s reputation for superior financial services to retain our customer relationships. Damage to our reputation could undermine the confidence of our current and potential customers in our ability to provide high- quality financial services. Such damage could also impair the confidence of our counterparties and vendors and ultimately affect our ability to effect transactions. Maintenance of our reputation depends not only on our success in maintaining our service- focused culture and controlling and mitigating the various risks described in this Form 10- K, but also on our success in identifying and appropriately addressing issues that may arise in areas such as potential conflicts of interest, anti- money laundering, customer personal information and privacy issues, customer and other third party fraud, record- keeping, regulatory investigations ~~and~~ **,** any litigation that may arise from any failure or perceived failure on our part to comply with legal and regulatory requirements **and ESG matters, including climate risk, hiring practices, the diversity of our work force, and racial and social justice issues involving our personnel, customers and third parties with whom we otherwise do business** . Maintaining our reputation also depends on our ability to successfully prevent third parties from infringing on the " First Hawaiian Bank " brand and associated trademarks and our other intellectual property. Defense of our reputation, trademarks and other intellectual property, including through litigation, could result in costs that could have a material adverse effect on our business, financial condition or results of operations. ~~23We~~ **24We** may not be able to attract and retain key personnel and other skilled employees. Our success depends, in large part, on the skills of our management team and our ability to retain, recruit and motivate key officers and employees. Competition for qualified employees and personnel in the financial services and banking industry is intense and there are a limited number of qualified persons with knowledge of, and experience in, the regional banking industry, especially in the communities served by our branch network. A substantial number of our employees have considerable tenure with the Bank and some will be nearing retirement in the next few years, which makes succession planning important to the continued operation of our business. We need to continue to attract and retain key personnel and to recruit qualified individuals to succeed existing key personnel to ensure the continued growth and successful operation of our business. Leadership changes will occur from time to time, and we cannot predict whether significant retirements or resignations will occur or whether we will be able to recruit additional qualified personnel. The cost of hiring, incentivizing and retaining skilled personnel may continue to increase, which could have a material adverse effect on our business, financial condition or results of operations. In addition, our ability to effectively compete for senior executives and other qualified personnel by offering competitive compensation and benefit arrangements may be restricted by applicable banking laws and regulations, including any restrictions that may in the future be adopted by U. S. regulatory agencies, including the Federal Reserve and FDIC. The loss of the services of any senior executive or other key personnel, the inability to recruit and retain qualified personnel in the future or the failure to develop and implement a viable succession plan, could have a material adverse effect on our business, financial condition or results of operations. If our techniques for managing risk are ineffective, we may be exposed to material unanticipated losses. In order to manage the significant risks inherent in our business, we must maintain effective policies, procedures and systems that enable us to identify, monitor and control our exposure to material risks, such as credit, operational, legal and reputational risks. Our risk management methods may prove to be ineffective due to their design, their implementation or the degree to which we adhere to them, or as a result of the lack of adequate, accurate or timely information or otherwise. If our risk management efforts are ineffective, we could suffer losses that could have a material adverse effect on our business, financial condition or results of operations. In addition, we could be subject to litigation, particularly from our customers, and sanctions or fines from regulators. Our techniques for managing the risks we face may not fully mitigate the risk exposure in all economic or market environments, including exposure to risks that we might fail to identify or anticipate. We are dependent on the use of data and modeling both in our management decision- making generally and in meeting regulatory expectations in particular. The use of statistical and quantitative models and other quantitatively- based analyses is central to bank decision- making and regulatory compliance processes, and the employment of such analyses is becoming increasingly widespread in our operations. Liquidity stress testing, interest rate sensitivity analysis, the automated extension of credit based on defined criteria and the identification of possible violations of anti- money laundering regulations are all examples of areas in which we are dependent on models and the data that underlies them. We anticipate that model- derived insights will penetrate further into bank decision- making, and particularly risk management efforts, as the capacities developed to meet rigorous stress testing requirements are able to be employed more widely. While these quantitative techniques and approaches improve our decision- making, they also create the possibility that faulty data or flawed quantitative approaches could yield adverse outcomes or regulatory scrutiny. Additionally, because of the complexity inherent in these approaches, misunderstanding or misuse of their outputs could similarly result in suboptimal decision- making. ~~24The~~ **25The** appraisals and other valuation techniques we use in evaluating and monitoring loans secured by real property, OREO and repossessed personal property may not accurately describe the net value of the asset. In considering whether to make a loan secured by real property, we generally require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made, and as real estate values may change significantly in value in relatively short periods of time (especially in periods of heightened economic uncertainty), this estimate may not accurately describe the net value of the real property collateral after the loan is made. As a result, we may not be able to realize the full amount of any remaining indebtedness when we foreclose on and sell the relevant property. In addition, we rely on appraisals and other valuation techniques to establish the value of our OREO and personal property that we acquire through foreclosure proceedings and to determine certain loan impairments. If any of these valuations are inaccurate, our consolidated financial statements may not reflect the correct value of our OREO, and our allowance for credit losses may not reflect accurate loan impairments. This could have a material adverse effect on our business, financial condition or results of operations. The occurrence of fraudulent activity, breaches or failures of our information security controls or cybersecurity- related incidents could have a material adverse effect on our business, financial condition or results of operations. As a financial institution, we are susceptible to fraudulent activity, information security breaches and cybersecurity- related incidents that may be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure **, loss** 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 or our clients, denial or degradation of service attacks, and malware or other cyberattacks **. These types of threats may derive from human error, fraud or malice on the part of external or internal parties or may result from accidental technological failure** . In recent periods, several large corporations, including financial institutions and retail companies, have suffered major data breaches, in some cases exposing not only confidential and proprietary corporate information, but also sensitive financial and other personal information of their customers and employees and subjecting them to potentially fraudulent activity. Some of our clients may have been affected by these breaches, which increase their risks of identity theft, credit card fraud and other fraudulent activity that could involve their accounts with us. We are regularly the target of attempted electronic fraudulent activity, security breaches and cybersecurity- related attacks. Consistent with industry trends, we may face an increasing number of attempted cyberattacks as we expand our mobile and other internet- based products and services, and we provide more of these services to a greater number of individual customers. The increased use of mobile and cloud technologies can heighten these and other operational risks. **Further, the use of artificial intelligence (" AI ") by cybercriminals may increase the frequency and severity of cybersecurity attacks against us or our service providers and others on whom we rely.