

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

(Mark One)

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2024

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Commission file number: 001-31567**

**Central Pacific Financial Corp.**

(Exact name of registrant as specified in its charter)

**Hawaii**

(State or other jurisdiction of incorporation or organization)

**99-0212597**

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

**220 South King Street, Honolulu, Hawaii 96813**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:

**(808) 544-0500**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, No Par Value	CPF	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of June 30, 2024, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$559,660,000. As of February 12, 2025, the number of shares of common stock of the registrant outstanding was 27,065,570 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's proxy statement for the 2025 annual meeting of shareholders are incorporated by reference into Part III of this annual report on Form 10-K to the extent stated herein. The proxy statement will be filed within 120 days after the end of the fiscal year covered by this annual report on Form 10-K.

**CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES**  
**Form 10-K**

**Table of Contents**

	<b>Page</b>
<b>Part I.</b>	
<a href="#">Item 1. Business</a>	4
<a href="#">Item 1A. Risk Factors</a>	18
<a href="#">Item 1B. Unresolved Staff Comments</a>	35
<a href="#">Item 1C. Cybersecurity</a>	35
<a href="#">Item 2. Properties</a>	36
<a href="#">Item 3. Legal Proceedings</a>	36
<a href="#">Item 4. Mine Safety Disclosures</a>	36
<b>Part II.</b>	
<a href="#">Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</a>	37
<a href="#">Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	39
<a href="#">Item 7A. Quantitative and Qualitative Disclosures About Market Risk</a>	74
<a href="#">Item 8. Financial Statements and Supplementary Data</a>	75
<a href="#">Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	142
<a href="#">Item 9A. Controls and Procedures</a>	142
<a href="#">Item 9B. Other Information</a>	142
<a href="#">Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections</a>	142
<b>Part III.</b>	
<a href="#">Item 10. Directors, Executive Officers and Corporate Governance</a>	143
<a href="#">Item 11. Executive Compensation</a>	143
<a href="#">Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	143
<a href="#">Item 13. Certain Relationships and Related Transactions, and Director Independence</a>	143
<a href="#">Item 14. Principal Accountant Fees and Services</a>	143
<b>Part IV.</b>	
<a href="#">Item 15. Exhibits and Financial Statement Schedules</a>	144
<a href="#">Exhibits</a>	145
<a href="#">Item 16. Form 10-K Summary</a>	148
<a href="#">Signatures</a>	149

## PART I

### Forward-Looking Statements and Factors that Could Affect Future Results

Certain statements contained in this annual report on Form 10-K that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in our future filings with the U.S. Securities and Exchange Commission ("SEC"), in press releases and in oral and written statements made by us or with our approval that are not statements of historical fact and constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, capital expenditures, the payment or nonpayment of dividends, net interest income, capital position, credit losses, net interest margin or other financial items; (ii) statements of plans, objectives and expectations of Central Pacific Financial Corp. (the "Company") or its management or Board of Directors, including those relating to business plans, use of capital resources, products or services and regulatory developments and regulatory actions; (iii) statements of future economic performance including anticipated performance results from our business initiatives; and (iv) any statements of the assumptions underlying or relating to any of the foregoing. Words such as "believe," "plan," "anticipate," "seek," "expect," "intend," "forecast," "hope," "target," "continue," "remain," "estimate," "will," "should," "may" and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

While we believe that our forward-looking statements and the assumptions underlying them are reasonably based, such statements and assumptions are by their nature subject to risks and uncertainties, and thus could later prove to be inaccurate or incorrect. Accordingly, actual results could differ materially from those statements or projections for a variety of reasons. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- the effects of inflation and interest rate fluctuations, including the impact from potential international tariffs;
- disruptions in the economy, including supply chain disruptions;
- labor contract disputes and potential strikes impacting both the U.S. National and Hawaii economies;
- the increase in inventory or adverse conditions in the real estate market and deterioration in the construction industry;
- adverse changes in the financial performance and/or condition of our borrowers and, as a result, increased loan delinquency rates, deterioration in asset quality and losses in our loan portfolio;
- the impact of local, national, and international economies and events (including natural disasters such as wildfires, volcanic eruptions, hurricanes, tsunamis, storms and earthquakes) on the Company's business and operations and on tourism, the military and other major industries operating within the Hawaii market and any other markets in which the Company does business;
- deterioration or malaise in domestic economic conditions, including any destabilization in the financial industry and deterioration of the real estate market, as well as the impact of declining levels of consumer and business confidence in the state of the economy in general and in financial institutions in particular;
- changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- the adverse effects of potential bank failures and the potential impact of such developments on customer confidence, deposit behavior, liquidity and regulatory responses thereto;
- the adverse effects of the COVID-19 pandemic virus (and its variants) and other pandemic viruses on local, national and international economies, including, but not limited to, the adverse impact on tourism and construction in the State of Hawaii, our borrowers, customers, third-party contractors, vendors and employees, as well as the effects of government programs and initiatives in response thereto;
- the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), changes in capital standards, other regulatory reform and federal and state legislation, including but not limited to regulations promulgated by the Consumer Financial Protection Bureau (the "CFPB"), government-sponsored enterprise reform, and any related rules and regulations which affect our business operations and competitiveness;
- the costs and effects of legal and regulatory developments, including legal proceedings and lawsuits we are or may become subject to, or regulatory or other governmental inquiries and proceedings and the resolution thereof, the results of regulatory examinations or reviews and the effect of, our ability to comply with, any regulations or regulatory orders or actions we are or may become subject to, and the effect of any recurring or special FDIC assessments;

- the impact of a potential new regulatory reform agenda by the Trump administration that is significantly different than that of the Biden administration, impacting the rulemaking, supervision, examination and enforcement priorities of the federal banking agencies;
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board ("FASB") and other accounting standard setters and the cost and resources required to implement such changes;
- the effects of and changes in trade, monetary and fiscal policies and laws, including the interest rate policies of the Board of Governors of the Federal Reserve System (the "FRB" or the "Federal Reserve");
- changes in the competitive environment among bank holding companies and other financial service providers;
- securities market and monetary fluctuations, including the impact resulting from the elimination of the London Interbank Offered Rate Index;
- negative trends in our market capitalization and adverse changes in the price of the Company's common stock;
- the effects of any acquisitions or dispositions we may make or evaluate, and the costs associated with any potential or actual acquisition or disposition;
- political instability;
- acts of war or terrorism;
- changes in consumer spending, borrowings and savings habits;
- technological changes and developments;
- cybersecurity and data privacy breaches and the consequences therefrom;
- susceptibility of fraud on the business;
- failure to maintain effective internal control over financial reporting or disclosure controls and procedures;
- the ability to address deficiencies in our internal controls over financial reporting or disclosure controls and procedures;
- ability to successfully implement our initiatives to improve our efficiency;
- our ability to attract and retain key personnel;
- changes in our personnel, organization, compensation and benefit plans;
- the impact of potential future Banking-as-a-Service ("BaaS") initiatives; and
- our success at managing any of the risks involved in the foregoing items.

For further information with respect to factors that could cause actual results to materially differ from the expectations or projections stated in the forward-looking statements, please see also "Part I, Item 1A. Risk Factors" of this report. We urge investors to consider all of these factors carefully in evaluating the forward-looking statements contained in this Form 10-K. Forward-looking statements speak only as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events except as required by law.

## **ITEM 1. BUSINESS**

### **General**

Central Pacific Financial Corp., a Hawaii corporation and bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "BHC Act"), was organized on February 1, 1982. Our principal business is to serve as a holding company for our bank subsidiary, Central Pacific Bank, which was incorporated in its present form in the State of Hawaii on March 16, 1982 in connection with the holding company reorganization. Its predecessor entity was incorporated in the State of Hawaii on January 15, 1954. We provide financial results based on a fiscal year ending December 31 as a single reportable segment. As of December 31, 2024, we had total assets of \$7.47 billion, total loans of \$5.33 billion, total deposits of \$6.64 billion and shareholders' equity of \$538.4 million.

When we refer to "the Company," "we," "us" or "our," we mean Central Pacific Financial Corp. and its subsidiaries on a consolidated basis. When we refer to "Central Pacific Financial Corp.," "CPF" or to the holding company, we are referring to the parent company on a standalone basis. We refer to Central Pacific Bank herein as "our Bank" or "the Bank."

Through our Bank and its subsidiaries, we offer full-service commercial banking with 27 bank branches and 55 ATMs located throughout the State of Hawaii. Our administrative and main offices are located in Honolulu and we have 20 branches on the

island of Oahu. We operate four branches on the island of Maui, two branches on the island of Hawaii and one branch on the island of Kauai.

Central Pacific Bank is a full-service commercial bank offering traditional deposit and lending products and services to consumer and business customers, such as accepting demand, money market, savings and time deposits, originating loans, including commercial loans, construction loans, commercial real estate loans, residential mortgage loans, and consumer loans and fiduciary and investment management services. Our Bank's deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable limits. The Bank became a member of the Federal Reserve System in January 2025.

We derive our income primarily from interest and fees on loans, interest on investment securities and fees received in connection with deposit and other services. Our major operating expenses are the interest paid by our Bank on deposits and borrowings, salaries and employee benefits and general operating expenses. Our Bank relies substantially on a foundation of locally generated deposits.

Our operations, like those of other financial institutions that operate in our market, are significantly influenced by economic conditions in Hawaii, including the strength of the real estate market and the tourism industry, as well as the fiscal and regulatory policies of the federal and state government and the regulatory authorities that govern financial institutions. See the "Supervision and Regulation" section below for other information about the regulation of our holding company and bank.

### **Our Services**

We offer a full range of banking services and products to businesses, professionals and individuals. We provide our customers with an array of loan products, including residential mortgage loans, commercial and consumer loans and lines of credit, commercial real estate loans and construction loans.

Through our Bank, we concentrate our lending activities in five principal areas:

- (1) *Residential Mortgage Lending.* Residential mortgage loans include fixed-rate and adjustable-rate loans primarily secured by single-family, owner-occupied residences in Hawaii and home equity lines of credit and loans. We typically require loan-to-value ratios of not more than 80%, although higher levels are permitted with accompanying mortgage insurance. First mortgage loans secured by residential properties have an average loan origination size of approximately \$0.7 million and marketable collateral. Changes in interest rates, the economic environment and other market factors have impacted, and future changes will likely continue to impact, the marketability and value of collateral and the financial condition of our borrowers and thus the level of credit risk inherent in the portfolio. A portion of our first residential mortgage loan originations are sold in the secondary market and a portion is put into our loan portfolio.
- (2) *Commercial and Industrial Lending.* Loans in this category consist primarily of term loans and lines of credit to small and middle-market businesses and professionals in the State of Hawaii. The borrower's business is typically regarded as the principal source of repayment, although our underwriting policies and practices generally require additional sources of collateral, including real estate and other business assets, as well as personal guarantees where possible to mitigate risk and help to reduce credit losses.
- (3) *Commercial Mortgage Lending.* Loans in this category consist of loans secured by commercial real estate, including but not limited to, structures and facilities to support activities designated as multi-family residential properties, industrial, warehouse, general office, retail, health care, hotels, and religious dwellings. Our underwriting policies and practices generally requires net cash flow from the property to cover the debt service while maintaining an appropriate amount of reserves and permits consideration of liquidation of the collateral as a secondary source of repayment.
- (4) *Construction Lending.* Loans in this category consist of construction, land development, and other land loans for residential and commercial construction projects.
- (5) *Consumer Lending.* Loans in this category are generally either unsecured or secured by personal assets, such as automobiles, and the average loan size is generally small.

Beyond the lending function described above, we also offer a full range of deposit products and services including checking, savings and time deposits, cash management and digital banking services, trust services and retail brokerage services.

### **Our Market Area and Competition**

Based on deposit market share among FDIC-insured financial institutions in Hawaii, Central Pacific Bank was the fourth-largest depository institution in the state as of December 31, 2024.

The banking and financial services industry in the State of Hawaii generally, and particularly in our target market areas, is highly competitive. We compete for loans, deposits and customers with other commercial banks, savings banks, securities and brokerage companies, financial technology ("fintech") companies, mortgage companies, insurance companies, finance companies, credit unions and other non-bank financial service providers, including mortgage providers and brokers, operating via the internet and other technology platforms. Some of these competitors are much larger by total assets and capitalization, and have greater access to capital markets.

In order to compete with the other financial services providers in the State of Hawaii, we principally rely upon personal relationships between customers and our officers, directors and employees, and specialized services tailored to meet the needs of our customers and the communities we serve. We believe we remain competitive by offering flexibility and superior service levels to our customers, coupled with competitive interest rate pricing, strong digital technology and local promotional activities.

For further discussion of factors affecting our operations see, "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

### **Business Concentrations**

No individual or single group of related accounts is considered material in relation to the assets or deposits of our Bank, or in relation to the overall business of the Company. However, approximately 79% of our loan portfolio at December 31, 2024 consisted of real estate-related loans, including residential mortgage loans, home equity loans, commercial mortgage loans and construction loans. See "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Loan Portfolio."

Our business activities are focused primarily in Hawaii. Consequently, our results of operations and financial condition are impacted by the general economic trends in Hawaii, particularly in the commercial and residential real estate markets. During periods of economic strength, the real estate market and the real estate industry typically perform well; during periods of economic weakness, they typically are adversely affected.

### **Our Subsidiaries**

Central Pacific Bank is the wholly-owned principal subsidiary of Central Pacific Financial Corp. As of December 31, 2024, other wholly-owned subsidiaries include CPB Capital Trust IV and CPB Statutory Trust V.

In February 2024, the Bank acquired a 50% ownership interest in a mortgage loan origination and brokerage company, One Hawaii HomeLoans, LLC ("One Hawaii"). The Bank did not fund its initial capital contribution and One Hawaii had no activity in 2024. The Bank concluded that the investment meets the consolidation requirements under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, "*Consolidation*" and the entity also meets the definition of a variable interest entity ("VIE") and as the Bank is the primary beneficiary of the VIE. Accordingly, the investment will be consolidated into the Company's financial statements when activity begins.

Central Pacific Bank also owns 50% of Gentry HomeLoans, LLC, Haseko HomeLoans, LLC and Island Pacific HomeLoans, LLC, which are accounted for under the cost method and are included in unconsolidated entities in the Company's consolidated balance sheets.

The Company sponsors the Central Pacific Foundation, which is not consolidated in the Company's financial statements.

### **Supervision and Regulation**

#### ***General***

The Company and the Bank are subject to significant regulation and restrictions by federal and state laws and regulatory agencies for the protection of depositors and the FDIC deposit insurance fund, borrowers, and the stability of the United States of America ("U.S.") banking system. The following discussion of statutes and regulations is a summary and does not purport to be complete nor does it address all applicable statutes and regulations. This discussion is also qualified in its entirety by reference to the statutes and regulations referred to in this discussion. We cannot predict whether or when new legislative initiatives may be proposed or enacted or new regulations or guidance may be promulgated nor the effect new laws, regulations and supervisory policies and practices may have on community banks generally or on our financial condition and results of

operations. Such developments could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. We also cannot predict whether or when regulatory requirements may be reduced or eliminated and the overall effect such reduction or elimination may have on the Company and the Bank.

### ***Regulatory Agencies***

Central Pacific Financial Corp. is a legal entity separate and distinct from its subsidiaries. As the bank holding company for Central Pacific Bank, Central Pacific Financial Corp. is regulated under the BHC Act and is subject to inspection, examination and supervision by the FRB. It is also subject to Hawaii's Code of Financial Institutions and is subject to inspection, examination and supervision by the Hawaii Division of Financial Institutions ("DFI").

The Company is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as administered by the SEC. Our common stock is listed on the New York Stock Exchange ("NYSE") under the trading symbol "CPF," and we are subject to the rules of the NYSE for companies listed there. In addition to the enforcement powers of the bank regulatory agencies we are subject to, the SEC and the NYSE have the ability to take enforcement actions against us.

The Company is also subject to the accounting oversight and corporate governance requirements of the Sarbanes-Oxley Act of 2002. Requirements include, but are not limited to: executive certifications of financial presentations, requirements for board audit committees and their members, disclosure of controls and procedures, and establishment and testing of internal controls over financial reporting.

Central Pacific Bank, as a Hawaii state-chartered bank, is subject to primary supervision, periodic examination and regulation by the DFI and, effective January 24, 2025, the FRB. The Bank joined the Federal Reserve System as a member in January 2025, and was previously regulated primarily by the FDIC. As a FRB member bank, the Bank is required to subscribe to Federal Reserve capital stock in an amount equivalent to six percent (6%) of its capital and surplus. Although the par value of such stock is \$100 per share, banks pay only \$50 per share at the time of purchase with the understanding that the other half of the subscription amount is subject to call at any time. On January 24, 2025, the Bank purchased 371,359 shares of Federal Reserve Bank Stock for an aggregate purchase price of \$18.6 million.

The Company is also subject to certain regulations promulgated by the Consumer Financial Protection Bureau ("CFPB"), Federal Trade Commission ("FTC"), and FRB. During periodic examinations, the DFI, FDIC (2024 and prior), and FRB assess our financial condition, capital resources, asset quality, management, earnings prospects, liquidity, market sensitivity and other aspects of our operations. These bodies also determine whether our management is effectively managing the Bank and the holding company, and whether we are in compliance with all applicable laws or regulations.

### ***Legislative and Regulatory Developments***

The federal banking agencies have the ability to promulgate regulations and guidelines intended to assure the financial strength and safety and soundness of banks and the stability of the U.S. banking system. However, we believe the Trump administration will seek to implement a regulatory reform agenda that is different than that of the Biden administration, impacting the rulemaking, supervision, examination and enforcement priorities of the federal banking agencies. The scope of such changes, however, cannot yet be determined.

### ***Capital Adequacy Requirements***

Bank holding companies and banks are subject to various regulatory capital requirements administered by state and federal banking agencies, including the Basel III Capital Rule. The risk-based capital guidelines for bank holding companies and banks require capital ratios that vary based on the perceived degree of risk associated with a banking organization's operations for both transactions reported on the balance sheet as assets, such as loans, and those recorded as off-balance sheet items, such as commitments, letters of credit and recourse arrangements. The risk-based capital ratio is determined by classifying assets and certain off-balance sheet financial instruments into weighted categories, with higher levels of capital being required for those categories perceived as representing greater risks and dividing its qualifying capital by its total risk-adjusted assets and off-balance sheet items. Bank holding companies and banks engaged in significant trading activity may also be subject to the market risk capital guidelines and be required to incorporate additional market and interest rate risk components into their risk-based capital standards.

The Federal Reserve monitors our capital adequacy on a consolidated basis, and the FDIC (2024 and prior), FRB (2025 and forward) and the DFI monitor the capital adequacy of our Bank. The Company and the Bank are required to maintain minimum risk-based and leverage capital ratios, as well as a Capital Conservation Buffer, pursuant to the Basel III Capital Rule.

These rules implement the Basel III international regulatory capital standards in the United States, as well as certain provisions of the Dodd-Frank Act. These quantitative calculations are minimums, and the FRB, FDIC or DFI may determine that a banking organization, based on its size, complexity or risk profile, must maintain a higher level of capital in order to operate in a safe and sound manner.

Under the Basel III Capital Rule, the Company's and the Bank's assets, exposures and certain off-balance sheet items are subject to risk weights used to determine the institutions' risk-weighted assets. These risk-weighted assets are used to calculate the following minimum capital ratios for the Company and the Bank:

- **Tier 1 Leverage Ratio**, equal to the ratio of Tier 1 capital to quarterly average assets (net of goodwill, certain other intangible assets and certain other deductions).
- **Common Equity Tier 1 ("CET1") Risk-Based Capital Ratio**, equal to the ratio of CET1 capital to risk-weighted assets. CET1 capital primarily includes common stockholders' equity subject to certain regulatory adjustments and deductions, including with respect to goodwill, intangible assets and certain deferred tax assets. Hybrid securities, such as trust preferred securities, generally are excluded from being counted as Tier 1 capital. However, for bank holding companies like us that have less than \$15 billion in total consolidated assets, certain trust preferred securities were grandfathered in as a component of Tier 1 capital. In addition, because we are not an advanced approach banking organization, we were permitted to make a one-time permanent election to exclude accumulated other comprehensive income items from regulatory capital. We made this election in order to avoid significant variations in our levels of capital depending upon the impact of interest rate fluctuations on the fair value of our Bank's available-for-sale securities portfolio.
- **Tier 1 Risk-Based Capital Ratio**, equal to the ratio of Tier 1 capital to risk-weighted assets. Tier 1 capital is primarily comprised of CET1 capital, perpetual preferred stock and certain qualifying capital instruments.
- **Total Risk-Based Capital Ratio**, equal to the ratio of total capital, including CET1 capital, Tier 1 capital and Tier 2 capital, to risk-weighted assets. Tier 2 capital primarily includes qualifying subordinated debt and qualifying allowance for credit losses. Tier 2 capital also includes, among other things, certain trust preferred securities.

The total minimum regulatory capital ratios and well-capitalized minimum ratios are reflected in the charts below. The Federal Reserve has not yet revised the well-capitalized standard for bank holding companies to reflect the higher capital requirements imposed under the Basel III Capital Rule. For purposes of the Federal Reserve's Regulation Y, including determining whether a bank holding company meets the requirements to be a financial holding company, bank holding companies, such as the Company, must maintain a Tier 1 Risk-Based Capital Ratio of 6.0% or greater and a Total Risk-Based Capital Ratio of 10.0% or greater. If the Federal Reserve were to apply the same or a very similar well-capitalized standard to bank holding companies as that applicable to the Bank, the Company's capital ratios as of December 31, 2024 would exceed such revised well-capitalized standard. The Federal Reserve may require bank holding companies, including the Company, to maintain capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a bank holding company's particular condition, risk profile and growth plans.

Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our operations or financial condition. Failure to be well-capitalized or to meet minimum capital requirements could also result in restrictions on the Company's or the Bank's ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications.

In addition to meeting the minimum capital requirements, under the Basel III Capital Rule, the Company and the Bank must also maintain the required Capital Conservation Buffer to avoid becoming subject to restrictions on capital distributions and certain discretionary bonus payments to management. The Capital Conservation Buffer is calculated as a ratio of CET1 capital to risk-weighted assets, and it effectively increases the required minimum risk-based capital ratios. The Capital Conservation Buffer requirement is now at its fully phased-in level of 2.50%.

The Tier 1 Leverage Ratio is not impacted by the Capital Conservation Buffer, and a banking institution may be considered well-capitalized while remaining out of compliance with the Capital Conservation Buffer.

The table below summarizes the capital requirements that the Company and the Bank must satisfy to avoid limitations on capital distributions and certain discretionary bonus payments (i.e., the required minimum capital ratios plus the Capital Conservation Buffer):

	<b>Minimum Basel III Regulatory Capital Ratio Plus Capital Conservation Buffer</b>
CET1 risk-based capital ratio .....	7.0 %
Tier 1 risk-based capital ratio .....	8.5 %
Total risk-based capital ratio .....	10.5 %

As of December 31, 2024, the Company and the Bank are well-capitalized for regulatory purposes. For a tabular presentation of the Company's and the Bank's capital ratios as of December 31, 2024, see Note 23 - Parent Company and Regulatory Restrictions to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data".

As the Company approaches and if it were to cross the \$10 billion or more asset threshold, its compliance costs and regulatory requirements likely will increase.

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms (the standards are commonly referred to as "Basel IV"). Among other things, these standards revise the Basel Committee's standardized approach for credit risk (including by recalibrating risk weights and introducing new capital requirements for certain "unconditionally cancellable commitments," such as unused credit card lines of credit) and provides a new standardized approach for operational risk capital. Under the Basel framework, as amended, these standards became effective on January 1, 2023, with an aggregate output floor phasing in through January 1, 2028. Under the current U.S. capital rules, operational risk capital requirements and a capital floor apply only to advanced approaches institutions, and not to the Company and the Bank. In July 2023, the FRB, OCC and FDIC proposed significant changes to the current Basel III capital rules which replaces the advanced approaches risk weighted assets framework with a new enhanced risk-based framework and requires banking organizations with \$100 billion in assets to calculate their regulatory capital using more enhanced requirements applicable to even larger organizations. The impact of any changes to capital requirements and calculations and implementation of Basel IV on us will depend on the manner in which it is implemented by the federal bank regulators.

#### ***Prompt Corrective Action Provisions***

The Federal Deposit Insurance Act requires the federal bank regulatory agencies to take "prompt corrective action" with respect to a depository institution if that institution does not meet certain capital adequacy standards, including requiring the prompt submission of an acceptable capital restoration plan. Depending on a bank's capital ratios, the agencies' regulations define five categories in which an insured depository institution will be placed: well-capitalized, adequately capitalized, under-capitalized, significantly under-capitalized, and critically under-capitalized. At each successive lower capital category, an insured bank is subject to more restrictions, including restrictions on a bank's activities, operational practices or the ability to pay dividends or executive bonuses. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or under-capitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment.

The prompt corrective action standards were also changed as the Basel III Capital Rule ratios became effective. Under the new standards, in order to be considered well-capitalized, the Bank will be required to meet the new common equity Tier 1 ratio of 6.5%, an increased Tier 1 ratio of 8% (increased from 6%), a total capital ratio of 10% (unchanged) and a leverage ratio of 5% (unchanged).

The federal banking agencies also may require banks and bank holding companies subject to enforcement actions to maintain capital ratios in excess of the minimum ratios otherwise required to be deemed well-capitalized, in which case institutions may no longer be deemed to be well-capitalized and may therefore be subject to certain restrictions on items such as brokered deposits.

#### ***Volcker Rule***

In December 2013, the federal bank regulatory agencies adopted final rules that implement a part of the Dodd-Frank Act commonly referred to as the "Volcker Rule." Under these rules and subject to certain exceptions, banking entities are restricted from engaging in activities that are considered proprietary trading and from sponsoring or investing in certain entities, including

hedge or private equity funds that are considered "covered funds." Notwithstanding these provisions, in July 2019, the federal bank regulatory agencies finalized a rule which provides that community banks with \$10 billion or less in total consolidated assets and total trading assets and liabilities of 5 percent or less of total consolidated assets, such as the Bank, are excluded from the Volcker Rule.

### ***Brokered Deposits***

The FDIC limits the ability to accept brokered deposits to those insured depository institutions that are well-capitalized. Institutions that are less than well-capitalized cannot accept, renew or roll over any brokered deposit unless they have applied for and been granted a waiver by the FDIC. As of December 31, 2024, the Bank did not have any deposit liabilities categorized as brokered deposits.

### ***Bank Holding Company Regulation***

As contained in both federal and state banking laws and regulations, a wide range of requirements and restrictions apply to bank holding companies and their subsidiaries which may:

- require regular periodic reports and such additional reports of information as the Federal Reserve may require;
- require bank holding companies to meet or exceed minimum capital requirements (see the "Capital Adequacy Requirements" section above and the "Capital Resources" section in the MD&A);
- require that bank holding companies serve as a source of financial and managerial strength to subsidiary banks and commit resources as necessary to support each subsidiary bank. The source-of-strength doctrine most directly affects bank holding companies where a bank holding company's subsidiary bank fails to maintain adequate capital levels. In such a situation, a subsidiary bank will be required by their federal regulator to take "prompt corrective action" (see the "Prompt Corrective Action Provisions" section above);
- limit dividends payable to shareholders and restrict the ability of bank holding companies to obtain dividends or other distributions from their subsidiary banks;
- require a bank holding company to terminate an activity or terminate control of or liquidate or divest certain subsidiaries, affiliates or investments if the Federal Reserve believes the activity or the control of the subsidiary or affiliate constitutes a significant risk to the financial safety, soundness or stability of any bank subsidiary;
- require the prior approval for changes in senior executive officers or directors and prohibit golden parachute payments, including change in control agreements, or new employment agreements with such payment terms, which are contingent upon termination when a bank holding company is deemed to be in troubled condition;
- regulate provisions of certain bank holding company debt, including the authority to impose interest ceilings and reserve requirements on such debt and require prior approval to purchase or redeem securities in certain situations;
- require prior approval for the acquisition of 5% or more of the voting stock of a bank or bank holding company by bank holding companies or other acquisitions and mergers with other banks or bank holding companies and require the regulators to consider certain competitive, management, financial, and anti-money laundering compliance impact on the U.S.; and
- require prior notice and/or prior approval of the acquisition of control of a bank or a bank holding company by a shareholder or individuals acting in concert with ownership or control of 10% of the voting stock being a presumption of control.

### ***Change in Bank Control***

Federal law and regulation set forth the types of transactions that require prior notice under the Change in Bank Control Act ("CIBCA"). Pursuant to CIBCA and Regulation Y, any person (acting directly or indirectly) that seeks to acquire control of a bank or its holding company must provide prior notice to the Federal Reserve. A "person" includes an individual, bank, corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, or any other form of entity. A person acquires "control" of a banking organization whenever the person acquires ownership, control, or the power to vote 25 percent or more of any class of voting securities of the institution. The applicable regulations also provide for certain other "rebuttable" presumptions of control. In April 2020, the Federal Reserve adopted a final rule to revise its regulations related to determinations of whether a company has the ability to exercise a controlling influence over another company for purposes of the BHCA. The final rule expands and codifies the presumptions for use in such determinations. By codifying the presumptions, the final rule provides greater transparency on the types of relationships that the Federal Reserve generally views as supporting a facts and circumstances determination that one company controls another

company. The Federal Reserve's final rule applies to questions of control under the BHCA, but does not extend to CIBCA or applicable provisions of Hawaii law.

### ***Other Restrictions on the Company's Activities***

Subject to prior notice or Federal Reserve approval, bank holding companies may generally engage in, or acquire shares of companies engaged in, activities determined by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Bank holding companies that elect and retain "financial holding company" status pursuant to the Gramm-Leach-Bliley Act of 1999 ("GLBA") may engage in these non-banking activities and broader securities, insurance, merchant banking and other activities that are determined to be "financial in nature" or are incidental or complementary to activities that are financial in nature without prior Federal Reserve approval. Pursuant to the GLBA and the Dodd-Frank Act, in order to elect and retain financial holding company status, a bank holding company and all depository institution subsidiaries of that bank holding company must be well-capitalized and well managed, and, except in limited circumstances, depository subsidiaries must be in satisfactory compliance with the Community Reinvestment Act ("CRA"), which requires banks to help meet the credit needs of the communities in which they operate. Failure to sustain compliance with these requirements or correct any non-compliance within a fixed time period could lead to the required divestiture of subsidiary banks or the termination of all activities that do not conform to those permissible for a bank holding company. The Company has not elected financial holding company status and neither the Company nor the Bank has engaged in any activities determined by the Federal Reserve to be non-banking and financial in nature or incidental or complementary to activities that are financial in nature.

### ***Dividends***

It is the Federal Reserve's policy that bank holding companies should generally pay dividends on common stock only out of income available over the past year, and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. It is also the Federal Reserve's policy that bank holding companies should not maintain dividend levels that undermine their ability to be a source of strength to their banking subsidiaries. The Federal Reserve has also discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong. The Company is also subject to restrictions on dividends under applicable Hawaii law. There can be no assurance of the amount of dividends that the Company will pay to its shareholders in the future or that the Company will continue to pay dividends to shareholders at all.

The Bank is a legal entity that is separate and distinct from its holding company. CPF is dependent on the performance of the Bank for funds which may be received as dividends from the Bank for use in the operation of CPF and the ability of CPF to pay dividends to shareholders. Subject to regulatory and statutory restrictions, including restrictions under applicable Hawaii law and federal regulation, future cash dividends by the Bank will depend upon management's assessment of future capital requirements, contractual restrictions and other factors.

### ***Regulation of the Bank***

As a Hawaii state-chartered bank whose deposits are insured by the FDIC and which became a member of the Federal Reserve effective January 24, 2025, the Bank is subject to regulation, supervision, and regular examination by the DFI, and principally by the FRB, as the Bank's primary Federal regulator. Specific federal and state laws and regulations which are applicable to banks regulate, among other things, the scope of their business, their investments, their reserves against deposits, the timing of the availability of deposited funds, their activities relating to dividends, investments, loans, the nature and amount of collateral for certain loans, servicing and foreclosing on loans, transactions with affiliates, officers, directors and other insiders, borrowings, capital requirements, certain check-clearing activities, branching, and mergers and acquisitions.

### ***FRB, FDIC and DFI Enforcement Authority***

The federal and Hawaii regulatory structure gives the bank regulatory agencies extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. The regulatory agencies have adopted guidelines to assist in identifying and addressing potential safety and soundness concerns before an institution's capital becomes impaired. The guidelines establish operational and managerial standards generally relating to: (1) internal controls, information systems, and internal audit systems; (2) loan documentation; (3) credit underwriting; (4) interest-rate exposure; (5) asset growth and asset quality; and (6) compensation, fees, and benefits. Further, the regulatory agencies have adopted safety and soundness guidelines for asset quality and for evaluating and monitoring earnings to ensure that earnings are sufficient for the maintenance of adequate capital and reserves. If, as a result of an examination, the DFI or the FRB should determine that the financial

condition, capital resources, asset quality, earnings prospects, management, liquidity, market sensitivity, or other aspects of the Bank's operations are unsatisfactory or that the Bank or its management is violating or has violated any law or regulation, the DFI and the FRB, and separately the FDIC as insurer of the Bank's deposits, have residual authority to:

- require affirmative action to correct any conditions resulting from any violation or practice;
- direct an increase in capital and the maintenance of higher specific minimum capital ratios, which may preclude the Bank from being deemed well-capitalized and restrict its ability to accept certain brokered deposits;
- restrict the Bank's growth geographically, by products and services, or by mergers and acquisitions, including bidding in FDIC receiverships for failed banks;
- enter into or issue informal or formal enforcement actions, including required board resolutions, memoranda of understanding, written agreements and consent or cease and desist orders or prompt corrective action orders to take corrective action and cease unsafe and unsound practices;
- require prior approval of senior executive officer or director changes; remove officers and directors and assess civil monetary penalties; and
- terminate FDIC insurance, revoke the charter and/or take possession of and close and liquidate the Bank or appoint the FDIC as receiver, which for a Hawaii state-chartered bank would result in a revocation of its charter.

### ***Mergers and Acquisitions***

On July 9, 2021, President Biden signed an “*Executive Order on Promoting Competition in the American Economy.*” Included within the order is a sweeping recommendation that the Attorney General, in consultation with the heads of the FRB, FDIC and OCC review current practices and adopt a plan for the “revitalization” of bank merger oversight to provide more extensive scrutiny of mergers.

In September, 2024, the Department of Justice ("DOJ") announced that it withdrew its 1995 Bank Merger Guidelines and, instead, for purposes of evaluating the competitive impact of bank mergers, will rely on its 2023 Merger Guidelines which apply to all industries. For banks considering combinations where there may be even a remote possibility of antitrust concerns under the 2023 Merger Guidelines, the DOJ will review “market realities” in analyzing the competitive effects of a particular transaction. While branch deposit concentration may be one area of focus (i.e., traditional Herfindahl Hirschman Index (HHI) analysis for deposit concentration utilizing the 2023 Merger Guideline baselines), the DOJ will drill down into the products and services that a bank merger may affect prior to fully assessing the impact of a combination. This type of analysis may involve a more robust review of the competitive landscape (i.e., the impact of credit unions and other non-bank competitors), and a closer analysis of interest rates, types of mortgages and other loans offered, quality of service and convenience at branch locations, the types of customers served, and the unique needs in a particular bank market for bespoke financing. The impact of the election of President Trump on bank mergers and acquisition policy has yet to be determined.