** We also face risks related to cyberattacks and other security breaches in connection with credit card transactions that typically involve the transmission of sensitive information regarding our customers through various third parties, including merchant acquiring banks, payment processors, payment card networks and our processors. Some of these parties have in the past been the target of security breaches and cyberattacks, and because the transactions involve third parties and environments such as the point of sale that we do not control or secure, future security breaches or cyberattacks affecting any of these third parties could impact us through no fault of our own, and in some cases we may have exposure and suffer losses for breaches or attacks relating to them. ~~25Information~~ **26Information** pertaining to us and our customers is maintained, and transactions are executed, on networks and systems maintained by us, our customers 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 these systems, are essential to protect us and our customers against fraud and security breaches and to maintain our customers' 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 customers' 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 customers and underlying transactions, as well as the technology used by our customers to access our systems. Although we have developed, and continue to invest in, systems and processes that are designed to detect and prevent security breaches and cyberattacks and periodically test our security, our inability to anticipate, or failure to adequately mitigate, breaches of security could result in: losses to us or our customers; our loss of business and / or customers; damage to our reputation; the incurrence of additional expenses; disruption to our business; our inability to grow our online services or other businesses; additional regulatory scrutiny or penalties; or our exposure to civil litigation and possible financial liability — any of which could have a material adverse effect on our business, financial condition or results of operations. Additionally, we may not be able to ensure that our third- party vendors have appropriate controls in place to protect the confidentiality of the information they receive from us and our business, financial condition or results of operations could be adversely affected by a material breach of, or disruption to, the security of any of our or our vendors' systems. Because the investigation of any information security breach is inherently unpredictable and would require substantial time to complete, the Company may not be able to quickly remediate the consequences of any breach, which may increase the costs, and enhance the negative consequences associated with a breach. In addition, to the extent the Company' s insurance covers aspects of any breach, such insurance may not be sufficient to cover all of the Company' s losses. **The development and use of AI present risks and challenges that may adversely impact our business. We or our third-party vendors, clients or counterparties may develop or incorporate AI technology in certain business processes, services or products. The development and use of AI present a number of risks and challenges to our business. The legal and regulatory environment relating to AI is uncertain and rapidly evolving, both in the U. S. and internationally, and includes regulatory schemes targeted specifically at AI as well as provisions in intellectual property, privacy, consumer protection, employment and other laws applicable to the use of AI. These evolving laws and regulations could require changes in our implementation of AI technology and increase our compliance costs and the risk of non- compliance. AI**

models, particularly generative AI models, may produce output or take action that is incorrect, that result in the release of private, confidential or proprietary information, that reflect biases included in the data on which they are trained, infringe on the intellectual property rights of others, or that is otherwise harmful. In addition, the complexity of many AI models makes it challenging to understand why they are generating particular outputs. This limited transparency increases the challenges associated with assessing the proper operation of AI models, understanding and monitoring the capabilities of the AI models, reducing erroneous output, eliminating bias and complying with regulations that require documentation or explanation of the basis on which decisions are made. Further, we may rely on AI models developed by third parties, and, to that extent, would be dependent in part on the manner in which those third parties develop and train their models, including risks arising from the inclusion of any unauthorized material in the training data for their models, and the effectiveness of the steps these third parties have taken to limit the risks associated with the output of their models, matters over which we may have limited visibility. Any of these risks could expose us to liability or adverse legal or regulatory consequences and harm our reputation and the public perception of our business or the effectiveness of our security measures. In addition to our use of AI technologies, we are exposed to risks arising from the use of AI technologies by bad actors to commit fraud and misappropriate funds and to facilitate cyberattacks. Generative AI, if used to perpetrate fraud or launch cyberattacks, could create panic at a particular financial institution or exchange, which could pose a threat to financial stability. ~~Employee~~ **27Employee** misconduct or mistakes could expose us to significant legal liability and reputational harm. We are vulnerable to reputational harm because we operate in an industry in which integrity and the confidence of our customers are of critical importance. Our employees could engage in misconduct that adversely affects our business. For example, if an employee were to engage in fraudulent, illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation (as a consequence of the negative perception resulting from such activities), financial position, customer relationships and ability to attract new customers. Our business often requires that we deal with confidential information. If our employees were to improperly use or disclose this information, even if inadvertently, we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. Misconduct by our employees, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our business, financial condition or results of operations. In addition, employee errors, such as inadvertent use or disclosure of confidential information, calculation errors, mistakes in addressing communications or data inputs, errors in developing, implementing or applying information technology systems or simple errors in judgment, could also have similar adverse effects. ~~26We~~ **We** may be adversely affected by changes in the actual or perceived soundness or condition of other financial institutions. Financial services institutions may be interconnected as a result of trading, investment, liquidity management, clearing, counterparty and other relationships. Within the financial services industry, loss of public confidence, including through default by any one institution, could lead to liquidity challenges or to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems and losses or defaults by other institutions, as the commercial and financial soundness of many financial institutions is closely related as a result of these credit, trading, clearing and other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market- wide liquidity problems and losses or defaults by various institutions **. For example, we could be subject to sudden withdrawals of deposits. Online and mobile banking have made it easier for customers to withdraw their deposits or transfer funds to other accounts with short notice. This may make retaining deposits during periods of stress more difficult** . This systemic risk may adversely affect financial intermediaries, such as clearing agencies, banks and exchanges with which we interact on a daily basis or key funding providers such as the Federal Home Loan Banks (" FHLB "), any of which could have a material adverse effect on our access to liquidity or otherwise have a material adverse effect on our business, financial condition or results of operations. Consumer protection initiatives related to the foreclosure process could materially affect our ability as a creditor to obtain remedies. Historically, Hawaii rules provided for nonjudicial, or out- of- court, foreclosures, a process that is less expensive and quicker than going through the court foreclosure process. However, as a result of rule changes, many lenders now forgo nonjudicial foreclosures and file all foreclosures in court, which has created a backlog and slowed the judicial foreclosure process. Following a joint federal- state settlement regarding foreclosure practices, mortgage servicers have implemented new programs to assist borrowers with loss mitigation options. Federal and state loss mitigation requirements are now part of our annual audit requirements. We are subject to a variety of risks in connection with any sale of loans we may