### ***Deposit Insurance***

The FDIC is an independent federal agency that insures deposits through the Deposit Insurance Fund (the "DIF") up to prescribed statutory limits of federally insured banks and savings institutions and safeguards the safety and soundness of the banking and savings industries. The Dodd-Frank Act revised the FDIC's DIF management authority by setting requirements for the Designated Reserve Ratio (the "DRR", calculated as the DIF balance divided by estimated insured deposits) and redefining the assessment base which is used to calculate banks' quarterly assessments. The amount of FDIC assessments paid by each DIF member institution is based on its asset size and its relative risk of default as measured by regulatory capital ratios and other supervisory factors. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. The FDIC has set the DRR at 2.00%. In October 2022, in order to increase the likelihood that the reserve ratio would be restored to at least 1.35% by the statutory deadline of September 30, 2029, the FDIC increased the initial base deposit insurance assessment rate schedules uniformly by 2 basis points. The increase in assessment rates was effective as of January 1, 2023 and was applicable beginning with the first quarterly assessment period of 2023.

In addition, in November 2023, the FDIC finalized a special assessment to recover the loss to the DIF as a result of the closure of Silicon Valley Bank and Signature Bank. The special assessment will be equal to approximately 13.4 basis points annually based on the amount of an institution's uninsured deposits as of the quarter ended December 31, 2022 after applying a \$5 billion deduction. The special assessment would be collected over an anticipated total of eight quarterly assessment periods. The Bank will not incur the additional aggregate assessment as its uninsured deposits as of December 31, 2022 were less than the \$5 billion deduction.

If there are additional bank or financial institution failures or if our asset size or risk of default increases or if the FDIC otherwise determines, we may be required to pay higher FDIC premiums. Any future increases in FDIC insurance premiums may have a material and adverse effect on our earnings and could have a material adverse effect on the value of, or market for, our common stock.

### ***Incentive Compensation***

Under regulatory guidance applicable to all banking organizations, incentive compensation policies must be consistent with safety and soundness principles. Under this guidance, financial institutions must review their compensation programs to ensure that they: (i) provide employees with incentives that appropriately balance risk and reward and that do not encourage imprudent risk, (ii) are compatible with effective controls and risk management, and (iii) are supported by strong corporate governance, including active and effective oversight by the banking organization's board of directors. Monitoring methods and processes used by a banking organization should be commensurate with the size and complexity of the organization and its use of incentive compensation. During 2016, as required by the Dodd-Frank Act, the federal bank regulatory agencies and the SEC proposed revised rules on incentive-based payment arrangements at specified regulated entities having at least \$1 billion of total assets. In October 2022, the SEC adopted final rules implementing the incentive-based compensation recovery (clawback) provisions of the Dodd-Frank Act. In response to the final rules, the NYSE implemented new clawback listing standards which are applicable to the Company. The Company has adopted an NYSE compliant clawback policy which is included with this Annual Report of Form 10-K as an exhibit.

### ***Cybersecurity***

Federal regulators have issued multiple statements regarding cybersecurity that requires financial institutions to design and implement multiple layers of security controls to establish lines of defense to ensure strong cyber risk management processes. Risks associated with compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution must also be addressed. In addition, a financial institution's management is expected to maintain sufficient business continuity planning processes and capabilities to ensure the rapid recovery, resumption and maintenance of the institution's operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations, including California and New York. Other states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements. We expect this trend of state-level activity in those areas to continue, and are continually monitoring developments in the states in which our customers are located in or in which we conduct business.

In November 2021, the federal banking agencies adopted a final rule, with compliance required by May 1, 2022, that requires banking organizations to notify their primary banking regulator within 36 hours of determining that a "computer-security incident" has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, the banking organization's ability to carry out banking operations or deliver banking products and services to a material portion of its customer base, its businesses and operations that would result in material loss, or its operations that would impact the stability of the United States. Failure to observe the regulatory guidance could result in various regulatory sanctions, including financial penalties.

In July 2023, the SEC adopted rules requiring registrants to disclose material cybersecurity incidents experienced and describe the material aspects of their nature, scope and timing. The rules, which supersede their previously interpretive guidance published in February 2018, also require annual disclosures describing a company's cybersecurity risk management, strategy and governance. These SEC rules, and any other regulatory guidance, are in addition to notification and disclosure requirements under state and federal banking law and regulations.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ a layered defense-in-depth approach that leverages people, processes and technology to manage and maintain cybersecurity controls. We employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of our defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date we have not experienced a significant

compromise, significant data loss or any material financial losses related to cybersecurity attacks, our systems and those of our customers and third-party service providers are under constant threat and it is possible that we could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of internet banking, mobile banking and other technology-based products and services by us and our customers. See "Risk Factors" under Part I, Item 1A of this report for a further discussion of risks related to cybersecurity and "Cybersecurity" under Part I, Item 1C for a further discussion of our cybersecurity risk management, strategy and governance.

### ***Office of Foreign Assets Control ("OFAC") Regulation***

The U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. We are responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious financial, legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

### ***Operations and Consumer Compliance Laws***

The Bank must comply with numerous federal and state anti-money laundering and consumer protection and privacy statutes and implementing regulations, including the USA Patriot Act of 2001, GLBA, the Bank Secrecy Act, the Foreign Account Tax Compliance Act, the CRA, the Fair Debt Collection Practices Act, the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the National Flood Insurance Act, and various federal and state privacy protection laws, including the Telephone Consumer Protection Act and the CAN-SPAM Act. Noncompliance with these laws could subject the Bank to lawsuits and could also result in administrative penalties, including, fines and reimbursements. The Company and the Bank are also subject to federal and state laws prohibiting unfair or fraudulent business practices, untrue or misleading advertising and unfair competition. In addition, recent joint regulatory pronouncements by the federal banking agencies have emphasized the importance of managing all the risks, including operational and compliance risks, associated with any BaaS relationships.

These laws and regulations mandate certain disclosure and reporting requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, servicing, collecting, and foreclosing on loans, and providing other services. Failure to comply with these laws and regulations can subject the Bank to various penalties, including but not limited to enforcement actions, injunctions, fines or criminal penalties, punitive damages, and the loss of certain contractual rights.

The Anti-Money Laundering Act of 2020 ("AMLA"), which amends the Bank Secrecy Act of 1970 ("BSA"), was enacted in January 2021. The AMLA is intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws. Among other things, it codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards for evaluating technology and internal processes for BSA compliance; expands enforcement- and investigation-related authority, including increasing available sanctions for certain BSA violations and instituting BSA whistleblower incentives and protections.

The CRA is intended to encourage insured depository institutions, while operating safely and soundly, to help meet the credit needs of their communities. The CRA specifically directs the federal bank regulatory agencies, in examining insured depository institutions, to assess their record of helping to meet the credit needs of their entire community, including low and moderate income neighborhoods, consistent with safe and sound banking practices. The CRA further requires the agencies to take a financial institution's record of meeting its community credit needs into account when evaluating applications for, among other things, domestic branches, consummating mergers or acquisitions or holding company formations. The Bank received an "Outstanding" rating in the FDIC's 2022 CRA Performance Evaluation that measures how financial institutions support their communities in the areas of lending, investment and service.

On October 24, 2023, the OCC, FDIC, and FRB issued a final rule intended to modernize and strengthen regulations implementing the CRA. For banks with total assets in excess of \$2 billion, which includes our Bank, the Bank's CRA evaluation will be based on four tests: (i) retail lending; (ii) retail services and products (including digital delivery systems for

banks with more than \$10 billion in assets or banks which request consideration of such systems); (iii) community development (CD) financing; and (iv) CD services. Weighting of each test is applied to those banks (such as the Bank) when regulators are evaluating CRA performance based on multiple tests. Alternatively, banks (including the bank) have the option to be evaluated based on a regulator-approved strategic plan. In addition, banks with total assets in excess of \$2 billion are subject to revised and more comprehensive data collection, reporting and maintenance requirements. Regulators will downgrade an institution's CRA rating in the case of illegal or discriminatory credit practices.

The final CRA rule was intended to take effect on April 1, 2024 with staggered compliance dates, including compliance with the new tests, data collection requirements, with the requirement to define retail lending assessment areas, all of which become applicable on January 1, 2026 and revised data reporting requirements taking effect January 1, 2027. The final CRA rule was enjoined from implementation by a Texas federal court on April 1, 2024, extending the effective date of April 1, 2024, as well as all other implementation dates, on a day-for-day basis for each day that the injunction remains in effect. The decision of the district court is currently on appeal. We are continuing to evaluate the impact of these changes to bank and holding company regulations and their impact to our financial condition, results of operations, and/or liquidity, which cannot be predicted at this time.

### ***Consumer Financial Protection Bureau ("CFPB")***

The Dodd-Frank Act provided for the creation of the CFPB as an independent entity with broad rule making, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home equity loans and credit cards. The CFPB's functions include investigating consumer complaints, conducting market research, rule making, and enforcing rules related to consumer financial products and services. CFPB regulations and guidance, including supervision and examination, apply to all covered persons, and banks with \$10 billion or more in assets. Banks with less than \$10 billion in assets, including the Bank, will continue to be examined for compliance by their primary federal banking agency.

The CFPB has finalized a number of significant rules which impact nearly every aspect of the lifecycle of a residential mortgage loan. These rules implement the Dodd-Frank Act amendments to the Equal Credit Opportunity Act, the Truth in Lending Act and the Real Estate Settlement Procedures Act. Among other things, the rules adopted by the CFPB require covered persons including banks making residential mortgage loans to: (i) develop and implement procedures to ensure compliance with an "ability-to-repay" test and identify whether a loan meets a new definition for a "qualified mortgage", in which case a rebuttable presumption exists that the creditor extending the loan has satisfied the ability-to-repay test; (ii) implement new or revised disclosures, policies and procedures for originating and servicing mortgages including, but not limited to, pre-loan counseling, early intervention with delinquent borrowers and specific loss mitigation procedures for loans secured by a borrower's principal residence; (iii) comply with additional restrictions on mortgage loan originator hiring and compensation; (iv) comply with new disclosure requirements and standards for appraisals and certain financial products; and (v) maintain escrow accounts for higher-priced mortgage loans for a longer period of time.

The review of products and practices to prevent unfair, deceptive or abusive acts or practices ("UDAAP") has been a focus of the CFPB, and of banking regulators more broadly. In addition, the Dodd-Frank Act provides the CFPB with broad supervisory, examination and enforcement authority over various consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged violations of UDAAP. The Dodd-Frank Act also provides the CFPB the ability to impose significant penalties, as well as injunctive relief that prohibits lenders from engaging in allegedly unlawful practices. The CFPB also has the authority to obtain cease and desist orders providing for affirmative relief or monetary penalties. The Dodd-Frank Act does not prevent states from adopting stricter consumer protection standards. State regulation of financial products and potential enforcement actions could also adversely affect the Bank's business, financial condition or results of operations.

The federal bank regulators have adopted rules limiting the ability of banks and other financial institutions to disclose non-public information about consumers to unaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services.

Under the Durbin Amendment to the Dodd-Frank Act, the Federal Reserve adopted rules establishing standards for assessing whether the interchange fees that may be charged with respect to certain electronic debit transactions are “reasonable and proportional” to the costs incurred by issuers for processing such transactions.

Interchange fees, or “swipe” fees, are charges that merchants pay to us and other card-issuing banks for processing electronic payment transactions. Under the final rules, the maximum permissible interchange fee is equal to no more than 21 cents plus 5 basis points of the transaction value for many types of debit interchange transactions. The Federal Reserve also adopted a rule to allow a debit card issuer to recover one cent per transaction for fraud prevention purposes if the issuer complies with certain fraud-related requirements required by the Federal Reserve. The Federal Reserve also has rules governing routing and exclusivity that require issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product.

Currently, we qualify for the small issuer exemption from the interchange fee cap, which applies to any debit card issuer that, together with its affiliates, has total assets of less than \$10 billion as of the end of the previous calendar year. We will become subject to the interchange fee cap beginning July 1 of the year following the time when our total assets reaches or exceeds \$10 billion. Reliance on the small issuer exemption does not exempt us from federal regulations prohibiting network exclusivity arrangements or from routing restrictions.

### ***Commercial Real Estate Concentration Limits***

In December 2006, the federal banking regulators issued guidance entitled “Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices” to address increased concentrations in commercial real estate and construction, or “CRE”, loans. In addition, in December 2015, the federal bank agencies issued additional guidance entitled “Statement on Prudent Risk Management for Commercial Real Estate Lending.” Together, these guidelines describe the criteria the agencies will use as indicators to identify institutions potentially exposed to CRE concentration risk. An institution that has (i) experienced rapid growth in CRE lending, (ii) notable exposure to a specific type of CRE, (iii) total reported loans for construction, land development, and other land representing 100% or more of the institution’s total risk-based capital, or (iv) total CRE loans representing 300% or more of the institution’s total risk-based capital, and the outstanding balance of the institutions CRE portfolio has increased by 50% or more in the prior 36 months, may be identified for further supervisory analysis of the level and nature of its CRE concentration risk. As of December 31, 2024, the Bank’s construction, land development, and other land loans represented less than 100% of its total risk-based capital. As of December 31, 2024, the Bank's total CRE loans represented less than 300% of its total risk-based capital and has increased by less than 50% from the prior 36 months.

### ***Changes in Federal, State, or Local Tax Laws***

We are subject to changes in federal and applicable state tax laws and regulations that may impact our effective tax rates. Changes in these tax laws may be retroactive to previous periods and as a result could impact our current and future financial performance. For example, the Tax Cuts and Jobs Act of 2017 resulted in a reduction of our federal tax rate from a minimum of 35% in 2017 to 21% in 2018 through current, which had a favorable impact on our earnings. Conversely, this legislation also enacted limitations on certain deductions, including the deduction of FDIC deposit insurance premiums, which partially offset the expected increase in net earnings from the lower tax rate.

On August 16, 2022, the Inflation Reduction Act of 2022 (the “IRA”) was enacted into law. The IRA imposes a non-deductible 1% excise tax on the aggregate fair market value of stock repurchased by certain public companies, if any, including the Company, occurring after December 31, 2022.

The foregoing description of the impact of changes in federal and applicable state tax laws on us should be read in conjunction with Note 16 - Income Taxes of the notes to consolidated financial statements for more information.

### ***Future Legislation and Regulation***

Congress may enact, modify or repeal legislation from time to time that affects the regulation of the financial services industry, and state legislatures may enact, modify or repeal legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied. The substance or impact of pending or future legislation or regulation, or the application thereof, cannot be predicted, although enactment of proposed legislation (or modification or repeal of existing legislation) could impact the regulatory structure under which the Company and Bank operate and may significantly increase its costs, impede the efficiency of its internal business processes, require the Bank to increase its regulatory capital and modify its business strategy, and limit its ability to pursue business opportunities in an efficient manner.

Under these circumstances, the Company's business, financial condition, results of operations or prospects may be adversely affected, perhaps materially.

## **Employees and Workforce**

We believe that the success of our business is largely due to the quality of our employees, the development of each employee's full potential, and our ability to provide timely and satisfying rewards to our employees. At December 31, 2024, we employed 741 persons, 697 on a full-time basis and 44 on a part-time basis. We are not a party to any collective bargaining agreement. At December 31, 2024, our workforce was over 92% ethnically diverse (non-Caucasian or two or more races) and 64% female, with 55% of all management staff having a supervisory role being female.

We encourage and support the growth and development of our employees and, wherever possible, seek to fill positions by promotion and transfer from within the organization. Continual learning and career development are advanced through ongoing development conversations and annual performance reviews with employees, internally developed training programs, conferences, and other training events that employees are encouraged to attend in connection with their job duties. Additionally, we invest in continual learning and development through tuition reimbursement for courses or degree programs, and fees paid for certifications. A cohort of two to three high potential employees are sent to the Pacific Coast Banking School annually. Our CPB Toastmasters helps participating employees gain public speaking, communication and leadership skills. Our CPB Women's Leadership Program provides opportunities for CPB's top women leaders to develop leadership skills, build a support network and give back to the broader community through service projects.

The safety, health and wellness of our employees is a top priority. We promote the health and wellness of our employees by strongly encouraging work-life balance, offering flexible work schedules including hybrid, keeping the employee portion of health care premiums to a minimum and sponsoring various wellness programs.

Employee retention helps us operate efficiently and achieve one of our business objectives, which is being an exceptional service provider. We believe our commitment to living out our core values, actively prioritizing concern for our employees' well-being, supporting our employees' career goals, offering a competitive compensation and benefits package that includes health insurance and retirement savings plans, aids in retention of our top-performing employees. In addition to base salary, our compensation program includes variable pay (e.g., commission, incentive, bonus) for all employees. Our variable pay programs are designed to motivate and reward high levels of individual performance that aligns with our corporate strategy and business plan, and contributes to CPB's success. At December 31, 2024, the employee average years of service was 10 years and 36% of our current staff had been with us for ten years or more.

## **Available Information**

Our internet website can be found at [www.cpb.bank](http://www.cpb.bank). Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports can be found on our internet website as soon as reasonably practicable after such materials are electronically filed with or furnished to the SEC. Copies of the Company's filings with the SEC may also be obtained directly from the SEC's website at [www.sec.gov](http://www.sec.gov). These documents may also be obtained in print upon request to our Investor Relations Department.

Also posted on our website and available in print upon request to our Investor Relations Department, are the charters for our Audit Committee, Compensation Committee and Governance Committee, as well as our Corporate Governance Guidelines and Code of Conduct and Ethics. Within the time period required by the SEC and NYSE, we will post on our website any amendment to the Code of Conduct and Ethics and any waiver applicable to our senior financial officers, as defined by the SEC, and our executive officers or directors. In addition, our website includes information concerning purchases and sales of our equity securities by our executive officers and directors, as well as disclosure relating to certain non-GAAP financial measures (as defined in the SEC's Regulation G) that we may make public orally, telephonically, by webcast, by broadcast or by similar means from time to time.

## ITEM 1A. RISK FACTORS

*Our business faces significant risks, including credit, market/liquidity, operational, legal/regulatory and strategic/reputation risks. The factors described below may not be the only risks we face and are not intended to serve as a comprehensive listing or be applicable only to the category of risk under which they are disclosed. The risks described below are generally applicable to more than one of the following categories of risks. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations. If any of the events or circumstances described in the following factors actually occurs, our business, financial condition and/or results of operations could be materially and adversely affected.*

### **Risk Factors Summary**

This summary provides an overview of the risks we face. The following risks have been grouped by categories and are not in order of significance or probability of occurrence.