conduct. When we sell mortgage loans, we are required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated and serviced. If any of these representations and warranties are incorrect, we may be required to indemnify the purchaser for any related losses, or we may be required to repurchase or provide substitute mortgage loans for part or all of the affected loans. We may also be required to repurchase loans as a result of borrower fraud or in the event of early payment default by the borrower on a loan we have sold. If the level of repurchase and indemnity activity becomes material, it could have a material adverse effect on our liquidity, business, financial condition or results of operations. Mortgage lending is highly regulated. Our inability to comply with all federal and state regulations and investor guidelines regarding the origination, underwriting documentation and servicing of mortgage loans may impact our ability to sell mortgage loans in the future. ~~In~~ **28In** addition, we must report as held for sale any loans which we have undertaken to sell, whether or not a purchase agreement for the loans has been executed. We may therefore be unable to ultimately complete a sale for part or all of the loans we classify as held for sale. We must exercise our judgment in determining when loans must be reclassified from held for investment status to held for sale status under applicable accounting guidelines. Any failure to accurately report loans as held for sale could result in regulatory investigations and monetary penalties. Any of these actions could have a material adverse effect on our business, financial condition or results of operations. Our policy is to carry loans held for sale at the lower of cost or fair value. As a result, prior to being sold, any loans classified as held for sale may be adversely affected by market conditions, including changes in interest rates, and by changes in the borrower' s creditworthiness, and the value associated with these loans, including any loans originated for sale in the secondary market, may decline prior to being sold. We may be required to reduce the value of any loans we mark held for sale as a result, which could have a material adverse effect on our business, financial condition or results of operations. ~~27Our~~ -- **Our** operations could be interrupted if certain external vendors on which we rely experience difficulty, terminate their services or fail to comply with banking laws and regulations. We depend, to a significant extent, on relationships with third- party service providers that provide services, primarily information technology services, that are critical to our operations. We utilize third- party core banking services and receive credit card and debit card services, Internet banking services, various information services and services complementary to our banking products from various third- party service providers. We are also exposed to the risk that a cyberattack, security breach or other information technology incident at a common vendor to our third- party service providers could impede their ability to provide services to us. We may not be able to effectively monitor or mitigate operational risks relating to the use of common vendors by third- party service providers. If any of our third- party service providers experience difficulties or terminate their services and we are unable to replace our service providers with other service providers, our operations could be interrupted. It may be difficult for us to replace some of our third- party vendors, particularly vendors providing our core banking, credit card and debit card services and information services, in a timely manner if they are unwilling or unable to provide us with these services in the future for any reason. If an interruption were to continue for a significant period of time, it could have a material adverse effect on our business, financial condition or results of operations. Even if we are able to replace them, it may be at higher cost to us, which could have a material adverse effect on our business, financial condition or results of operations. In addition, if a third- party provider fails to provide the services we require, fails to meet contractual requirements, such as compliance with applicable laws and regulations, or suffers a cyberattack or other security breach, our business could suffer economic and reputational harm that could have a material adverse effect on our business, financial condition or results of operations. We depend on the accuracy and completeness of information about customers and counterparties. In deciding whether to extend credit or enter into other transactions, and in evaluating and monitoring our loan portfolio on an ongoing basis, we may 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 or counterparties or of other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate, incomplete, fraudulent or misleading financial statements, credit reports or other financial or business information, or the failure to receive such information on a timely basis, could result in loan losses, reputational damage or other effects that could have a material adverse effect on our business, financial condition or results of operations. Our accounting estimates and risk management processes and controls rely on analytical and forecasting techniques and models and assumptions, and actual results may differ from these estimates. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with GAAP and reflect management' s judgment of the most appropriate manner to report our financial condition and results. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet which may result in our reporting materially different results than would have been reported under a different alternative. ~~Certain~~ **29Certain** accounting policies are critical to presenting our financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting policies include the allowance for credit losses, goodwill, fair value measurements, pension and postretirement benefit obligations and income taxes. Because of the uncertainty of estimates involved in these matters, we may be required to do one or more of the following: significantly increase the allowance for credit losses or sustain credit losses that are significantly higher than the reserve provided; record an impairment on all or a portion of our goodwill balance; reduce the carrying value of an asset measured at fair value; or significantly increase our accrued tax liability. Any of these could have a material adverse effect on our business, financial condition or results of operations. See " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies " for more information. ~~28Our~~ -- **Our** internal controls, disclosure controls, processes and procedures, and corporate governance policies and procedures are based in part on certain assumptions and can provide only reasonable (not absolute) assurances that the objectives of the system are met. Any failure or circumvention of our controls, processes and procedures or failure to comply with regulations related to controls, processes and procedures could necessitate changes in those controls, processes and procedures, which may increase our compliance costs, divert management' s attention from our business or subject us to regulatory actions and increased regulatory scrutiny. Any of these could have a material adverse effect on our business, financial condition or results of operations. Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition. From time to time, the 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 required by the FASB or other regulators, we could be required to change certain of the assumptions or estimates we have previously used in preparing our financial statements, which could negatively impact how we record and report our results of operations and financial condition generally. For a discussion of the expected impact of accounting pronouncements recently issued but not adopted by us as of December 31, ~~2022~~ **2023** , see " Note 1. Organization and Summary of Significant Accounting Policies – Recent Accounting Pronouncements " in the notes to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data for more information. Strategic RisksGeographic concentration in our existing markets may unfavorably impact our operations. A substantial majority of our business is with customers located within Hawaii. Our operations are heavily concentrated in Hawaii, as well as in Guam and Saipan. As a result of this geographic concentration, our results depend largely on economic conditions in these and surrounding areas. As discussed below, deterioration in economic conditions in Hawaii, Guam and Saipan would have a material adverse effect on our business, financial condition or results of operations. In addition, continued, long- term growth may be unsustainable, given the concentration of our operations and customer base in Hawaii, Guam and Saipan. Moreover, under applicable laws, we may not be permitted to acquire any bank in Hawaii because we control more than 30 % of the total amount of deposits in the Hawaii market. As a result, any further growth in the Hawaii market will most likely have to occur organically rather than by acquisition. Our inability to manage our growth successfully or to continue to expand into new markets could have a material adverse effect on our business, financial condition or results of operations. ~~We~~ **30We** operate in a highly competitive industry and market area. We operate in the highly competitive financial services industry and face significant competition for customers from financial institutions located both within and beyond our principal markets. We compete with commercial banks, savings banks, credit unions, non- bank financial services companies and other financial institutions operating within or near the areas we serve. Additionally, certain large banks headquartered on the U. S. mainland and large community banking institutions target the same customers we do. In addition, as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for banks to expand their geographic reach by providing services over the Internet and for non- banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. The emergence, adoption and evolution of new technologies that do not require intermediation, including distributed ledgers such as digital assets and blockchain, as well as advances in robotic process automation **or AI** , could significantly affect the competition for financial services. The banking industry is experiencing rapid changes in technology, and, as a result, our future success will depend in part on our ability to address our customers' needs by using technology. Customer loyalty can be influenced by a competitor' s new products, especially offerings that could provide cost savings or a higher return to the customer. We continue to face increased competitive pressures on loan rates and terms for high- quality credits. We may not be able to compete successfully with other financial institutions in our markets, and we may have to pay higher interest rates to attract deposits, accept lower yields to attract loans and pay higher wages for new employees, resulting in lower net interest margins and reduced profitability. ~~29Many --~~ **Many** of our non- bank competitors are not subject to the same extensive regulations that govern our activities and may have greater flexibility in competing for business. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. In addition, some of our current commercial banking customers may seek alternative banking sources as they develop needs for credit facilities larger than we may be able to accommodate. Our inability to compete successfully in the markets in which we operate could have a material adverse effect on our business, financial condition or results of operations. New lines of business, products, product enhancements or services may subject us to additional risks. From time to time, we may implement new lines of business or offer new products and product enhancements as well as new services within our existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In implementing, developing or marketing new lines of business, products, product enhancements or services, we may invest significant time and resources, although we may not assign the appropriate level of resources or expertise necessary to make these new lines of business, products, product enhancements or services successful or to realize their expected benefits. Further, initial timetables for the introduction and development of new lines of business, products, product enhancements or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the ultimate implementation of a new line of business or offerings of new products, product enhancements or services. Furthermore, any new line of business, product, product enhancement or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or offerings of new products, product enhancements or services could have a material adverse effect on our business, financial condition or results of operations. ~~We~~ **31We** have dealer- centric automotive finance businesses, and a change in the key role of dealers within the automotive industry or our ability to maintain or build relationships with them could have an adverse effect on our business, results of operations, financial condition, or prospects. Our automotive finance business depends on the continuation of the key role of dealers within the automotive industry, the maintenance of our existing relationships with dealers, and our creation of new relationships with dealers. A number of trends are affecting the automotive industry and the role of dealers within it. These include challenges to the dealer' s role as intermediary between manufacturers and purchasers, shifting financial and other pressures exerted by manufacturers on dealers, the rise of vehicle sharing and ride hailing, the development of autonomous and alternative- energy vehicles, the impact of demographic shifts on attitudes and behaviors toward vehicle ownership and use, changing expectations around the vehicle buying experience, adjustments in the geographic distribution of new and used vehicle sales, and advancements in communications technology. While it is not currently clear how and how quickly these trends may develop, any one or more of them could adversely affect the key role of dealers and their business models, profitability, and viability, and if this were to occur, our dealer- centric automotive finance businesses could suffer as well. Our share of commercial wholesale financing remains at risk of decreasing in the future as a result of intense competition and other factors. If we are not able to maintain existing relationships with significant automotive dealers or if we are not able to develop new relationships for any reason — including if we are not able to provide services on a timely basis, offer products and services that meet the needs of the dealers, compete successfully with the products and services of our competitors, or effectively counter the influence that captive automotive finance companies have in the marketplace or the exclusivity privileges that some competitors have with automotive manufacturers — our wholesale funding volumes, and the number of dealers with whom we have funding relationships, could decline in the future. If this were to occur, our business, results of operations, financial condition, or prospects could be adversely affected. ~~30We~~ **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. ~~For instance, in 2022, we successfully converted to a new core system.~~ Certain of our competitors have substantially greater resources to invest in technological improvements than we do. We may not be able to effectively implement new, technology-driven products and services or implement them as quickly as our competitors do or be successful in marketing these products and services to our customers. In addition, the implementation of technological changes and upgrades to maintain current systems and integrate new systems may also cause service interruptions, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws or may otherwise result in an increase, potentially a material increase, in our expenses. Failure to successfully keep pace with technological change affecting the financial services industry and failure to avoid interruptions, errors and delays could cause us to lose customers or have a material adverse effect on our business, financial condition or results of operations. We expect that new technologies and business processes applicable to the consumer credit industry will continue to emerge, and these new technologies and business processes may be better than those we currently use. Because the pace of technological change is high and our industry is intensely competitive, we may not be able to sustain our investment in new technology as critical systems and applications become obsolete or as better ones become available. A failure to maintain current technology and business processes could cause disruptions in our operations or cause our products and services to be less competitive, all of which could have a material adverse effect on our business, financial condition or results of operations. ~~Legal~~ **32Legal** , Regulatory and Compliance RisksThe banking industry is highly regulated, and the regulatory framework, together with any future legislative or regulatory changes, may have a significant adverse effect on our operations. The banking industry is extensively regulated and supervised under both federal and state laws and regulations that are intended primarily for the protection of depositors, customers, federal deposit insurance funds and the banking system as a whole, not for the protection of our stockholders and creditors other than insured depositors. FHI is subject to regulation and supervision by the Federal Reserve and the Bank is subject to regulation and supervision by the FDIC, the CFPB and the Hawaii DFI. The laws and regulations applicable to us govern a variety of matters, including permissible types, amounts and terms of loans and investments we may make, the maximum interest rate that may be charged, the amount of reserves we must hold against deposits we take, the types of deposits we may accept, maintenance of adequate capital and liquidity, changes in the control of us and our bank, restrictions on dividends and establishment of new offices. We must obtain approval from our regulators before engaging in certain activities, and