#### **Risks Related to General Economic Conditions**

- Difficult economic and market conditions in Hawaii would result in significant adverse effects on us because of the geographic concentration of our business.
- The fiscal, monetary and regulatory policies of the federal government and its agencies could have a material adverse effect on our results of operations.
- Negative developments in the global and U.S. economies could have an adverse effect on us.
- Negative developments affecting the banking industry, such as bank failures or concerns involving liquidity, may have a material adverse effect on the Company's operations.

#### **Credit Risks**

- A large percentage of our loans are collateralized by real estate and deterioration in the real estate market may adversely affect our financial results.
- Our real estate loan operations have a considerable effect on our results of operations.
- Provisions for credit losses and charge-offs of additional loans in the future, could adversely affect our results of operations.
- Our allowance for credit losses may not be sufficient to cover actual credit losses, which could adversely affect our results of operations. Additional credit losses may occur in the future and may occur at a rate greater than we have experienced to date.
- Our commercial and industrial loan and commercial real estate loan portfolios expose us to risks that may be greater than the risks related to our other loans.
- We may incur future losses in connection with certain representations and warranties we have made with respect to mortgages that we have sold in the secondary market.
- Consumer protection initiatives related to the foreclosure process could materially affect our ability as a creditor to obtain remedies.
- Banking-as-a-Service ("BaaS") collaboration agreements that we may enter into may expose us to credit risk.

#### **Interest Rate and Liquidity Risks**

- Our business is subject to interest rate risk and fluctuations in interest rates may adversely affect our earnings.
- If we are unable to effectively manage the composition and risk of our investment securities portfolio, which we expect will continue to comprise a significant portion of our earning assets, our net interest income and net interest margin could be adversely affected.
- The high interest rate environment has decreased the market value of the Company's fixed-rate investment securities and loan portfolios, and the Company would realize losses if we were required to sell such securities or loans to meet liquidity needs.
- Our ability to maintain adequate sources of funding and liquidity and required capital levels may be negatively impacted by uncertainty in the economic environment which may, among other things, impact our ability to satisfy our obligations.
- We rely on the mortgage secondary market for some of our revenue and liquidity.
- We are required to act as a source of financial and managerial strength for our Bank.
- We rely on dividends from our subsidiary for most of our revenue and liquidity.

#### **Risks Related to the Operation of Our Business**

- Managing reputational risk is important to attracting and maintaining customers, investors and employees.
- Our deposit customers may pursue alternatives to deposits at our Bank or seek higher yielding deposits causing us to incur increased funding costs.

- Failure to manage our growth may adversely affect our performance.
- Failure to maintain effective internal control over financial reporting or disclosure controls and procedures could adversely affect our ability to report our financial condition and results of operations accurately and on a timely basis.
- Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition.
- Financial services companies depend on the accuracy and completeness of information about customers and counterparties.
- We operate in a highly competitive industry and market area.
- We are subject to environmental liability risk associated with our bank branches and any real estate collateral we acquire upon foreclosure.
- Our business could be adversely affected by unfavorable actions from rating agencies.
- Our operational risks include risks associated with third-party vendors and other financial institutions.
- Significant increases in residential home insurance premiums and overall challenges in obtaining home owners insurance generally may negatively impact the residential real estate market.
- Agreements with BaaS partners that we may enter into may produce limited revenue and may expose us to liability for compliance violations by BaaS partners and may require additional resources to review and monitor performance by our BaaS partners.
- The strategy of offering BaaS has been adopted by other institutions with which we compete.

#### **Risks Related to Legal, Compliance and Regulatory Matters**

- Governmental regulation and regulatory actions against us may impair our operations or restrict our growth.
- We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.
- Regulatory capital standards impose enhanced capital adequacy requirements on us.
- Costs of compliance with environmental laws and regulations are significant, and the cost of compliance with new environmental laws, including limitations on emissions relating to climate change, could adversely affect our financial condition and results of operations.
- We are subject to various legal claims and litigation.

#### **Risks Related to an Investment in the Company's Securities**

- The market price of our common stock could decline.
- Anti-takeover provisions in our restated articles of incorporation and bylaws and applicable federal and state law may limit the ability of another party to acquire us or a significant block of common stock, which could cause our stock price to decline.
- Our common stock is equity and therefore is subordinate to our subsidiaries' indebtedness and preferred stock.
- There is a limited trading market for our common stock and as a result, shareholders may not be able to resell their shares at or above the price they pay for them or at the time they otherwise may desire.
- The soundness of other financial institutions could adversely affect us.
- Our common stock is not insured and shareholders could lose the value of their entire investment.

#### **Risks Related to Technology**

- We continually encounter technological change including developments in artificial intelligence.
- The occurrence of fraudulent activity, data privacy breaches, failures of our information security controls or cybersecurity-related incidents could have a material adverse effect on our business, financial condition and results of operations.

#### **General Risk Factors**

- We are dependent on key personnel and the loss of one or more of those key personnel may materially and adversely affect our prospects.
- Natural disasters and other external events (including pandemic viruses or disease) could have a material adverse effect on our financial condition and results of operations.
- Climate change could have a material adverse effect on us and our customers.

## **Risks Related to General Economic Conditions**

### ***Difficult economic and market conditions in Hawaii would result in significant adverse effects on us because of the geographic concentration of our business.***

Unlike larger national or other regional banks that are more geographically diversified, our business and operations are closely tied to the Hawaii market. The Hawaii economy relies on tourism, real estate, government and other service-based industries. Declines in tourism, fluctuations in foreign exchange rates, increases in energy costs, the availability of affordable air transportation, adverse weather and natural disasters, and local budget issues impact consumer and corporate spending. As a result, such events may contribute to the deterioration in Hawaii's general economic condition, which could adversely impact us and our borrowers.

In addition, the high concentration of Hawaii real estate loans in our portfolio, combined with the deterioration in these sectors caused by an economic downturn, could have in the future a significantly more adverse impact on our operating results than many other banks across the nation. If our borrowers experience financial difficulty, or if property values securing our real estate loans decline, we will incur elevated credit costs due to the composition and concentration of our loan portfolio, which will have an adverse effect on our financial condition and results of operations.

### ***The fiscal, monetary and regulatory policies of the federal government and its agencies could have a material adverse effect on our results of operations.***

The FRB regulates the supply of money and credit in the U.S. Its policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments, both of which affect the net interest margin. It also can materially decrease the value of financial assets we hold, such as debt securities.

Our net interest income and net interest margin may be negatively impacted during periods of rate tightening due to pressure on our funding costs, particularly if we are unable to realize higher rates on our assets at a pace that matches that of the funding. Additionally, during periods of rate easing, our asset yields are expected to decline and the pace at which we are able to reduce our funding costs may be impacted by competitive and liquidity pressures. Changes in the slope of the yield curve, which represents the spread between short-term and long-term interest rates, could also reduce our net interest income and net interest margin. Historically, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. When the yield curve flattens or inverts, our net interest income and net interest margin could decrease as our cost of funds increases relative to the yield we can earn on our assets.

In a high interest rate environment, as we are currently experiencing, there is potential for decreased demand for our loan products, an increase in our cost of funds, and the curtailment of economic recovery.

Changes in FRB policies and our regulatory environment are beyond our control, and we are unable to predict what changes may occur or the manner in which any future changes may affect our business, financial condition and results of operation.

### ***Negative developments in the global and U.S. economies could have an adverse effect on us.***

Our business and operations are sensitive to business and economic conditions globally and domestically. Adverse economic and business conditions in the U.S. generally, and in our market areas, in particular, could reduce our growth rate, affect our borrowers' ability to repay their loans and, consequently, adversely affect our financial condition and performance. Other economic conditions that affect our financial performance include short-term and long-term interest rates, the prevailing yield curve, inflation (which we are currently experiencing) and price levels (particularly for real estate), monetary policy, unemployment and the strength of the domestic economy as 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 credit 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.

***Negative developments affecting the banking industry, such as bank failures or concerns involving liquidity, may have a material adverse effect on the Company's operations.***

High-profile bank failures in the first half of 2023, and the resulting media coverage, caused general uncertainty and concern regarding the liquidity adequacy of the banking industry and in particular, regional and community banks like the Company. Uncertainty and concern may be compounded by the reach and depth of media attention, including social media, and its ability to disseminate concerns or rumors about these kinds of events or other similar risks, and may have in the past and may in the future lead to market-wide liquidity problems and concerns from the Company's own customer base. These bank failures underscore the importance of maintaining diversified sources of funding as key measures to ensure the safety and soundness of a financial institution. As a result, market conditions and other external factors may impact the competitive landscape for deposits in the banking industry and could materially adversely impact the Company's liquidity and results of operations. While the Department of the Treasury, the Federal Reserve, and the FDIC took steps to ensure that depositors of these recently failed banks would have access to their deposits, including uninsured deposit accounts, there is no guarantee that such actions will continue to be successful in restoring customer confidence in the banking industry.

### **Credit Risks**

***A large percentage of our loans are collateralized by real estate and deterioration in the real estate market may adversely affect our financial results.***

Our results of operations have been, and in future periods, will continue to be significantly impacted by the economy in Hawaii, and to a lesser extent, other markets we are exposed to including California. Approximately 79% of our loan portfolio as of December 31, 2024 was comprised of loans primarily collateralized by real estate, with the significant majority of these loans concentrated in Hawaii.

Deterioration of the economic environment in Hawaii, California or other markets we are exposed to, domestic or foreign, including a decline in the real estate market and single-family home resales or a material external shock, may significantly impair the value of our collateral and our ability to sell the collateral upon foreclosure. In the event of a default with respect to any of these loans, amounts received upon sale of the collateral may be insufficient to recover outstanding principal and interest on the loan.

***Our real estate loan operations have a considerable effect on our results of operations.***

The performance of our real estate loans depends on a number of factors, including the continued strength of the real estate markets in which we operate. The strength of the real estate market and the results of our operations could be negatively affected by an economic downturn.

In addition, declines in the market for commercial property could cause some of our borrowers to suffer losses on their projects, which would negatively affect our financial condition, results of operations and prospects. Declines in housing prices and the supply of existing houses for sale could cause residential developers who are our borrowers to suffer losses on their projects and encounter difficulty in repaying their loans. We cannot provide assurance that we will have an adequate allowance for credit losses to cover future losses. If we suffer greater losses than we are projecting, our financial condition and results of operations would be adversely affected.

***Provisions for credit losses and charge-offs of additional loans in the future, could adversely affect our results of operations.***

For the year ended December 31, 2024, we recorded \$9.8 million in provision for credit losses. As a result of a variety of factors, including a decline in local, national or international economic conditions, it is possible that we may experience material credit losses and in turn, decreases to our allowance for credit losses. Because we have a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral for our loans. If that were to occur, we may have to record additional provisions for credit losses which would have an adverse impact on our net income, financial condition and capital ratios.

***Our allowance for credit losses may not be sufficient to cover actual credit losses, which could adversely affect our results of operations. Additional credit losses may occur in the future and may occur at a rate greater than we have experienced to date.***

As a lender, we are exposed to the risk that our loan customers may not repay their loans according to their terms and that the collateral or guarantees securing these loans may be insufficient to assure repayment. The underwriting and credit monitoring

policies and procedures that we have adopted to address this risk may not prevent unexpected losses that could have a material adverse effect on our business, financial condition, results of operations and cash flows. We maintain an allowance for credit losses to provide for loan defaults and non-performance, which also includes increases for new loan growth. While we believe that our allowance for credit losses is appropriate to cover expected losses, we cannot provide assurance that we will not increase the allowance for credit losses further or that regulators will not require us to increase the allowance for credit losses which could have a material adverse effect on our net income and financial condition.

Management makes various assumptions and judgments about the collectability of our loan portfolio, which are regularly reevaluated and are based in part on:

- current and forecasted economic conditions and their estimated effects on specific borrowers;
- an evaluation of the existing relationships among loans, potential credit losses and the present level of the allowance for credit losses;
- results of examinations of our loan portfolios by regulatory agencies; and
- management's internal review of the loan portfolio.

In determining the size of the allowance for credit loss, we rely on an analysis of our loan portfolio, our experience and a third-party economic forecast. If our assumptions prove to be incorrect, our current allowance for credit losses may not be sufficient to cover the losses.

In addition, third parties, including our federal and state regulators, periodically evaluate the adequacy of our allowance for credit losses and may communicate with us concerning the methodology or judgments that we have raised in determining the allowance for credit losses. As a result of this input, we may be required to assign different grades to specific credits, increase our provision for credit losses, and/or recognize further loan charge offs which could have a material adverse effect on our net income and financial condition. See Note 1 - Summary of Significant Accounting Policies to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data."

***Our commercial and industrial loan and commercial real estate loan portfolios expose us to risks that may be greater than the risks related to our other loans.***

Our loan portfolio includes commercial and industrial loans and commercial real estate loans, which are secured by commercial real estate, including but not limited to, structures and facilities to support activities designated as multi-family residential properties, industrial, warehouse, general office, retail, health care and religious dwellings. Commercial and industrial and commercial real estate loans carry more risk as compared to other types of lending, because they typically involve larger loan balances often concentrated with a single borrower or groups of related borrowers.

Accordingly, charge-offs on commercial and industrial and commercial real estate loans may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. In addition, these loans expose a lender to greater credit risk than loans secured by residential real estate. The payment experience on commercial real estate loans that are secured by income producing properties are typically dependent on the successful operation of the related real estate property and thus, may subject us to adverse conditions in the real estate market or to the general economy. The collateral securing these loans typically cannot be liquidated as easily as residential real estate. If we foreclose on these loans, our holding period for the collateral typically is longer than residential properties because there are fewer potential purchasers of the collateral.

Unexpected deterioration in the credit quality of our commercial or commercial real estate loan portfolios would require us to increase our provision for credit losses, which would reduce our profitability and could materially adversely affect our business, financial condition, results of operations and prospects. Furthermore, such deterioration could require us to raise additional capital.

In addition, federal and state banking regulators may require banks with higher levels of commercial real estate loans to implement more stringent underwriting, internal controls, risk management policies and portfolio stress testing, as well as possibly higher levels of allowances for credit losses and capital levels as a result of commercial real estate lending growth and exposures.

***We may incur future losses in connection with certain representations and warranties we have made with respect to mortgages that we have sold in the secondary market.***

In connection with the sale of mortgage loans into the secondary market, we make representations and warranties, which, if breached, may require us to repurchase such loans, substitute other loans or indemnify the purchasers of such loans for actual

losses incurred in respect to such loans. A substantial decline in residential real estate values in the markets in which we originated such loans could increase the risk of such consequences. While we currently believe our repurchase risk is low, it is possible that requests to repurchase loans could occur in the future and such requests may have a material adverse effect on our financial condition and results of operations.

***Consumer protection initiatives related to the foreclosure process could materially affect our ability as a creditor to obtain remedies.***

We generally use the judicial foreclosure process which can be very lengthy. Additionally, the joint federal-state settlement with several mortgage servicers over abuse of foreclosure practices resulted in the implementation of enhanced mortgage loan modification programs and loss mitigation practices. The loss mitigation practices could impact our foreclosure procedures, which in turn could adversely affect our business, financial condition or results of operations.

***Banking-as-a-Service ("BaaS") collaboration agreements that we may enter into may expose us to credit risk.***

Future BaaS collaboration agreements, as they have in the past, may include loan or line of credit arrangements with our partners and may also include various loss sharing agreements. We typically will require guarantees and/or collateral to protect the Bank against credit risk. However, there is a risk that our partners will be unable to meet their obligations under the agreements.

Losses associated with the loans or lines of credit accounts related to BaaS relationships that we may enter into, could have a material adverse effect on our net income, results of operations and financial condition.

### **Interest Rate and Liquidity Risks**

***Our business is subject to interest rate risk and fluctuations in interest rates may adversely affect our earnings.***

The majority of our assets and liabilities are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our earnings and profitability depend significantly on our net interest income, which is the difference between interest income on interest-earning assets, such as loans and investment securities, and interest expense on interest-bearing liabilities, such as deposits and borrowings. We expect that we will periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. If market interest rates should move contrary to our position, this "gap" will work against us and our earnings may be negatively affected. We are unable to predict or control fluctuations of market interest rates, which are affected by many factors, including the following:

- inflation;
- recession;
- market conditions;
- changes in unemployment;
- the money supply;
- international disorder and instability in domestic and foreign financial markets; and
- governmental actions.

Our asset/liability management strategy may not be able to control our risk from changes in market interest rates and it may not be able to prevent changes in interest rates from having a material adverse effect on our results of operations and financial condition. From time to time, we may reposition our assets and liabilities to reduce our net interest income volatility. Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations.

***If we are unable to effectively manage the composition and risk of our investment securities portfolio, which we expect will continue to comprise a significant portion of our earning assets, our net interest income and net interest margin could be adversely affected.***

Our primary sources of interest income include interest on loans, as well as interest earned on investment securities. Interest earned on investment securities represented 11.7% of our interest income in the year ended December 31, 2024, as compared to 11.2% of our interest income in the year ended December 31, 2023. Accordingly, effectively managing our investment securities portfolio to generate interest income while managing the composition and risks (including credit, interest rate and liquidity) associated with that portfolio, including the mix of government agency and non-agency securities, remains important.

If we are unable to effectively manage our investment securities portfolio or if the interest income generated by our investment securities portfolio declines, our net interest income and net interest margin could be adversely affected.

***The high interest rate environment has decreased the market value of the Company's fixed-rate investment securities and loan portfolios, and the Company would realize losses if we were required to sell such securities or loans to meet liquidity needs.***

As a result of inflationary pressures and the resulting rapid increases in interest rates initiated by the Federal Reserve, the market values of the Company's fixed-rate investment securities and loan portfolios have declined significantly. While the Company does not currently intend to sell these securities or loans to meet liquidity needs, if the Company were required to sell such securities or loans to meet liquidity needs, it could incur losses, which could impair the Company's capital, financial condition, and results of operations, thereby negatively impacting our profitability. While the Company has taken actions to maximize its funding sources, there is no guarantee that such actions will be successful or sufficient in the event of sudden liquidity needs. Furthermore, there is no guarantee that government programs or the Company's other borrowing facilities will be effective in addressing the Company's liquidity needs as they arise.