there is the risk that such approvals may not be obtained, either in a timely manner or at all. In some cases, governmental authorities have required criminal pleas or other extraordinary terms, including admissions of wrongdoing and the imposition of monitors, as part of settlements. Our failure to comply with any applicable laws or regulations, or regulatory policies and interpretations of such laws and regulations, in some cases, even if such noncompliance was inadvertent, could result in sanctions by regulatory agencies, civil money penalties, related litigation by private plaintiffs, or damage to our reputation, all of which could have a material adverse effect our business, financial condition or results of operations. ~~31We~~ **We** expect that our business will remain subject to extensive regulation and supervision and that the level of scrutiny and the enforcement environment may fluctuate over time, based on numerous factors, including changes in the United States presidential administration or one or both houses of Congress and public sentiment regarding financial institutions (which can be influenced by scandals and other incidents that involve participants in the financial services industry). In **particular, we anticipate increased regulatory scrutiny, in the course of routine examinations and otherwise, and new regulations in response to recent negative developments in the banking industry, which may increase our cost of doing business and reduce our profitability. Among other things, there may be increased focus by both regulators and investors on deposit composition, the level of uninsured deposits, brokered deposits, unrealized losses in securities portfolios, liquidity, commercial real estate loan composition and concentrations, and capital as well as general oversight and control of the foregoing. We could face increased scrutiny or be viewed as higher risk by regulators and / or the investor community, which could have a material adverse effect on our business, financial condition and results of operations. In** addition, changes in key personnel at the agencies that regulate the Company, including the federal banking regulators, may result in differing interpretations of existing rules and guidelines and potentially more stringent enforcement and more severe penalties than previously experienced. New regulations and modifications to existing regulations and supervisory expectations have increased, and may in the future increase, our costs over time, result in decreased revenues and net income, reduce our ability to compete effectively (particularly with non- bank financial institutions that may not be subject to the same laws and regulations), make it less attractive for us to continue providing certain products and services, or require changes to our existing regulatory compliance and risk management structure. Any future changes in federal and state law and regulations, as well as the interpretations and implementations, or modifications or repeals, of such laws and regulations, could affect us in substantial and unpredictable ways, including those listed above or other ways that could have a material adverse effect on our business, financial condition or results of operations. **33Fee revenues from overdraft protection programs constitute a portion of our noninterest income and may be subject to increased supervisory scrutiny. Revenues derived from transaction fees associated with overdraft protection programs offered to our customers are included in noninterest income. Members of Congress and the leadership of the OCC and CFPB have expressed a heightened interest in bank overdraft protection programs. On January 17, 2024, the CFPB proposed a rule that would significantly reform the regulatory framework governing overdraft practices applicable to banks such as FHB that have more than $ 10 billion in assets. If adopted as proposed, the proposed rule would likely result in decreased revenue from overdraft transaction fees for FHB. See " Item 1. Business — Supervision and Regulation — Consumer Financial Protection " herein for more information about this proposed rule. These actions are a component of the CFPB' s broader supervision and enforcement initiative targeting so- called consumer " junk fees. " In addition, the Comptroller of the Currency has**

identified potential options for reform of national bank overdraft protection practices, including providing a grace period before the imposition of a fee, refraining from charging multiple fees in a single day and eliminating fees altogether. In response to this increased congressional and regulatory scrutiny, and in anticipation of enhanced supervision and enforcement of overdraft protection practices in the future, certain banking organizations have modified their overdraft protection programs, including by discontinuing the imposition of overdraft transaction fees. These competitive pressures from our peers, as well as any adoption by our regulators of new rules or supervisory guidance or more aggressive examination and enforcement policies in respect of banks' overdraft protection practices, could cause us to modify our program and practices in ways that may have a negative impact on our revenue and earnings, which, in turn, could have an adverse effect on our financial condition and results of operations. In addition, as supervisory expectations and industry practices regarding overdraft protection programs change, our continued offering of overdraft protection may result in negative public opinion and increased reputation risk. We are required to act as a source of financial and managerial strength for our bank in times of stress. Under federal law, we are required to act as a source of financial and managerial strength to our bank, and to commit resources to support our bank if necessary. We may be required to commit additional resources to our 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 stockholders' or our creditors' best interests to do so. Providing such support is more likely during times of financial stress for us and our 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 our bank are subordinate in right of payment to depositors and to certain other indebtedness of our bank. In the event of our bankruptcy, any commitment by us to a federal banking regulator to maintain the capital of our bank will be assumed by the bankruptcy trustee and entitled to priority of payment. We are subject to capital adequacy requirements and may be subject to more stringent capital requirements. We are subject to regulatory requirements relating to capital, which are subject to change from time to time. If we fail to meet applicable requirements, we may be restricted in the types of activities we may conduct, and we may be prohibited from taking certain capital actions, such as paying dividends and repurchasing capital securities. See " Item 1. Business — Supervision and Regulation — Regulatory Capital Requirements " for more information. While we expect to continue to meet the requirements of the Capital Rules, we may fail to do so. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make acquisitions or make capital distributions in the form of dividends and share repurchases. Higher capital levels could also lower our return on equity. ~~We~~ **34We** may not pay dividends on our common stock in the future. Holders of our common stock are entitled to receive only such dividends as our board of directors may declare out of funds legally available for such payments. Our board of directors may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. In addition, we are a bank holding company, and our ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends. It is the policy of the Federal Reserve that bank holding companies should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the organization' s expected future needs, asset quality and financial condition. Further, if we are unable to satisfy the capital requirements applicable to us for any reason, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common stock. Any change in the level of our dividends or the suspension of the payment thereof could have a material adverse effect on the market price of our common stock. See " Liquidity Risks – Our liquidity is dependent on dividends from First Hawaiian Bank " for additional information on our reliance on dividends paid to us by the Bank. ~~32Rulemaking~~ -- **Rulemaking** changes implemented by the CFPB have in the past resulted and may in the future result in higher regulatory and compliance costs that may adversely affect our results of operations. The CFPB is a federal agency responsible for implementing, examining and enforcing compliance with federal consumer financial protection laws. The CFPB also has examination and primary enforcement authority with respect to depository institutions with $ 10 billion or more in assets, their service providers and certain non- depository entities such as debt collectors and consumer reporting agencies. Consumer protection laws and regulation, and the examination, supervision and enforcement of those laws and regulations, by the CFPB have created a complex environment for consumer finance regulation. See " Item 1. Business — Supervision and Regulation — Consumer Financial Protection. " The ultimate impact of this heightened scrutiny is uncertain but could result in changes to pricing, practices, products and procedures. It could also result in increased costs related to regulatory oversight, supervision and examination, additional remediation efforts and possible penalties. We may also be required to add additional compliance personnel or incur other significant compliance- related expenses. Our business, results of operations or competitive position may be adversely affected as a result. Litigation and regulatory actions, including possible enforcement actions, could subject us to significant fines, penalties, judgments or other requirements resulting in increased expenses or restrictions on our business activities. Our business is subject to increased litigation and regulatory risks as a result of a number of factors, including the highly regulated nature of the financial services industry and the focus of civil government attorneys on banks and the financial services industry generally, and in particular practices and requirements, including foreclosure practices, applicable consumer protection laws, classification of held for sale assets and compliance with anti- money laundering statutes, the Bank Secrecy Act and sanctions administered by OFAC. In addition, a single event or issue may give rise to numerous and overlapping investigations and proceedings, including by multiple federal and state regulators and other governmental authorities. ~~In~~ **35In** the normal course of business, from time to time, we may be named as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our business activities. Certain of the legal actions have included, and may in the future include, claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. In addition, while the arbitration provisions in certain of our customer agreements historically have limited our exposure to consumer class action litigation, there can be no assurance that we will be successful in enforcing our arbitration clause in the future. We may also, from time to time, be the subject of subpoenas, requests for information, reviews, investigations and proceedings (both formal and informal) by governmental and self- regulatory agencies regarding our business. Any such legal or regulatory actions may subject us to substantial compensatory or punitive damages, significant fines, penalties, obligations to change our business practices or other requirements resulting in increased expenses, diminished income and damage to our reputation. Our involvement in any such matters, even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management' s attention from the operation of our business. Directives issued to enforce such actions may be confidential and thus, in some instances, we are not permitted to publicly disclose these actions. Further, any settlement, consent order or adverse judgment in connection with any formal or informal proceeding or investigation by government agencies may result in litigation, investigations or proceedings as other litigants and government agencies begin independent reviews of the same activities. As a result, the outcome of legal and regulatory actions could be material to our business, results of operations, financial condition and cash flows depending on, among other factors, the level of our earnings for that period, and could have a material adverse effect on our business, financial condition or results of operations. Increases in FDIC insurance premiums may adversely affect our earnings. Our bank' s deposits are insured by the FDIC up to legal limits and, accordingly, our bank is subject to FDIC deposit insurance assessments. We generally cannot control the amount of premiums our bank will be required to pay for FDIC insurance. Beginning in the first quarterly assessment period of 2023, the FDIC increased the initial base deposit insurance assessment rate schedules by 2 basis points, and the FDIC may in the future further increase assessment rates to meet the FDIC' s designated reserve ratio, which is currently maintained at 2 % of insured deposits. Future increases of FDIC insurance premiums or special assessments could have a material adverse effect on our business, financial condition or results of operations. See " Item 1. Business — Supervision and Regulation — Deposit Insurance. " ~~33Non~~ -- **Non** - compliance with the USA PATRIOT Act, the Bank Secrecy Act or other laws and regulations could result in fines or sanctions against us. The USA PATRIOT Act of 2001 and the Bank Secrecy Act require financial institutions to design and implement programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U. S. Treasury Department' s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Federal and state bank regulators also have focused heavily on compliance with Bank Secrecy Act and anti- money laundering regulations in recent years. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches, significant reputational harm and increased exposure to civil litigation. In recent years, several banking institutions have received large fines for non- compliance with these laws and regulations, and, in some cases, governmental authorities have required as part of settlements criminal pleas or other extraordinary terms, including admissions of wrongdoing and the impositions of monitors. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, these policies and procedures may not be effective in preventing violations of these laws and regulations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us, which could have a material adverse effect on our business, financial condition or results of operations. ~~Regulations~~ **36Regulations** relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities. We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively impacted by these laws. For example, our business is subject to the Gramm- Leach- Bliley Act which, among other things: (i) imposes certain limitations on our ability to share nonpublic personal information about our customers with nonaffiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to " opt out " of any information sharing by us with nonaffiliated third parties (with certain exceptions) and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing safeguards appropriate based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also proposed or enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Moreover, legislators and regulators in the United States are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security- related practices, our collection, use, sharing, retention and safeguarding of consumer or employee information, and some of our current or planned business activities. As new privacy- related laws and regulations, such as the California Consumer Privacy Act and any future laws and regulations which will be modeled after those laws, are implemented, the time and resources needed for us to comply with such laws and regulations, as well as our potential liability for non- compliance and reporting obligations in the case of data breaches, may significantly increase. This could result from, among other things, increased privacy- related enforcement activity at the federal level, by the Federal Trade Commission, as well as at the state level, such as with regard to mobile applications. Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions or results of operations. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to our reputation, which could have a material adverse effect on our business, financial condition or results of operations. ~~34Differences~~ -- **Differences** in regulation can affect our ability to compete effectively. The content and application of laws and regulations applicable to financial institutions vary according to the size of the institution, the jurisdictions in which the institution is organized and operates and other factors. Some of our non- bank competitors are not subject to the same extensive regulations we are, and, as a result, may be able to compete more effectively for business. In particular, the activity of marketplace lenders and other financial technology companies (" fintechs ") has grown significantly over recent years and is expected to continue to grow. Fintechs have and may continue to offer bank or bank- like products. For example, a number of fintechs have applied for, and in some cases received, bank or industrial loan charters. In addition, other fintechs have partnered with existing banks to allow them to offer deposit products to their customers. Regulatory changes may also make it easier for fintechs to partner with banks and offer deposit products. Other regulation has reduced the regulatory burden of large bank holding companies, and raised the asset thresholds at which more onerous requirements apply, which could cause certain large bank holding companies with less than $ 250 billion in total consolidated assets, which were previously subject to more stringent enhanced prudential standards, to become more competitive or to pursue expansion more aggressively. ~~Our~~ **37Our** use of third- party vendors and our other ongoing third- party business relationships are subject to increasing regulatory requirements and attention. We regularly use third- party vendors as part of our business. We also have substantial ongoing business relationships with other third parties. These types of third- party relationships are subject to increasingly demanding regulatory requirements and attention by our federal bank regulators, as well as heightened supervisory expectations regarding our due diligence, ongoing monitoring and control over our third- party vendors and other ongoing third- party business relationships. In certain cases, we may be required to renegotiate our agreements with these vendors to meet these enhanced requirements, which could increase our costs. We expect that our regulators will hold us responsible for deficiencies in our oversight and control of our third- party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over our third- party vendors or other ongoing third- party business relationships or that such third parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect on our business, financial condition or results of operations. 