***Our ability to maintain adequate sources of funding and liquidity and required capital levels may be negatively impacted by uncertainty in the economic environment which may, among other things, impact our ability to satisfy our obligations.***

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of investments or loans, and other sources would have a substantial negative effect on our liquidity which could affect or limit our ability to satisfy our obligations and our ability to grow profitability at the same rate. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors that affect us specifically, the financial services industry, or the economy in general. Factors that could detrimentally impact our access to liquidity sources include concerns regarding deterioration in our financial condition, increased regulatory actions against us and a decrease in the level of our business activity as a result of a downturn in the markets in which our loans or deposits are concentrated. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial industry in light of the past turmoil faced by banking organizations and the credit markets. In addition, our financial flexibility could be constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates.

The management of liquidity risk is critical to the management of our business and our ability to service our customer base. In managing our balance sheet, our primary source of funding is customer deposits. Our ability to continue to attract these deposits and other funding sources is subject to variability based upon a number of factors including volume and volatility in the securities' markets, our financial condition, our credit rating and the relative interest rates that we are prepared to pay for these liabilities. The availability and level of deposits and other funding sources is highly dependent upon the perception of the liquidity and creditworthiness of the financial institution, and perception can change quickly in response to market conditions or circumstances unique to a particular company. Concerns about our past and future financial condition or concerns about our credit exposure to other parties could adversely impact our sources of liquidity, financial position, including regulatory capital ratios, results of operations and our business prospects.

If our level of deposits were to materially decrease, we would need to raise additional funds by increasing the interest that we pay on certificates of deposits or other depository accounts, seek other debt or equity financing or draw upon our available lines of credit. We rely on commercial and retail deposits, and to a lesser extent, advances from the Federal Home Loan Bank of Des Moines ("FHLB") and the Federal Reserve discount window, to fund our operations. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future if, among other things, our results of operations or financial condition or the results of operations or financial condition of the FHLB were to change.

Our line of credit with the FHLB serves as a primary outside source of liquidity. The Federal Reserve discount window also serves as an additional outside source of liquidity. Borrowings under this arrangement are through the Federal Reserve's primary facility under the borrower-in-custody program. The duration of borrowings from the Federal Reserve discount window are generally for a very short period, usually overnight. In the event that these outside sources of liquidity become unavailable to us, we will need to seek additional sources of liquidity, including selling assets. We cannot provide assurance that we will be able to sell assets at a level to allow us to repay borrowings or meet our liquidity needs.

We constantly monitor our activities with respect to liquidity and evaluate closely our utilization of our cash assets; however, there can be no assurance that our liquidity or the cost of funds to us may not be materially and adversely impacted as a result of economic, market, or operational considerations that we may not be able to control.

***We rely on the mortgage secondary market for some of our revenue and liquidity.***

We originate and sell residential mortgage loans. We rely on Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and other purchasers to purchase first mortgage loans in order to reduce our credit risk and interest rate risk and provide funding for additional loans we desire to originate. We cannot provide assurance that these purchasers will not materially limit their purchases from us due to capital constraints or other factors, including, with respect to Fannie Mae and Freddie Mac, a change in the criteria for conforming loans. In addition, various proposals have been made to reform the U.S. residential mortgage finance market, including the role of Fannie Mae and Freddie Mac. The exact effects of any such reforms are not yet known, but may limit our ability to sell conforming loans to Fannie Mae or Freddie Mac. In addition, mortgage lending is highly regulated, and our inability to comply with all federal and state regulations and investor guidelines regarding the origination, underwriting, documentation and servicing of mortgage loans may also impact our ability to continue selling mortgage loans. If we are unable to continue to sell loans in the secondary market, our ability to fund, and thus originate, additional mortgage loans may be adversely affected, which could have a material adverse effect on our business, financial condition or results of operations.

***We are required to act as a source of financial and managerial strength for our Bank.***

We are required to act as a source of financial and managerial strength to the Bank. We may be required to commit additional resources to the Bank at times when we may not be in a financial position to provide such resources or when it may not be in our, or our shareholders' best interests to do so. Providing such support is more likely during times of financial stress for us and the Bank, which may make any capital we are required to raise to provide such support more expensive than it might otherwise be. In addition, any capital loans we make to the Bank are subordinate in right of payment to depositors and to certain other indebtedness of the Bank.

***We rely on dividends from our subsidiary for most of our revenue and liquidity.***

Because we are a holding company with no significant operations other than our Bank, we depend upon dividends from our Bank for a substantial portion of our revenue and our liquidity, including as the source of funds for payment of interest and principal on our holding company debt obligations.

Hawaii law only permits the Bank to pay dividends out of retained earnings as defined under Hawaii banking law ("Statutory Retained Earnings"), which differs from GAAP retained earnings. As of December 31, 2024, the Bank had Statutory Retained Earnings of \$196.8 million. In addition, regulatory authorities could limit the ability of the Bank to pay dividends to CPF. The inability to receive dividends from the Bank could have a material adverse effect on our financial condition, results of operations and prospects.

Our ability to pay cash dividends to our shareholders is subject to restrictions under federal and Hawaii law, including restrictions imposed by the FRB and covenants set forth in various agreements we are a party to, including covenants set forth in our subordinated debentures and subordinated notes. We cannot provide any assurance that we will continue to pay dividends to our shareholders.

**Risks Related to the Operation of Our Business**

***Managing reputational risk is important to attracting and maintaining customers, investors and employees.***

Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, negative sentiment about our business, unethical practices, employee mistakes, misconduct or fraud, failure to deliver minimum standards of service or quality, failure of any product or service offered by us to meet our customers' expectations, compliance deficiencies, government investigations, security breaches, litigation, and questionable, unlawful or fraudulent activities of our partners (including BaaS partners), contract counterparties, employees or customers. We have policies and procedures in place to protect our reputation and promote ethical conduct, but these policies and procedures may not be fully effective to address reputational threats in all circumstances. Negative publicity regarding our business, employees, partners, contracting counterparties, employees or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental scrutiny and regulation.

***Our deposit customers may pursue alternatives to deposits at our Bank or seek higher yielding deposits causing us to incur increased funding costs.***

Checking and savings account balances and other forms of deposits can decrease when our deposit customers perceive alternative investments, such as the stock market or other non-depository investments, as providing superior expected returns or seek to spread their deposits over several banks to maximize FDIC insurance coverage. Furthermore, technology and other changes have made it more convenient for the Bank's customers to transfer funds into alternative investments including products offered by other financial institutions or non-bank service providers. Increases in short-term interest rates could increase transfers of deposits to higher yielding deposits. Efforts and initiatives that we undertake to retain and increase deposits, including deposit pricing, can increase our costs. When the Bank's customers move money out of bank deposits in favor of alternative investments or into higher yielding deposits, or spread their accounts over several banks, we can lose a relatively inexpensive source of funds, thus increasing our funding costs.

***Failure to manage our growth may adversely affect our performance.***

Our financial performance and profitability depend on our ability to manage past and possible future growth. Continued organic growth and any future acquisitions or dispositions we may make or evaluate may result in additional expenses, and involve issues with operations, integration, regulatory, management and other issues that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Failure to maintain effective internal control over financial reporting or disclosure controls and procedures could adversely affect our ability to report our financial condition and results of operations accurately and on a timely basis.***

A failure to maintain effective internal control over financial reporting or disclosure controls and procedures could adversely affect our ability to report our financial results accurately and on a timely basis, which could result in a loss of investor confidence in our financial reporting or adversely affect our access to sources of liquidity. Furthermore, because of the inherent limitations of any system of internal control over financial reporting, including the possibility of human error, the circumvention or overriding of controls and fraud may not prevent or detect all misstatements even with effective internal controls. Frequent or rapid changes in procedures, methodologies, systems, personnel and technology exacerbate the challenges of developing and maintaining a system of internal controls and can increase the cost and level of effort to develop and maintain such systems.

***Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition.***

Periodically the Financial Accounting Standards Board ("FASB") and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. As a result of changes to financial accounting or reporting standards, whether promulgated or required by the FASB or other regulators, we could be required to change certain assumptions or estimates that we have previously used in preparing our financial statements, which could adversely affect our business, financial condition and results of operations. See Note 1 - Summary of Significant Accounting Policies to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data."

***Financial services companies depend on the accuracy and completeness of information about customers and counterparties.***

In deciding whether to extend credit or enter into other transactions, we rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. We may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

***We operate in a highly competitive industry and market area.***

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources. Such competitors primarily include national, regional and community banks within the various markets we operate. Additionally, various out of state banks conduct business in the market areas in which we currently operate. We also face competition from many other types of financial institutions, including without limitation, savings banks, credit unions, finance companies, financial service providers, including mortgage providers and brokers, operating via the internet and other technology platforms, brokerage firms, insurance companies, factoring companies and other financial intermediaries.

The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can virtually offer any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Technology has also lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than we can.

Our ability to compete successfully depends on a number of factors, including, among other things:

- the ability to develop, maintain and build upon long-term customer relationships based on top quality service, high ethical standards and safe, sound assets;
- the ability to expand our market position;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

Failure to perform in any of these areas could significantly weaken our competitive position and adversely affect our growth and profitability, which in turn, could have a material adverse effect on our financial condition and results of operations.

In addition, the soundness of our financial condition may also affect our competitiveness. Customers may decide not to do business with the Bank due to its financial condition.

***We are subject to environmental liability risk associated with our bank branches and any real estate collateral we acquire upon foreclosure.***

During the ordinary course of business, we may foreclose on and take title to properties securing certain loans that we have originated or acquired. We also own several of our branch locations and are building new branch locations in the State of Hawaii. For any real property that we may possess, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage and costs of complying with applicable environmental regulatory requirements. Failure to comply with such requirements can result in penalties. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use, sell or lease the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our business, financial condition or results of operations.

***Our business could be adversely affected by unfavorable actions from rating agencies.***

Credit ratings assigned by ratings agencies to us, our affiliates or our securities may impact the decision of certain customers, or institutions in particular, to do business with us. A rating downgrade or a negative rating could adversely affect our deposits, our ability to access the capital markets on favorable terms and our business relationships.

***Our operational risks include risks associated with third-party vendors and other financial institutions.***

We rely upon certain third-party vendors to provide products and services necessary to maintain our day-to-day operations, including, providing the core processing system that services the Bank, as well as data processing and storage, online and mobile banking interfaces and services, internet connections, telecommunications, and network access. Accordingly, our operations are exposed to the risk that these vendors might not perform in accordance with applicable contractual arrangements or service level agreements, as the vendors may experience service outages, cybersecurity attacks, data breaches, or other events that may impair their ability to provide fully functioning systems or other services. The failure of an external vendor to perform in accordance with applicable contractual arrangements or service level agreements could be disruptive to our operations and could have a material adverse effect on our business, financial condition or results of operations, and/or damage our reputation. Further, third-party vendor risk management continues to be an area of high regulatory focus. Failure to follow applicable regulatory guidance in this area could expose us to regulatory actions.

The ongoing operation of many financial institutions may be closely interrelated as a result of credit, trading, execution of transactions or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This risk may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which we interact on a daily basis, and, therefore, could adversely affect us. Any of these operational or other risks could materially adversely affect our business, financial condition and results of operations.

***Significant increases in residential home insurance premiums and overall challenges in obtaining home owners insurance generally may negatively impact the residential real estate market.***

We originate a significant amount of residential mortgage loans. Recent natural disasters locally and nationally, including fires in Maui and California as well as flooding in other parts of the United States, have caused home insurers to significantly increase their premiums on homeowner's insurance and/or eliminate or limit the availability of certain insurance products, including homeowners insurance. If prospective or existing customers are unable to obtain homeowners insurance or the cost of such insurance becomes prohibitively expensive, the market for our residential mortgage loans and real estate valuations will be reduced, therefore loan-to-value ratios could be negatively impacted and our financial condition and results of operations would be adversely affected.

***Agreements with BaaS partners that we may enter into may produce limited revenue and may expose us to liability for compliance violations by BaaS partners and may require additional resources to review and monitor performance by our BaaS partners.***

We may enter into agreements with BaaS partners pursuant to which we will provide certain banking services for the BaaS partner customers. Ensuring contractual and regulatory compliance with these agreements will require additional internal and external resources which will increase our compliance costs and could adversely affect our business.

If our BaaS partners are not successful in achieving customer acceptance of their programs or terminate the agreements before the end of their respective terms, our revenue under the various agreements may be limited or may cease altogether. There is a risk that our BaaS partners may change their strategic focus or business model; these changes could impact the Company's business arrangements that we may enter into with our BaaS partners and may adversely impact the Company's financial projections and financial returns on our BaaS programs. In addition, our regulators may hold us responsible for the activities of our partners with respect to various aspects of the marketing or administration of their programs, which may result in increased operational and compliance costs for us or potentially compliance violations as a result of BaaS partner activities, any of which could have a material adverse effect on our financial condition or results of operations.

***The strategy of offering BaaS has been adopted by other institutions with which we compete and has come under enhanced regulatory scrutiny.***

Other banks and institutions have instituted BaaS strategies. As a consequence, we anticipate that we will encounter competition in this area currently and in the future. This competition may increase our costs, reduce our revenues or revenue growth or make it difficult for us to compete effectively in obtaining these relationships. Additionally, the BaaS model has faced recent challenges due to macroeconomic conditions, regulatory scrutiny and overall risk exposure. In particular, bank regulatory agencies have jointly cautioned banks of elevated risks when engaging in BaaS relationships. Failure to effectively manage these risks could have a material adverse effect on our business, financial condition or results of operations and potentially lead to regulatory enforcement actions against us.

**Risks Related to Legal, Compliance and Regulatory Matters**

***Governmental regulation and regulatory actions against us may impair our operations or restrict our growth.***

As a regulated financial institution, we are subject to significant governmental supervision and regulation. These regulations affect our lending practices, capital structure, investment practices, BaaS relationships, dividend policy and growth, among other things. Statutes and regulations affecting our business as well as the interpretation of these statutes and regulations by examining authorities may be subject to change at any time. In addition, regulations may be adopted that increase expenses associated with running our business and adversely affect our earnings.

There can be no assurance that such statutes and regulations, any changes thereto or to their interpretation will not adversely affect our business. In particular, these statutes and regulations, and any changes thereto, could subject us to additional costs (including legal and compliance costs), limit the types of financial services and products we may offer and/or increase the

ability of non-banks to offer competing financial services and products, among other things. In addition to governmental supervision and regulation, we are subject to changes in other federal and state laws, including changes in tax laws, which could materially affect us and generally affect the banking industry. We are subject to the rules and regulations of the FRB, the FDIC and the DFI, and certain rules and regulations promulgated by the CFPB. In addition, we are subject to the rules and regulation of the NYSE and the SEC and are subject to enforcement actions and other punitive actions by these agencies. If we fail to comply with federal and state regulations, the regulators may limit our activities or growth, impose fines on us or in the case of our regulators, ultimately require our Bank to cease its operations. Bank regulations can hinder our ability to compete with financial services companies that are not regulated in the same manner or are less regulated. Federal and state bank regulatory agencies regulate many aspects of our operations. These areas may include:

- capital that must be maintained;
- types of activities that can be engaged in, including any BaaS relationships;
- types and amounts of investments that can be made;
- locations of offices;
- insurance of deposits and the premiums that must be paid for this insurance;
- procedures and policies;
- conditions and restrictions on our executive compensation; and
- how much cash must be set aside as reserves.

In addition, bank regulatory authorities may bring enforcement actions against banks and bank holding companies, including CPF and the Bank, for unsafe or unsound practices in the conduct of their businesses or for violations of any law, rule or regulation. Enforcement actions against us, including any condition imposed in writing by the appropriate bank regulatory agency or any written agreement with the authority, could include a federal conservatorship or receivership for the Bank, the issuance of additional orders that could be judicially enforced, the imposition of civil monetary penalties, the issuance of directives to enter into a strategic transaction, whether by merger or otherwise, with a third-party, the termination of insurance of deposits, the issuance of removal and prohibition orders against institution-affiliated parties, and the enforcement of such actions through injunctions or restraining orders. In addition, as we approach, and if we were to exceed \$10 billion in assets, we may be subject to enhanced CFPB examination and our compliance costs would increase.

***We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.***

The Bank Secrecy Act, the USA PATRIOT Act of 2001, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network is authorized to impose significant civil money penalties for violations of those requirements and has engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control and compliance with the Foreign Corrupt Practices Act. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could materially and adversely affect our business, financial condition and results of operations.

***Regulatory capital standards impose enhanced capital adequacy requirements on us.***

Federal banking regulators adopted regulatory capital standards that impose additional capital requirements on us, and increase our associated compliance costs. The administration of existing capital adequacy laws as well as the adoption of new laws and regulations relating to capital adequacy, or more expansive or aggressive interpretations of existing laws and regulations, could have a material adverse effect on our business, liquidity, financial condition and results of operations and could substantially restrict our ability to pay dividends, repurchase any of our capital stock, or pay executive bonuses. In addition, increased regulatory capital requirements as well as our financial condition could require us to raise additional capital, which would dilute our existing shareholders at the time of such capital issuance.

***Costs of compliance with environmental laws and regulations are significant, and the cost of compliance with new environmental laws, including limitations on emissions relating to climate change and disclosure requirements, could adversely affect our financial condition and results of operations.***

Our operations are subject to extensive federal, state and local environmental statutes, rules and regulations. Compliance with these legal requirements require us to incur costs for, installation and operation of pollution control equipment, emissions monitoring and fees, remediation and permitting at our branches and other facilities, among other things. These expenditures and other costs associated with compliance have been significant in the past and may increase in the future, which could have an adverse effect on our financial condition and results of operations.

***We are subject to various legal claims and litigation.***

From time to time, customers, employees and others whom we do business with, or are regulated by, as well as our shareholders, can make claims and take legal action against us. Regardless of whether these claims and legal actions are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant financial liability and/or adversely affect the market perception of us and our products and services, as well as impact customer demand for our products and services. Any financial liability or reputational damage could have a material adverse effect on our business and in turn, could have a material adverse effect on our financial condition and results of operations. Even if these claims and legal actions do not result in a financial liability or reputational damage, defending these claims and actions have resulted in, and will continue to result in, increased legal and professional services costs, which adds to our noninterest expense and negatively impacts our results of operations.

### **Risks Related to an Investment in the Company's Securities**

***The market price of our common stock could decline.***

The trading price of our common stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations could adversely affect the market price of our common stock. Among the factors that could affect our stock price are:

- failure to comply with all of the requirements of any governmental orders or agreements we may become subject to and the possibility of resulting action by the regulators;
- deterioration of asset quality;
- the incurrence of losses;
- actual or anticipated quarterly fluctuations in our operating results and financial condition;
- changes in revenue or earnings/losses estimates or publication of research reports and recommendations by financial analysts;
- failure to meet analysts' revenue or earnings/losses estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as mergers, acquisitions, restructurings, changes in products or markets, or public offerings;
- additions or departures of key personnel;
- actions by institutional shareholders;
- fluctuations in the stock price and operating results of our competitors;
- future sales of other equity or debt securities, including our common stock;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- proposed or adopted regulatory changes or developments;
- breaches in our security systems and loss of customer data;
- anticipated or pending investigations, proceedings or litigation that involve or affect us; or
- domestic and international economic factors unrelated to our performance.

The stock market generally may experience significant volatility. In addition, the trading volume in our common stock may fluctuate more than usual and cause significant price variations to occur. Accordingly, the common stock that is purchased by individual shareholders may trade at a price lower than when they were purchased. Volatility in the market price of our common stock may prevent individual shareholders from being able to sell their shares when they want or at prices they find attractive.

A significant decline in our stock price could result in substantial losses for shareholders and could lead to costly and disruptive securities litigation.

***Anti-takeover provisions in our restated articles of incorporation and bylaws and applicable federal and state law may limit the ability of another party to acquire us or a significant block of common stock, which could cause our stock price to decline.***

Various provisions of our restated articles of incorporation and bylaws and certain other actions we have taken could delay or prevent a third-party from acquiring us, even if doing so might be beneficial to our shareholders. This includes the authorization to issue "blank check" preferred stock by action of the Board of Directors acting alone without obtaining shareholder approval among other things. In addition, applicable provisions of federal and state law require regulatory approval in connection with certain acquisitions of our common stock and super-majority voting provisions in connection with certain transactions. In particular, both federal and state law limit the ownership acquisition for certain percentage thresholds of our common stock without providing prior notice to the regulatory agencies, obtaining prior regulatory approval or non-objection, or being able to rely on an exemption from such acquisition. See the "Supervision and Regulation" section. We are also subject to the provisions of the Hawaii Control Share Acquisitions Act, which prohibits the consummation of a "control share acquisition" (with threshold ranges starting at 10% and set at 10% intervals up to a majority) unless approved by our shareholders or otherwise exempt. Unless approved or otherwise exempt, for a period of one year after acquisition, the shares acquired by a person in a control share acquisition will be (i) denied voting rights, (ii) be non-transferable, and (iii) be subject to redemption at our option. Collectively, these provisions of our restated articles of incorporation and bylaws in addition to applicable federal and state law may prevent a merger or acquisition that would be attractive to shareholders, limit the ability of another party to acquire a significant block of our common stock, and could limit the price investors would be willing to pay in the future for our common stock.

***Our common stock is equity and therefore is subordinate to our subsidiaries' indebtedness and preferred stock.***

Our common stock constitutes equity interests and does not constitute indebtedness. As such, common stock will rank junior to all current and future indebtedness and other non-equity claims on us with respect to assets available to satisfy claims against us, including in the event of our liquidation. CPF, the Bank, and our other subsidiaries may incur additional indebtedness from time to time and may increase our aggregate level of outstanding indebtedness. As of December 31, 2024, we had (i) \$50.0 million in face amount of trust preferred securities outstanding with accrued and unpaid dividends thereon of \$0.2 million, (ii) \$55.0 million in principal amount of subordinated notes outstanding with accrued and unpaid interest thereon of \$0.4 million and (iii) \$50.0 million in FHLB long-term advances outstanding with accrued and unpaid dividends thereon of \$6 thousand. Additionally, common stock holders are subject to the prior dividend and liquidation rights of any preferred stock holders that may be outstanding from time to time. The Board of Directors is authorized to cause us to issue additional classes or series of preferred stock without any action on the part of our stockholders. If we issue preferred shares in the future that have a preference over our common stock with respect to the payment of dividends or upon liquidation, or if we issue preferred shares with voting rights that dilute the voting power of the common stock, then the rights of holders of our common stock or the market price of our common stock could be adversely affected.

***There is a limited trading market for our common stock and as a result, shareholders may not be able to resell their shares at or above the price they pay for them or at the time they otherwise may desire.***

Although our common stock is listed for trading on the NYSE, the volume of trading in our common shares is lower than many other companies listed on the NYSE. A public trading market with depth, liquidity and orderliness depends on the presence in the market of willing buyers and sellers of our common shares at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. As a result, shareholders may not be able to resell their common stock at or above the price they pay or at the time they otherwise may desire.

***The soundness of other financial institutions could adversely affect us.***

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry have generally led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. There is no assurance that any such losses would not materially and adversely affect our results of operations.

***Our common stock is not insured and shareholders could lose the value of their entire investment.***

An investment in our common stock is not a deposit and is not insured against loss by the government or any governmental agency.

**Risks Related to Technology**

***We continually encounter technological change including developments in artificial intelligence.***

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. In addition, there are a limited number of qualified persons in our local marketplace with the knowledge and experience required to effectively maintain our information technology systems and implement our technology initiatives. Failure to successfully attract and retain qualified personnel, or keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

We or our third-party vendors, clients or counterparties may develop or incorporate artificial intelligence ("AI") technology in certain business processes, services or products. AI is a relatively new technology that is rapidly evolving and there remains many uncertainties. The development and use of AI presents a number of risks and challenges to our business, including legal and regulatory, compliance, operational, information security, fraud and reputational risks. The financial services industry in general is exposed to risks arising from the use of AI technologies by bad actors to commit fraud, misappropriate funds and 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.

Statistical and quantitative models and other quantitatively-based analyses, both built internally and from third-party vendors, is increasingly being used in our operations, decision making, and risk management framework. 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.

***The occurrence of fraudulent activity, data privacy breaches, failures of our information security controls or cybersecurity-related incidents could have a material adverse effect on our business, financial condition and 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, our customers or our business partners (including by our own employees and consultants), which may result in financial losses or increased costs to us or our customers or our business partners, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation, or damage to our reputation. Such fraudulent activity may take many forms, including: check fraud, electronic fraud, wire fraud, phishing, social engineering, and other dishonest acts. Information security breaches and cybersecurity-related incidents may include fraudulent or unauthorized access to systems used by us, our vendors, or our clients, denial or degradation of service attacks, and malware or other cyber-attacks. The techniques used in cyber-attacks change rapidly and are increasingly sophisticated, including through the use of generative artificial intelligence and deepfakes, and potential future use of quantum computing, and as a result, cyber attacks or data security breaches may be more difficult to anticipate.

In recent periods, there continues to be a rise in electronic fraudulent activity, security breaches, and cyber-attacks within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts. Consistent with industry trends, we have also experienced an increase in attempted electronic fraudulent activity, security breaches, and cybersecurity-related incidents in recent periods. Moreover, in recent periods, several large corporations, including other 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 potential 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 may involve their accounts with us.

We use automation and technology tools to help reduce some risks of human error. Nonetheless, we continue to also rely on many manual processes to conduct our business and manage our risks. In addition, use of automation tools does not eliminate the need for effective design and monitoring of their operation to ensure they operate as intended. Enhanced use of automation may present its own risks. Automated systems may themselves experience outages or problems. Some tools are dependent on the quality of the data used by the tool to learn and enhance the process for which it is responsible. Bad, missing or anomalous data can adversely affect the functioning of such tools.

Information pertaining to us and our clients is maintained, and transactions are executed, on the networks and systems of us, our clients and certain of our third-party partners, such as our online banking or reporting systems. The secure maintenance and transmission of confidential information, as well as execution of transactions over these systems, are essential to protect us and our clients against fraud and security breaches and to maintain our clients' confidence. Breaches of information security also may occur, and in infrequent cases have occurred, through intentional or unintentional acts by those having access to our systems or our clients' or counterparties' confidential information, including employees. In addition, increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third-party technologies (including browsers and operating systems) or other developments could result in a compromise or breach of the technology, processes and controls that we use to prevent fraudulent transactions and to protect data about us, our clients and underlying transactions, as well as the technology used by our clients to access our systems. Although we have developed, and continue to invest in, systems and processes that are designed to detect and prevent data security breaches and cyber-attacks and periodically test our security, we may fail to anticipate or adequately mitigate breaches of security or experience data privacy breaches that could result in loss of business to us and/or our clients, damage to our reputation, incurrence of additional expenses, disruption to our business, our inability to grow our online services or other businesses, additional regulatory scrutiny or penalties, including resulting violations of law (whether federal or in one or more states) or our exposure to civil litigation and possible financial liability — any of which could have a material adverse effect on our business, financial condition and results of operations.

More generally, publicized information concerning security and cyber-related problems and other data privacy breaches could inhibit the use or growth of digital or web-based applications or solutions as a means of conducting commercial or retail transactions. Such publicity may also cause damage to our reputation as a financial institution, which could have a material adverse effect on our business, financial condition, and results of operations. See "Cybersecurity" under Part I, Item 1C for a further discussion of cybersecurity risk management, strategy and governance.

### **General Risk Factors**

***We are dependent on key personnel and the loss of one or more of those key personnel may materially and adversely affect our prospects.***

Competition for qualified employees and personnel in the banking industry is intense and there is a limited number of qualified persons with knowledge of, and experience in, the regional banking industry, especially in the Hawaii market. The process of recruiting personnel with the combination of skills and attributes required to carry out our strategies is often lengthy. Our success depends to a significant degree upon our ability to attract and retain qualified management, loan origination, finance, administrative, marketing, and technical personnel, and upon the continued contributions of our management and personnel. In particular, our success has been and continues to be highly dependent upon the abilities of key executives, including our Chairman, President and Chief Executive Officer, our Senior Executive Vice President and Chief Financial Officer, our Senior Executive Vice President and Chief Risk Officer, and our other executive officers and certain other employees.

***Natural disasters and other external events (including pandemic viruses or disease) could have a material adverse effect on our financial condition and results of operations.***

Our branch offices as well as a substantial majority of our loan portfolio is in the State of Hawaii. As a result, natural disasters and other severe weather occurrences such as tsunamis, volcanic eruptions, hurricanes, wildfires and earthquakes and other adverse external events, including the effects of any pandemic viruses or diseases (such as the COVID-19 pandemic), could have a significant effect on our ability to conduct our business and adversely affect the tourism and visitor industry in the State of Hawaii. Such events could affect the ability of our borrowers to repay their outstanding loans, impair the value of collateral securing our loans, cause significant property damage, result in loss of revenue, adversely impact our deposit base and/or cause us to incur additional expenses. Accordingly, the occurrence of any such natural disasters, severe weather events, or other occurrences over which we have no control could have a material adverse effect on our business, which, in turn, could adversely affect our financial condition and results of operations.

***Climate change could have a material adverse effect 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 clients, and these risks are expected to increase over time. Climate change presents multi-faceted risks, including: operational risk from the physical effects of climate events on our Bank and our customers' facilities and other assets; credit risk from borrowers with significant exposure to climate risk; transition risks associated with the transition to a less carbon-dependent economy; and reputational risk from stakeholder concerns about our practices related to climate change, our carbon footprint, and our business relationships with clients who operate in carbon-intensive industries.

Hawaii, where our business is located, and where a substantial portion of our customers and loan collateral is located, could be impacted by the effects of climate change, including increased frequency or severity of storms, hurricanes, floods, droughts, wildfires, and rising sea levels. These effects can disrupt business operations, damage property, devalue assets and change consumer and business preferences, which may adversely affect borrowers, increase credit risk and reduce demand for our products and services. At this time, we have not experienced material losses from climate change; however, we are aware that its impact may increase in the future. Climate change, its effects and the resulting, unknown impacts could have a material adverse effect on our financial condition and results of operations.

Federal and state banking regulators and supervisory authorities, investors, and other stakeholders have increasingly viewed financial institutions as important in helping to address the risks related to climate change both directly and with respect to their clients, which may result in financial institutions coming under increased pressure regarding the disclosure and management of their climate risks and related lending and investment activities. Given that climate change could impose systemic risks upon the financial sector, either via disruptions in economic activity resulting from the physical impacts of climate change or changes in policies as the economy transitions to a less carbon-intensive environment, we may face regulatory risk of increasing focus on our resilience to climate-related risks, including in the context of stress testing for various climate stress scenarios. Ongoing legislative or regulatory uncertainties and changes regarding climate risk management and practices may result in higher regulatory, compliance, credit, and reputational risks and costs.

With the increased importance and focus on climate change, we are in the process of creating governance processes around climate change-related risks and integrating climate considerations into our risk governance framework. Nonetheless, the risks associated with climate change are rapidly changing and evolving in an escalating fashion, making them difficult to assess due to limited data and other uncertainties. We could experience increased expenses resulting from strategic planning, litigation, and technology and market changes, and reputational harm as a result of negative public sentiment, regulatory scrutiny, and reduced investor and stakeholder confidence due to our response to climate change and our climate change strategy, which, in turn, could have a material adverse effect on our business, results of operations, and financial condition.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 1C. CYBERSECURITY**

Cybersecurity remains a top financial services industry risk due to increases in the quantity and sophistication of cyberattacks, which include ransomware, malware, credential theft, supply chain, and other prevalent attack methods resulting in unauthorized access to systems or sensitive data.

The Company maintains a formal and comprehensive enterprise-wide Information Security and Cybersecurity Program (the "Information Security Program") that protects the confidentiality, integrity, and availability of the Company's information assets and to manage reasonably foreseeable cybersecurity risks and threats. The Information Security Program, which is in compliance with banking regulations, includes a threat intelligence program, policies and procedures, multi-layered cybersecurity technical safeguards, third-party security risk assessments, a formal incident response program, mandatory trainings for employees and independent contractors upon hire and regularly thereafter, annual audits, and reviews of vendors who handle sensitive information.

### **Governance**

As a regulated financial institution, the Company must adhere to the security requirements and expectations of the applicable regulatory agencies, which include requirements related to cybersecurity, data privacy, vendor security risk management, systems availability, and business continuity planning, among others. The regulatory agencies have established responsibility guidelines for the Board of Directors and senior management, which include establishing policy, appointing and training personnel, implementing review and testing functions, and ensuring an appropriate frequency of reporting. The Company is examined annually, and its Information Security Program, policies and standards are designed to meet regulatory requirements and industry standards to implement physical, administrative, and technical controls to comply with the Gramm-Leach-Bliley Act ("GLBA"), Sarbanes-Oxley Act ("SOX") of 2002, and industry frameworks such as the Federal Financial Institutions Examination Council ("FFIEC").

The Board of Directors overall, including the Board Risk Committee more specifically, oversees cybersecurity risk. The Executive Committee overall, and the Chief Risk Officer, Chief Legal Officer, Chief Technology Officer, and Information Security Director more specifically, manages cybersecurity risk and the associated programs at the operational level. Regular updates on cybersecurity are provided to the Management Risk Committee, to the Board Risk Committee and/or the Board of Directors.

### **Risk Management and Strategy**

The Company has complex information systems used for a variety of functions by customers, employees, and vendors. In addition, third parties with which the Company does business or that facilitate business activities (e.g., vendors, exchanges, clearing houses, central depositories and financial intermediaries) could also be sources of cybersecurity risk to the Company, including breakdowns or failures of their systems, misconduct by the employees of such parties, or cyberattacks which could affect their ability to deliver a product or service to the Company.

Our systems are regularly targeted by attacks aimed at disrupting services, misusing or accessing customer data without authorization, seeking financial extortion, or executing fraudulent activities. To date, no such incidents have significantly impacted the Company's operations or adversely affected our customers, nor have they materially influenced our operational results. Nevertheless, it is important to acknowledge that we cannot guarantee the prevention or detection of sophisticated cyber-attacks. In the event of significant service disruptions, unauthorized access leading to the misuse of customer information, or fraudulent activities affecting our or third-party systems, the Company may face operational, regulatory, legal, and reputational challenges, which could adversely affect our business and financial conditions.

The Company's Information Security Program includes key program stakeholders who meet regularly to discuss and execute on continually improving the Company's Information Security Program through ongoing initiatives. The Company implements a formal Information Security Program aligning to industry best practices and focuses on the following key areas to mitigate cyber risks:

- i. **Risk Assessment** – At least annually, a risk assessment is conducted that incorporates other security assessments and testing conducted throughout the year, ongoing and completed security initiatives, evaluation of the cyber threat

landscape, compliance, incidents, etc. The assessment results are presented to executive management and the Board of Directors.

- ii. **Technical Safeguards** – Multi-layered controls, defenses, and continuous monitoring tools are used to protect, detect, and respond to cyber threats and incidents. External independent assessments, regular threat intelligence review, and lessons learned from incident response drive continuous tool and process improvements.
- iii. **Incident Response and Recovery** - The Company's formal Incident Response and Business Continuity Programs establish a clear, consistent, standard, and organized process by which cybersecurity incidents will be promptly responded to by the Company's incident response teams.
- iv. **Third-Party Risk Management** – The Company's formal vendor management program includes security risk assessments requiring the vendor to meet or exceed appropriate security requirements prior to the hosting or sharing of sensitive information by third parties. The Company's standard contract provisions obligate third-party compliance with industry standard security protections.
- v. **Education and Awareness** - The Company conducts cybersecurity training, both formally through mandatory courses and informally through written communications and other updates. Employees are tested periodically with phishing tests to reinforce training. The Company has held webinars and also sends periodic emails to its customers with tips and suggestions to protect themselves against cybersecurity incidents.