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 have an extensive branch network, owning separate branch locations throughout the areas we serve. 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. We may be subject to litigation risk pertaining to our fiduciary responsibilities. Some of the services we provide, such as trust and investment services, require us to act as fiduciaries for our customers and others. From time to time, third parties make claims and take legal action against us pertaining to the performance of our fiduciary responsibilities. If these claims and legal actions are not resolved in a manner favorable to us, we may be exposed to significant financial liability or our reputation could be damaged. Either of these results may adversely impact demand for our products and services or otherwise have a material adverse effect on our business, financial condition or results of operations. ~~35Other~~ **38Other** Risks Affecting Our ~~BusinessThe COVID- 19 pandemic has adversely affected, and may continue to adversely affect, us and our customers, counterparties, employees, and third- party service providers, and the adverse impacts on our business~~ **Business** ~~, financial position, results of operations, and prospects could be significant and are difficult to predict. The COVID- 19 pandemic has had, and may continue to have, negative effects on global economic conditions, including disruption and volatility of financial markets, supply chain disruptions, fluctuations in unemployment and other negative outcomes, including inflation. The extent to which the COVID- 19 pandemic will continue to negatively impact our capital, liquidity, and other financial positions and on our business, results of operations, and prospects will depend on a number of evolving factors, which are highly uncertain and cannot be predicted and many of which are outside of our control, including the scope and duration of the pandemic, whether any new COVID variants or other diseases emerge, the direct and indirect impact of the pandemic on our employees, customers, clients, counterparties and service providers, as well as other market participants, and actions taken, or that may yet be taken, or inaction, by governmental authorities and other third parties in response to the pandemic. We are unable to estimate the ongoing impact of COVID- 19 on our business and operations at this time. Should the COVID- 19 pandemic continue to impact our local market or the global market or increase in severity, it could cause us to experience higher credit losses in our lending portfolio, impairment of our goodwill (or additional assessments of the same) and other financial assets, further reduced demand for our products and services, and other negative impacts on our financial position, results of operations, and prospects. Sustained adverse effects may also prevent us from satisfying our minimum regulatory capital ratios and other supervisory requirements or result in downgrades in our credit ratings~~ . Severe weather, hurricanes, tsunamis, natural disasters, pandemics, acts of war or terrorism or other external events could significantly impact our business. Severe weather, hurricanes, tsunamis, natural disasters, widespread disease or pandemics or other severe health emergencies, or concerns over the possibility of such an emergency ~~(including the COVID- 19 pandemic)~~ , acts of war or terrorism or other adverse external events could have a significant impact on our business. Additionally, financial markets may be adversely affected by the current or anticipated impact of military conflict, including Russia' s ongoing invasion of Ukraine **and the conflict in the Middle East** , terrorism or other geopolitical events. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and / or cause us to incur additional expenses. Furthermore, the occurrence of any such event in the future could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations. Because Hawaii' s economy is heavily dependent on the tourism industry, which is in turn heavily influenced by the affordability and desirability of air travel, any related safety concerns or limitations and the prevailing weather patterns in the region, we could be disproportionately affected relative to others in the case of external events such as acts of war or terrorism, severe weather, natural disasters or pandemics or other actual or perceived severe health emergencies, including travel restrictions as a result of actual or perceived health emergencies that impact markets on which we depend. The occurrence of any of these events in the future could have a material adverse effect on our business, financial condition or results of operations. We own the building in Honolulu in which our principal office and headquarters are located. Given that we derive a portion of our income from leasing space in our principal office building and that a large concentration of our employees is located in our principal office building, depending on the intensity and longevity of the event, a catastrophic event impacting our Honolulu office building, including a terrorist attack, extreme weather event or other hostile or catastrophic event, could negatively affect our business and reputation and could have a material adverse effect on our business, financial condition or results of operations. ~~36Climate~~ -- **Climate** change could have a material negative impact on us and our customers. 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 customers and these risks are expected to increase over time. Climate changes presents multi- faceted risks, including (i) operational risk from the physical effects of climate events on our facilities and other assets as well as those of our customers; (ii) credit risk from borrowers with significant exposure to climate risk; and (iii) reputational risk from stakeholder concerns about our practices related to climate change, our carbon footprint and our business relationships with customers who operate in carbon- intensive industries. For instance, climate change exposes us and our customers to physical risk as its effects may lead to more frequent and more extreme weather events, such as prolonged droughts or flooding, tornados, hurricanes, wildfires and extreme seasonal weather; and longer- term shifts, such as increasing average temperatures, ozone depletion and rising sea levels. As our primary markets are located on islands in the Pacific Ocean, they may be particularly susceptible to certain of these risks or other risks resulting from climate change, including those relating to rising sea levels. Such events and long- term shifts may also have a significant impact on our customers, which could amplify credit risk by diminishing borrowers' repayment capacity or collateral values, and other businesses and counterparties with whom we transact, which could have a broader impact on the economy, supply chains and distribution networks. ~~Climate~~ **39Climate** change may also result in new and / or more stringent regulatory requirements for the Company, which could materially affect the Company' s results of operations by requiring the Company to take costly measures to comply with any new laws or regulations related to climate change that may be forthcoming. New regulations or guidance, or the attitudes of regulators, shareholders and employees regarding climate change, may affect the activities in which the Company engages and the products that the Company offers. In addition, an increasing perspective that financial institutions, including the Company, play an important role in managing risks related to climate change, including indirectly with respect to their customers, may result in increased pressure on the Company to take additional steps to disclose and manage its climate risks and related lending and other activities. Risks associated with climate change are continuing to evolve rapidly, making it difficult to assess the effects of climate change on the Company, and the Company expects that climate change- related risks will continue to evolve and increase over time **. If our actual or perceived action or inaction in response to these climate change- related risks are, or are perceived to be, ineffective or insufficient, or if we participate in, or decide not to participate in, certain industries or activities perceived to be associated with causing or exacerbating climate change, we could be subject to enforcement and other supervisory or government actions, reputational damage, a loss of customer or investor confidence, difficulty retaining or attracting talented employees, or other harm** . We may be subject to unexpected income tax liabilities in connection with the Reorganization Transactions. BWHI is required to pay us for any unexpected income tax liabilities that arise in connection with the Reorganization Transactions. However, in the event that BWHI does not satisfy its payment obligations, we could be subject to significantly higher federal and / or state and local income tax liabilities than currently anticipated. BNPP, BWHI and we expect that no U. S. federal income taxes will be imposed on us in connection with the Reorganization Transactions. However, we paid state and local income taxes of approximately $ 95. 4 million in June 2016 (which was partially offset by a federal tax reduction of approximately $ 33. 4 million received through the intercompany settlement of estimated taxes in April 2017) in connection with the Reorganization Transactions (the " Expected Taxes "). BNPP, BWHI and we reported a total tax liability in connection with the Reorganization Transactions of $ 92. 1 million (the " Return Taxes ") in the tax returns of various state and local jurisdictions. Pursuant to the Tax Sharing Agreement, we reimbursed BWHI approximately $ 2. 1 million due to the Return Taxes being lower than the Expected Taxes. Such amount was recorded as an adjustment to additional paid- in capital. We could be subject to higher income tax liabilities in the event that the Internal Revenue Service (the " IRS ") or state and local tax authorities successfully assert that our income tax liabilities in respect of the Reorganization Transactions are higher than the Return Taxes. Under the terms of the Tax Sharing Agreement, BWHI is required to pay us for any such additional taxes on an " after- tax basis " (which means an amount determined by reducing the payment amount by any tax benefits derived by the Company and increasing the payment amount by any tax costs, including additional taxes, incurred by the Company as a result of such additional taxes and / or payments). See " Certain Related Party Transactions " in the Company' s Proxy Statement is incorporated herein by reference. If, however, our income tax liabilities with respect to the Reorganization Transactions are higher than the Return Taxes and BWHI fails to satisfy its payment obligations under the Tax Sharing Agreement, we could be liable for significantly higher federal and / or state income tax liabilities. We have not sought and will not seek any rulings from the IRS or state and local tax authorities regarding our expected tax treatment of the Reorganization Transactions. ~~37In~~ **In** addition, under the U. S. Internal Revenue Code of 1986, as amended (the " Code ") and related rules and regulations, each entity that was a member of the BancWest combined tax reporting group during any taxable period or portion of any taxable period ending on or before the effective time of the Reorganization Transactions is jointly and severally liable for the U. S.

federal income tax liability of the entire combined tax reporting group for such taxable period. Although the Tax Sharing Agreement allocates the responsibility for prior period taxes of the combined tax reporting group in accordance with the existing tax allocation agreements, if BWHI were unable to pay any such prior period taxes for which it is responsible, we could be required to pay the entire amount of such taxes, and such amounts could be significant. Other provisions of federal, state or local tax law may establish similar liability for other matters, including laws governing tax qualified pension plans, as well as other contingent liabilities. ~~Risks~~ **40Risks** Related to Our Common StockOur stock price may be volatile, and you could lose part or all of your investment as a result. Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. Our stock price may fluctuate significantly in response to a variety of factors including, among other things: ● Actual or anticipated variations in our results of operations; ● Recommendations or research reports about us or the financial services industry in general published by securities analysts; ● The failure of securities analysts to cover, or continue to cover, us; ● Operating and stock price performance of other companies that investors deem comparable to us; ● News reports relating to trends, concerns and other issues in the financial services industry; ● Future sales of our common stock; ● Departure of our management team or other key personnel; ● New technology used, or services offered, by competitors; ● Significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; ● Changes or proposed changes in laws or regulations, or differing interpretations thereof affecting our business, or enforcement of these laws and regulations; ● Litigation and governmental investigations; and ● Geopolitical conditions such as acts or threats of terrorism or military conflicts **and government shutdowns** . If any of the foregoing occurs, it could cause our stock price to fall and may expose us to litigation that, even if our defense is successful, could distract our management and be costly to defend. General market fluctuations, industry factors and general economic and political conditions and events — such as economic slowdowns or recessions, interest rate changes or credit loss trends — could also cause our stock price to decrease regardless of operating results. ~~38Future~~ -- **Future** sales and issuances of our common stock, including sales as part of our equity- based compensation plans, could result in dilution of the percentage ownership of our stockholders and could lower our stock price. The market price of our common stock could decline as a result of sales of a large number of shares of our common stock or from the perception that such sales could occur. These sales, or the possibility that these sales may occur, also may make it more difficult for us to raise additional capital by selling equity securities in the future, at a time and price that we deem appropriate. As of February 9, ~~2023~~ **2024** ~~,~~ we had a total of 127, ~~685~~ **622** , ~~476~~ **503** shares of common stock outstanding. We have filed a registration statement to register 6, 253, 385 shares of our common stock for issuance pursuant to awards granted under the equity incentive and employee stock purchase plans. In April 2021, our stockholders approved an amendment and restatement of the First Hawaiian, Inc. 2016 Non- Employee Director Plan principally to increase the total number of shares of common stock that may be awarded under that plan by 193, 941 shares. We have granted awards covering ~~2~~ **3** , ~~768~~ **335** , ~~449~~ **948** shares of our common stock under these plans as of December 31, ~~2022~~ **2023** . We may increase the number of shares registered for this purpose from time to time, subject to stockholder approval. Once we register and issue these shares, their holders will be able to sell them in the public market, subject to applicable transfer restrictions. **41** ~~We cannot predict the size of future issuances or sales of our common stock or the effect, if any, that future issuances or sales of shares of our common stock may have on the market price of our common stock. Sales or distributions of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may cause the market price of our common stock to decline. Certain banking laws and certain provisions of our certificate of incorporation may have an anti- takeover effect. Provisions of federal banking laws, including regulatory approval requirements, could make it difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our stockholders. Acquisition of 10 % or more of any class of voting stock of a bank holding company or depository institution, including shares of our common stock, generally creates a rebuttable presumption that the acquirer " controls " the bank holding company or depository institution. Also, a bank holding company must obtain the prior approval of the Federal Reserve before, among other things, acquiring direct or indirect ownership or control of more than 5 % of the voting shares of any bank, including our bank. There also are provisions in our second amended and restated certificate of incorporation, which we refer to as our certificate of incorporation, and fourth amended and restated bylaws, which we refer to as our bylaws, such as limitations on the ability to call a special meeting of our stockholders and restrictions on stockholders' ability to act by written consent, that may be used to delay or block a takeover attempt. In addition, our board of directors is authorized under our certificate of incorporation to issue shares of our preferred stock, and determine the rights, terms conditions and privileges of such preferred stock, without stockholder approval. These provisions may effectively inhibit a non- negotiated merger or other business combination, which, in turn could have a material adverse effect on the market price of our common stock. 39~~