### **External Assessments**

The Company's Information Technology and Information Security Departments are examined annually by our financial institution regulator, which includes reviewing our cyber risk management activities to ensure we are properly and adequately managing our risks appropriate to the size and complexity of our business and operations. In addition to annual examinations, the Company's Information Security Program, policies and practices, and cyber posture are subject to regular external independent reviews including annual audits, annual penetration tests, and quarterly third-party cyber risk assessments to ensure cybersecurity controls are adequately designed and are operating effectively.

### **ITEM 2. PROPERTIES**

We hold title to the land and building in Honolulu, Hawaii where our Main branch office and headquarters are located, as well as other branch and operations offices throughout the State of Hawaii. In addition, we occupy or hold leases for approximately 30 other properties including office space for our remaining branches. These leases expire on various dates through 2045 and generally contain renewal options for periods ranging from 5 to 15 years. For additional information relating to properties we own or lease and the related lease rental expense and commitments as of December 31, 2024, see Note 5 - Premises and Equipment and Note 15 - Operating Leases to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data."

### **ITEM 3. LEGAL PROCEEDINGS**

We are involved in legal proceedings that arise in the ordinary course of our business. The outcome of these matters and the timing of ultimate resolution is inherently difficult to predict. Based on information currently available to us, we do not expect that the ultimate costs to resolve these matters will have a material adverse effect on our financial condition or operations. See Note 19 - Contingent Liabilities and Other Commitments to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data."

### **ITEM 4. MINE SAFETY DISCLOSURES**

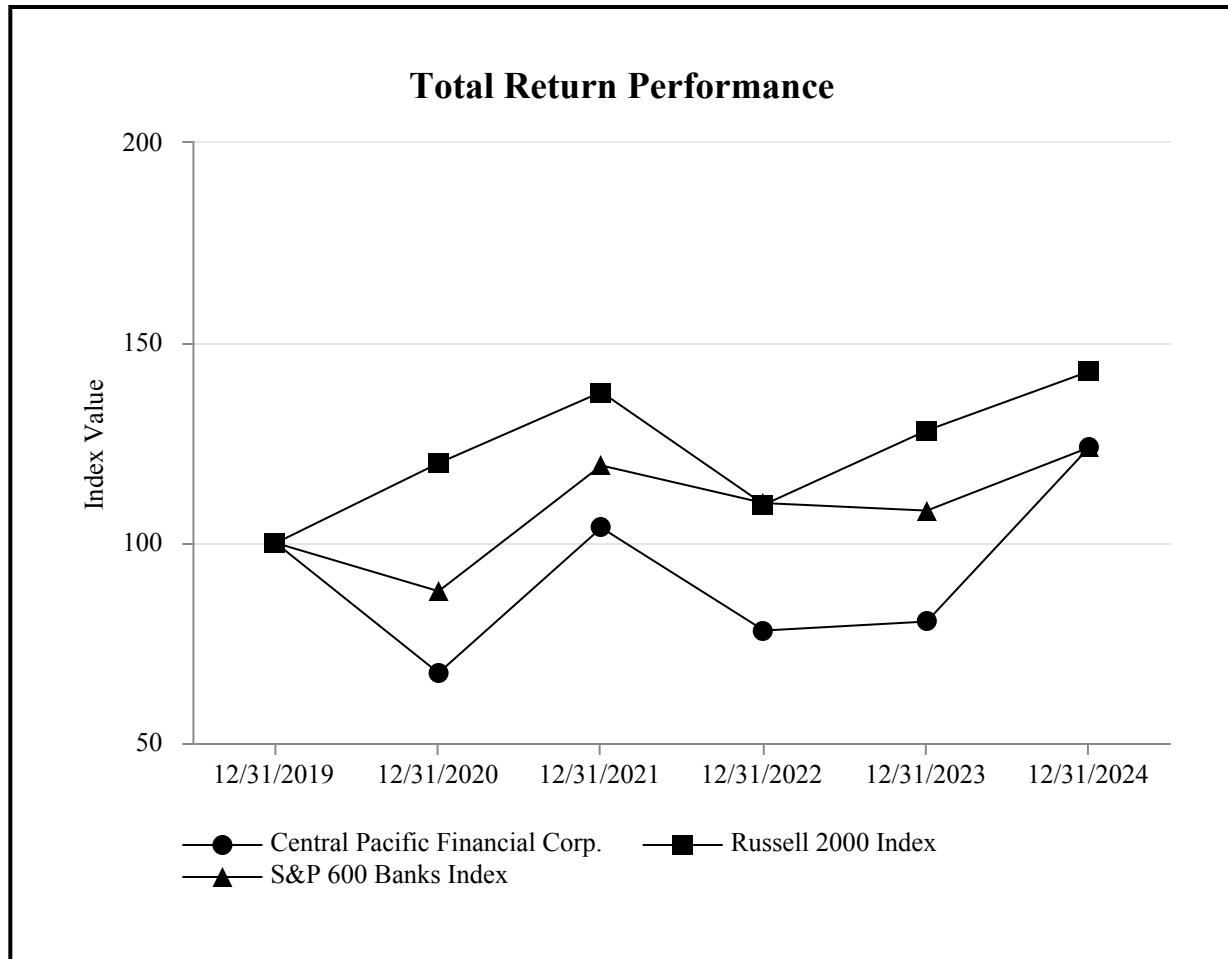
Not applicable

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is traded on the NYSE under the ticker symbol "CPF." Set forth below is a line graph comparing the cumulative total stockholder return on the Company's common stock, based on the market price of the common stock and assuming reinvestment of dividends, with the Russell 2000 Index, and the Standard and Poor's ("S&P") SmallCap 600 Commercial Bank Index for the five year period commencing December 31, 2019 and ending December 31, 2024. The graph assumes the investment of \$100 on December 31, 2019.

**Indexed Total Annual Return  
(as of December 31, 2024)**



Index	December 31,					
	2019	2020	2021	2022	2023	2024
Central Pacific Financial Corp. ....	\$ 100.00	\$ 67.51	\$ 103.81	\$ 78.12	\$ 80.37	\$ 124.00
Russell 2000 Index .....	100.00	119.96	137.74	109.59	128.14	142.93
S&P 600 Banks Index .....	100.00	87.95	119.38	109.98	108.10	123.92

As of January 31, 2025, there were 2,731 shareholders of record, excluding individuals and institutions for which shares were held in the names of nominees and brokerage firms.

**Dividends**

Dividends are payable at the discretion of the Board of Directors and are subject to the restrictions under the federal and Hawaii law, including restrictions imposed by the FRB and covenants set forth in various agreements we are a party to, including covenants set forth in our trust preferred securities and subordinated notes. There can be no assurance that the Board of Directors will continue to pay dividends at the same rate, or at all, in the future.

Under the terms of our trust preferred securities and subordinated notes, our ability to pay dividends with respect to common stock would be restricted if our obligations under our trust preferred securities and subordinated notes were not current. Our obligations on our outstanding trust preferred securities and subordinated notes are current as of December 31, 2024.

Additionally, our ability to pay dividends depends on our ability to obtain dividends from our Bank. As a Hawaii state-chartered bank, the Bank may only pay dividends to the extent it has retained earnings as defined under Hawaii banking law ("Statutory Retained Earnings"), which differs from GAAP retained earnings. As of December 31, 2024, the Bank had Statutory Retained Earnings of \$196.8 million. In addition, the Bank's regulators could impose limitations or conditions on the Bank's ability to pay dividends to the Company which would adversely impact the ability of the Company to pay dividends to our shareholders.

See "Part I, Item 1. Business — Supervision and Regulation" for a discussion on regulatory restrictions.

**Issuer Purchases of Equity Securities**

On January 30, 2024, the Company's Board of Directors approved a share repurchase authorization of up to \$20 million of its common stock from time to time in the open market or in privately negotiated transactions (the "2024 Repurchase Plan"). The 2024 Repurchase Plan replaced and superseded in its entirety the share repurchase program previously approved by the Company's Board of Directors.

On January 28, 2025, our Board of Directors approved a new share repurchase authorization of up to \$30 million of our common stock from time to time in the open market or in privately negotiated transactions (the "2025 Repurchase Plan"). The 2025 Repurchase Plan replaces and supersedes in its entirety the 2024 Repurchase Plan.

We did not repurchase any shares of our common stock under our publicly announced share repurchase program during the three months ended December 31, 2024. During the year ended December 31, 2024, we repurchased 49,960 shares of common stock, at an aggregate cost of \$0.9 million under our 2024 Repurchase Plan.

We cannot provide any assurance as to whether or not we will continue to repurchase common stock under any share repurchase program.

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased <sup>[1]</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
October 1-31, 2024	—	\$ —	—	\$ 19,054,953
November 1-30, 2024	509	31.03	—	19,054,953
December 1-31, 2024	—	—	—	19,054,953
Total	509	31.03	—	19,054,953

<sup>[1]</sup> During the three months ended December 31, 2024, 509 shares were acquired from employees in connection with income tax withholding obligations related to the vesting of restricted stock and/or performance stock units. These purchases were not included within the Company's publicly announced share repurchase program.

Information relating to compensation plans under which equity securities of the Registrant are authorized for issuance is set forth under "Part III, Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements under "Part II, Item 8. Financial Statements and Supplementary Data."

### Introduction

We are a bank holding company that, through our banking subsidiary, Central Pacific Bank, offers full service commercial banking in the State of Hawaii.

We strive to provide exceptional customer service and products that meet our customers' needs. Our products and services consist primarily of the following:

- *Loans:* Our loans consist of commercial and industrial, commercial mortgage, and construction loans to small and medium-sized companies, business professionals, and real estate investors and developers, as well as residential mortgage, home equity, and consumer loans to homeowners and individuals. Our lending activities contribute to a key component of our revenues reported in interest income.
- *Deposits:* We offer a full range of deposit products and services including: checking, savings and time deposits, cash management, and digital banking services. We also maintain a broad branch and ATM network in the State of Hawaii. The interest paid on such deposits has a significant impact on our interest expense, an important factor in determining our earnings. In addition, fees and service charges on deposit accounts contribute to our revenues.

Additionally, we offer wealth management products and services, such as non-deposit investment products, annuities, investment management, asset custody and general consultation and planning services.

### Executive Overview

We believe we delivered solid financial performance while managing and mitigating risks that arose in 2024.

- We recorded net income of \$53.4 million, or \$1.97 per diluted common share in 2024, compared to \$58.7 million, or \$2.17 per diluted common share in 2023. Net income in 2024 included a provision for credit losses of \$9.8 million, compared to a credit to the provision of \$15.7 million in 2023.
- Results in 2024 were impacted by a pre-tax loss on sales of investment securities of \$9.9 million related to an investment securities portfolio repositioning ("Repositioning Loss") and pre-tax expenses related to our evaluation and assessment of a strategic opportunity of \$3.1 million ("Strategic Expense").
- Excluding the Repositioning Loss and Strategic Expense, non-GAAP adjusted net income was \$63.4 million, or \$2.34 per diluted common share in 2024. (See Tables 3-8 for reconciliations of the adjusted non-GAAP financial measures.)
- We recorded return on average assets ("ROA") and return on average shareholders' equity ("ROE") ratios of 0.72% and 10.25%, respectively, in 2024, compared to ROA and ROE ratios of 0.78% and 12.38%, respectively, in 2023. Excluding the Repositioning Loss and Strategic Expense, adjusted ROA and ROE ratios (non-GAAP) was 0.86% and 12.10%, respectively, in 2024, compared to adjusted ROA and ROE ratios (non-GAAP) of 0.78% and 12.24%, respectively, in 2023. (See Table 7 - Adjusted Return on Average Assets and Adjusted Return on Average Shareholders' Equity for a reconciliation of the non-GAAP adjusted ROA and ROE.)
- Asset quality remains strong as our nonperforming assets totaled \$11.0 million, or 0.15% of total assets at December 31, 2024, compared to \$7.0 million, or 0.09% of total assets at December 31, 2023.
- Our loan portfolio declined by \$106.1 million, or 2.0% in 2024, primarily due to run-off of our consumer loan portfolio of \$120.0 million.
- Total deposits declined by \$203.6 million, or 3.0% in 2024, primarily due to the run-off of high-cost government time deposits of \$271.5 million. Our core deposit portfolio grew by \$54.0 million, or 0.9%.
- Our capital position and consistent profitability allowed us to pay cash dividends of \$1.04 per share in 2024. In addition, in 2024 we repurchased an aggregate of 49,960 shares of common stock under our share repurchase program at an aggregate cost of \$0.9 million, or an average of \$18.92 per share.

## **Business Environment**

The majority of our operations are concentrated in the State of Hawaii. As a result, our performance is significantly influenced by the strength of the real estate markets, the tourism industry, and the economic environment and environmental conditions in Hawaii. Macroeconomic conditions also influence our performance. A favorable business environment is generally characterized by expanding gross state product, low unemployment and rising personal income; while an unfavorable business environment is characterized by the reverse.

According to the latest available statistics from the Hawaii Tourism Authority ("HTA"), a total of 9.69 million visitors arrived to the Hawaiian Islands in the year ended December 31, 2024, mainly from the U.S. Mainland. This was a modest 0.3% increase from the 9.66 million visitors in the year ended December 31, 2023, and represents a recovery of approximately 93.3% from the 10.4 million visitors during the pre-pandemic and record year in 2019. Japanese visitor arrivals in the year ended December 31, 2024 continued to increase modestly; however, were only at around 45.7% of pre-pandemic 2019, or around 51.8% in the month of December 2024 compared to December 2019. Sixteen months after the August 8, 2023 wildfires, visitors to Maui were up 15.3% in December 2024 compared to December 2023, but still down 17.3% from pre-pandemic December 2019. The unemployment rate for the Island of Maui was 8.4% in September 2023 and has since improved to 3.4% in December 2024.

The HTA also reported that total spending by visitors was \$20.68 billion in the year ended December 31, 2024, which declined by approximately 0.2% from the \$20.73 billion in the year ended December 31, 2023, and increased by approximately 16.7% from \$17.72 billion in pre-pandemic 2019. According to a recent report by the State of Hawaii's Department of Business, Economic Development and Tourism ("DBEDT"), total visitor arrivals are expected to increase to approximately 9.9 million in 2025 and visitor spending is expected to be approximately \$21.46 billion in 2025.

The Department of Labor and Industrial Relations reported that Hawaii's seasonally adjusted annual unemployment rate was 3.0% in the month of December 2024, which fell below the national seasonally adjusted unemployment rate of 4.1%. DBEDT projects Hawaii's seasonally adjusted annual unemployment rate to be around 2.7% in 2025.

Hawaii's economy is measured by the growth of real personal income and real gross state product. DBEDT is expected to report real personal income grew by approximately 2.8% but real gross state product grew by approximately 1.6% for 2024. DBEDT projects real personal income to grow by 1.6% and real gross state product to grow by 2.0% for 2025.

Real estate lending is one of the primary focuses for us, including residential mortgage and commercial mortgage loans. As a result, we are dependent on the strength of Hawaii's real estate market. The Hawaii housing market continues to experience solid prices, increased sales activity, strong demand and low inventory. According to the Honolulu Board of Realtors, the median price for a single-family home on Oahu was \$1,100,000 for the year ended December 31, 2024, representing an increase of 4.8% from the median resale price of \$1,050,000 for the year ended December 31, 2023. The median resale price for condominiums on Oahu was \$515,000 for the year ended December 31, 2024, representing an increase of 1.3% from the median resale price of \$508,500 for the year ended December 31, 2023. Oahu unit sales volume increased by 9.1% for single-family homes, and decreased by 2.5% for condominiums in 2024 from 2023.

If the residential and commercial real estate markets we have exposure to deteriorate, our results of operations could be negatively impacted. See the "Overview of Results of Operations—Concentrations of Credit Risk" section for a further discussion on how a deteriorating real estate market, combined with the concentration risk within our portfolio, could have a significant negative impact on our asset quality and credit losses.

Changes in monetary policy, including changes in interest rates, could influence: (i) the amount of interest we receive on loans and securities, (ii) the amount of interest we pay on deposits and borrowings, (iii) our ability to originate loans and obtain deposits, and (iv) the fair value of our assets and liabilities, among other things.

In an effort to rein in inflation, the FRB aggressively increased interest rates since the first quarter of 2022 when the Federal Funds Rate target range was 0.00% to 0.25%. Since then, the FRB has raised the Federal Funds Rate by more than five percentage points, up to a 22-year high, 5.25% to 5.50%. The Federal Funds Rate remained at that level until September 2024. At the September 2024 Federal Open Market Committee ("FOMC") meeting, the FOMC lowered interest rates by 50 bps to 4.75% to 5.00%, as they gained greater confidence that inflation is moving sustainably towards its 2% target. In November and December 2024, the FOMC lowered interest rates by an additional 25 bps each to a target range of 4.25% to 4.50% at the end of 2024.

In addition to the impacts from changes in monetary policy, other economic conditions may impact financial results in future periods. Loan demand, deposit growth, provision for credit losses, asset quality, noninterest income and noninterest expense are all affected by changes in economic conditions. Inflationary concerns, labor shortages, changes to the political and regulatory environment, including geopolitical conflicts, supply chain disruptions and the possibility of future bank failures, could adversely impact the economy, which could negatively impact our financial results as well as our customers' creditworthiness. In light of these potential issues, we continue to monitor our liquidity. Refer to "Part II, Item 7 - Liquidity Risk and Borrowing Arrangements" for discussion.

### **Recent Industry Developments**

Beginning in March 2023, the banking industry experienced significant volatility as a result of high-profile regional bank failures, which resulted in industry-wide concerns related to liquidity, deposit outflows, unrealized or unrecognized losses on investment securities and weaker consumer confidence in the banking industry. As a result, the Company took a number of preemptive actions during the first half of 2023, which included pro-active outreach to clients and other liquidity contingency planning actions, such as maximizing funding sources and increased liquidity monitoring in response to these developments.

The industry volatility stabilized in 2024 and we believe the Company's balance sheet and liquidity position remained solid. The Company had \$380.9 million in cash on its balance sheet and approximately \$2.49 billion in total other liquidity sources, including available borrowing capacity and unpledged investment securities as of December 31, 2024. Total available sources of liquidity as a percentage of uninsured and uncollateralized deposits was approximately 113% as of December 31, 2024. We believe the Company's deposit portfolio is diversified and long-tenured and approximately 62% of total deposits were FDIC-insured or collateralized as of December 31, 2024.

The Company's capital remained strong with the leverage, tier 1 risk-based capital, total risk-based capital, and common equity tier 1 capital ratios of 9.3%, 13.2%, 15.4%, and 12.3%, respectively, as of December 31, 2024, all exceeding "well-capitalized" regulatory standards.

### **Banking-as-a-Service ("BaaS") Initiative**

In January 2022, the Company announced the launch of a new BaaS initiative with the goal of expanding the Company both in and beyond Hawaii by investing in or collaborating with fintech companies. In the first quarter of 2022, the Company made a \$2.0 million minority equity investment in Swell Financial, Inc. ("Swell"), a new fintech company. During the fourth quarter of 2022, Swell launched a consumer banking application that combined checking, credit and more into one integrated account, and the Bank served as the bank sponsor. As a result of a variety of adverse factors affecting Swell's business and its strategy, the portfolio of Swell Cash and Credit accounts, which were immaterial, were closed in June 2023 and the Bank is no longer serving as the bank sponsor of Swell.

As discussed in Note 6 - Investments in Unconsolidated Entities in the accompanying notes to the consolidated financial statements in this report, the Company entered into a transaction with Swell in the third quarter of 2023 whereby Swell repurchased the Company's entire preferred and common stock equity investment in exchange for \$0.5 million in cash, certain intellectual property rights and a platform usage fee agreement related to products that may be launched by Swell or its affiliates in the future (not to exceed \$1.5 million in value). During the fourth quarter of 2024, the Company determined that the carrying value of the intangible assets would not be recoverable. As a result, the Company recorded impairment of \$1.3 million on the intangible assets. The carrying value of the intangible assets was zero as of December 31, 2024.

The Company does not have any other active BaaS initiatives, but continues to evaluate potential future BaaS opportunities.

### **Critical Accounting Policies and Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires that management make a number of judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense in the financial statements and the related disclosures made. Various elements of our accounting policies, by their nature, involve the application of highly sensitive and judgmental estimates and assumptions. Some of these policies and estimates relate to matters that are highly complex and contain substantial inherent uncertainties. Actual amounts and values as of the balance sheet dates may be materially different than the amounts and values reported due to the inherent uncertainty in the estimation process. Also, future amounts and values could differ materially from those estimates due to changes in values and circumstances after the balance sheet date.

Accounting estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimate are reasonably likely to occur from period to period and would materially impact our consolidated financial statements as of or for the periods presented. Management has discussed the development and selection of the critical accounting policy and estimate noted below with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed the accompanying disclosures. The significant accounting policy which we believe to be the most critical in preparing our consolidated financial statements is the determination of the allowance for credit losses on loans.

### **Allowance for Credit Losses on Loans**

Management considers the policies related to the allowance for credit losses ("ACL") on loans as the most critical to the financial statement presentation. The total ACL on loans includes activity related to allowances calculated in accordance with Accounting Standards Codification ("ASC") 326, "Financial Instruments – Credit Losses". The ACL is established through provisioning of current expected credit losses as a charge to current earnings. Loan losses are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed while allowance is credited if subsequent recoveries are made. The amount maintained in the ACL reflects management's continuing evaluation of the estimated credit losses expected to be recognized over the life of the loans in our loan portfolio at the balance sheet date. Allowance for credit losses is measured on a collective basis when similar risk characteristics exist. We stratify the loan portfolio into homogeneous groups of loans that possess similar loss potential characteristics and calculate the net amount expected to be collected over the life of the loans to estimate the expected credit losses in the loan portfolio. The Company's methodologies for estimating the ACL consider available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. Refer to Note 1 - Summary of Significant Accounting Policies in the accompanying notes to the consolidated financial statements in this report for further discussion of the risk factors considered by management in establishing the ACL.

## **Overview of Results of Operations**

### ***2024 vs. 2023 Comparison***

In 2024, we recognized net income of \$53.4 million, or fully diluted earnings per share ("EPS") of \$1.97, compared to net income of \$58.7 million, or EPS of \$2.17, in 2023. Our ROA and ROE for 2024 was 0.72% and 10.25%, respectively, compared to 0.78% and 12.38%, respectively, in 2023.

We recorded a provision for credit losses of \$9.8 million in 2024, compared to a provision of \$15.7 million in 2023. The lower provision for credit losses was primarily due to improvements in the economic forecast and movements in loan balances by segment, combined with an overall loan balance decline during the year.

Net interest income increased by \$1.7 million from 2023 to 2024, primarily driven by higher average yields earned on loans and investment securities, partially offset by higher average rates paid on interest-bearing deposits.

Other operating income decreased by \$7.9 million from 2023 to 2024. The decrease in other operating income was primarily due to a loss on sale of investment securities of \$9.9 million related to an investment portfolio repositioning completed in the fourth quarter of 2024, compared to a loss of \$2.1 million primarily due to an investment portfolio repositioning completed in 2023. In addition, the Company recognized a gain on sale of a real estate office property of \$5.1 million in 2023. These decreases were partially offset by higher other service charges and fees of \$2.0 million and higher income from bank-owned life insurance of \$1.7 million. The higher income from bank-owned life insurance was primarily attributable to stock market volatility and higher death benefit income, and was partially offset by higher deferred compensation expense included in salaries and employee benefits and other expenses in other operating expense. See Table 9 - Components of Other Operating Income for more information.

Other operating expense increased by \$8.4 million from 2023 to 2024. The increase was primarily due to higher salaries and employee benefits of \$3.9 million, expenses related to our evaluation and assessment of a strategic opportunity in 2024 of \$3.1 million, and higher directors' deferred compensation plan expenses of \$1.2 million. These increases were partially offset by a non-recurring charge of \$2.3 million related to the early termination of a branch lease in 2023. Significant fluctuations in directors' deferred compensation plan expenses are primarily due to volatility in the equity markets. See Table 10 - Components of Other Operating Expense for more information.

### **2023 vs. 2022 Comparison**

In 2023, we recognized net income of \$58.7 million, or EPS of \$2.17, compared to net income of \$73.9 million, or EPS of \$2.68, in 2022. Our ROA and ROE for 2023 was 0.78% and 12.38%, respectively, compared to 1.01% and 15.47%, respectively, in 2022.

We recorded a provision for credit losses of \$15.7 million in 2023, compared to a credit of \$1.3 million in 2022. The increase in the provision for credit losses reflects higher charge-offs of our U.S. Mainland unsecured consumer loan portfolio, and the outlook for continued pressure on the national consumer segment.

Net interest income decreased by \$5.6 million from 2022 to 2023, primarily driven by higher average balances and average rates paid on interest-bearing deposits and long-term debt, partially offset by higher average balances and average yields earned on loans and interest-bearing deposits in other financial institutions.

Other operating income decreased by \$1.3 million from 2022 to 2023. The decrease in other operating income was primarily due to the gain on sale of Visa Class B common stock of \$8.5 million recorded in 2022, combined with a loss on sale of investment securities of \$2.1 million recorded in 2023 primarily due to an investment securities portfolio repositioning completed in the fourth quarter of 2023, and lower mortgage banking income primarily attributable to lower origination activity due to the significant rise in market interest rates which began in 2022. These negative variances were partially offset by a gain on sale of a real estate office property of \$5.1 million completed in the fourth quarter of 2023, higher income from bank-owned life insurance and higher other service charges and fees. See Table 9 - Components of Other Operating Income for more information.

Other operating expense decreased by \$1.8 million from 2022 to 2023. The decrease in other operating expense was primarily due to lower salaries and employee benefits expense and lower pension plan and Supplemental Executive Retirement Plans ("SERP") expense (included in other) attributable to a non-recurring non-cash charge of \$4.9 million related to the termination and settlement of the Company's defined benefit retirement plan during the second quarter of 2022, partially offset by higher computer software expense, a non-recurring charge of \$2.3 million related to the early termination of a lease, higher FDIC insurance assessment, higher directors' deferred compensation plan expense and higher net occupancy expense. See Table 10 - Components of Other Operating Expense for more information.

### **Net Interest Income**

The following table sets forth information concerning average interest-earning assets and interest-bearing liabilities and the yields and rates thereon. Net interest income, when annualized and expressed as a percentage of average interest-earning assets, is referred to as "net interest margin." Interest income, which includes loan fees and resultant yield information, is expressed on a taxable-equivalent basis using a federal statutory tax rate of 21%. Table 2 - Analysis of Changes in Net Interest Income (Taxable-Equivalent) presents an analysis of changes in components of net interest income between years. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to: (i) changes in volume and (ii) changes in rates. The change in volume is calculated as change in average balance, multiplied by prior period average yield/rate. The change in rate is calculated as change in average yield/rate, multiplied by current period volume. The change in interest income not solely due to change in volume or change in rate has been allocated proportionately to change in volume and change in average rate.

**Table 1. Average Balances, Interest Income and Expense, Yields, and Rates (Taxable-Equivalent)**

(Dollars in thousands)	2024			2023			2022		
	Average Balance	Average Yield/Rate	Amount of Interest	Average Balance	Average Yield/Rate	Amount of Interest	Average Balance	Average Yield/Rate	Amount of Interest
<b>Assets</b>									
Interest-earning assets:									
Interest-bearing deposits in other financial institutions	\$ 220,526	5.26 %	\$ 11,593	\$ 134,150	5.34 %	\$ 7,163	\$ 80,096	0.92 %	\$ 740
Investment securities, excluding valuation allowance:									
Taxable <sup>(1)</sup>	1,334,695	2.49	33,278	1,365,067	2.11	28,789	1,455,246	1.93	28,062
Tax-exempt <sup>(1)</sup>	141,688	2.26	3,199	150,399	2.45	3,686	159,120	2.55	4,056
Total investment securities	1,476,383	2.47	36,477	1,515,466	2.14	32,475	1,614,366	1.99	32,118
Loans, incl. loans-held-for-sale <sup>(2)</sup>	5,358,059	4.82	258,192	5,508,530	4.42	243,315	5,298,573	3.78	200,280
Federal Home Loan Bank ("FHLB") stock	6,896	7.38	509	11,317	4.23	478	10,197	3.63	370
Total interest-earning assets	7,061,864	4.34	306,771	7,169,463	3.95	283,431	7,003,232	3.33	233,508
Noninterest-earning assets	316,343			309,780			337,029		
Total assets	<u>\$ 7,378,207</u>			<u>\$ 7,479,243</u>			<u>\$ 7,340,261</u>		
<b>Liabilities and Equity</b>									
Interest-bearing liabilities:									
Interest-bearing demand deposits	\$ 1,287,628	0.17 %	\$ 2,159	\$ 1,359,240	0.13 %	\$ 1,701	\$ 1,438,232	0.06 %	\$ 806
Savings and money market deposits	2,263,273	1.64	37,043	2,195,763	1.00	21,979	2,208,630	0.19	4,188
Time deposits up to \$250,000	538,216	3.16	17,025	415,541	2.15	8,917	245,599	0.70	1,723
Time deposits over \$250,000	687,404	4.23	29,059	795,917	3.81	30,288	494,943	0.89	4,391
Total interest-bearing deposits	4,776,521	1.79	85,286	4,766,461	1.32	62,885	4,387,404	0.25	11,108
Federal funds purchased and securities sold	1	5.57	—	—	—	—	—	—	—
FHLB advances and other short-term borrowings	17	5.58	1	23,322	4.88	1,139	37,211	2.84	1,055
Long-term debt	156,218	5.81	9,079	148,922	5.80	8,633	105,732	4.66	4,930
Total interest-bearing liabilities	4,932,757	1.91	94,366	4,938,705	1.47	72,657	4,530,347	0.38	17,093
Noninterest-bearing deposits	1,794,469			1,933,666			2,216,645		
Other liabilities	129,973			133,053			115,478		
Total liabilities	6,857,199			7,005,424			6,862,470		
Shareholders' equity	521,008			473,819			477,775		
Non-controlling interest	—			—			16		
Total equity	521,008			473,819			477,791		
Total liabilities and equity	<u>\$ 7,378,207</u>			<u>\$ 7,479,243</u>			<u>\$ 7,340,261</u>		
Net interest income			<u>\$ 212,405</u>			<u>\$ 210,774</u>			<u>\$ 216,415</u>
Interest rate spread		<u>2.43 %</u>			<u>2.48 %</u>			<u>2.95 %</u>	
Net interest margin		<u>3.01 %</u>			<u>2.94 %</u>			<u>3.09 %</u>	

<sup>(1)</sup> At amortized cost.

<sup>(2)</sup> Includes nonaccrual loans.

**Table 2.** Analysis of Changes in Net Interest Income (Taxable-Equivalent)

(Dollars in thousands)	2024 Compared to 2023			2023 Compared to 2022		
	Increase (Decrease) Due to Change In:		Net Change	Increase (Decrease) Due to Change In:		Net Change
	Volume	Rate		Volume	Rate	
<b>Interest-earning assets</b>						
Interest-bearing deposits in other financial institutions	\$ 4,606	\$ (176)	\$ 4,430	\$ 497	\$ 5,926	\$ 6,423
Investment securities, excluding valuation allowance:						
Taxable	(634)	5,123	4,489	(1,736)	2,463	727
Tax-exempt	(215)	(272)	(487)	(221)	(149)	(370)
Total investment securities	(849)	4,851	4,002	(1,957)	2,314	357
Loans, incl. loans-held-for-sale	(6,628)	21,505	14,877	7,907	35,128	43,035
FHLB stock	(187)	218	31	41	67	108
Total interest-earning assets	(3,058)	26,398	23,340	6,488	43,435	49,923
<b>Interest-bearing liabilities</b>						
Interest-bearing demand deposits	(87)	545	458	(47)	942	895
Savings and money market deposits	671	14,393	15,064	(24)	17,815	17,791
Time deposits up to \$250,000	2,649	5,459	8,108	1,187	6,007	7,194
Time deposits over \$250,000	(4,123)	2,894	(1,229)	2,677	23,220	25,897
Total interest-bearing deposits	(890)	23,291	22,401	3,793	47,984	51,777
FHLB advances and other short-term borrowings	(1,138)	—	(1,138)	(393)	477	84
Long-term debt	430	16	446	2,009	1,694	3,703
Total interest-bearing liabilities	(1,598)	23,307	21,709	5,409	50,155	55,564
Net interest income	\$ (1,460)	\$ 3,091	\$ 1,631	\$ 1,079	\$ (6,720)	\$ (5,641)

The banking and financial services industry in the State of Hawaii is highly competitive. Net interest income is our primary source of earnings and is derived primarily from the difference between the interest income we earn on loans and investment securities, and the interest expense we pay on deposits and borrowings.

Net interest income (expressed on a taxable-equivalent basis) totaled \$212.4 million in 2024, which increased by \$1.6 million, or 0.8%, from \$210.8 million in 2023, which decreased by \$5.6 million, or 2.6%, from net interest income of \$216.4 million recognized in 2022. The increase in net interest income in 2024 was primarily due to increases in the average yield earned on interest-earning assets, partially offset by increases in average rates paid on interest-bearing deposits. The increase was partially offset by decreases in the average loans and investment securities balances.

The average yield earned on our interest-earning assets in the year ended December 31, 2024 increased by 39 basis points ("bps") from the year ended December 31, 2023. The increase in the average yield earned on interest-earning assets in 2024 was primarily attributable to the increases in average yields earned on loans and investment securities of 40 bps and 33 bps, respectively.

The average rate paid on our interest-bearing liabilities in the year ended December 31, 2024 increased by 44 bps from the year ended December 31, 2023. The increase in the average rate paid on our interest-bearing liabilities in 2024 was primarily due to increases in average rates paid on interest-bearing deposits and long-term debt of 49 bps and 70 bps, respectively, attributable to the significant increase in market interest rates which began in 2022.

In the fourth quarter of 2024, the Company sold \$106.5 million in available-for-sale investment securities as part of an investment portfolio repositioning strategy. The Company received \$96.6 million in gross proceeds and reinvested the proceeds in \$101.6 million in higher yield investment securities with a weighted average yield of 4.9% and a weighted average life of 4.1 years. The investment securities sold had a weighted average yield of 2.2% and a weighted average life of 3.6 years. There were

## Table of Contents

no gross realized gains on the sales of the investment securities. Gross realized losses on the sales of the investment securities were \$9.9 million. The specific identification method was used as the basis for determining the cost of all securities sold.

In the fourth quarter of 2023, the Company sold \$30.0 million in available-for-sale investment securities as part of an investment portfolio repositioning strategy. The Company received \$28.1 million in gross proceeds and reinvested the proceeds in \$28.3 million in higher yield investment securities with a weighted average yield of 5.68% and a weighted average duration of 2.5 years. The investment securities sold had a weighted average yield of 3.25% and a weighted average duration of 3.4 years. There were no gross realized gains on the sales of the investment securities. Gross realized losses on the sales of the investment securities were \$1.9 million. The specific identification method was used as the basis for determining the cost of all securities sold.

In the first quarter of 2022, the Company entered into a forward starting interest rate swap on certain municipal debt securities with a notional amount of \$115.5 million. The swap became effective on March 31, 2024. The Company pays the counterparty a fixed rate of 2.095% and receives a floating rate based on the Federal Funds effective rate. This transaction has a maturity date of March 31, 2029.

### Interest Income

Interest income expressed on a taxable-equivalent basis of \$306.8 million in 2024 increased by \$23.3 million, or 8.2%, from the \$283.4 million earned in 2023, which increased by \$49.9 million, or 21.4%, from the \$233.5 million earned in 2022.

The increase in taxable-equivalent interest income in 2024 from 2023 was primarily due to an increase in the average yields earned on loans and investment securities of 40 bps and 33 bps, resulting in higher interest income of approximately \$21.5 million and \$4.9 million, respectively. The increase in the average yield earned on investment securities was partially attributable to income of \$2.6 million from the aforementioned interest rate swap that became effective on March 31, 2024. In addition, increases in the average balance and average yield earned on interest-bearing deposits in other financial institutions resulted in higher interest income of approximately \$4.4 million. These increases were partially offset by decreases in the average loans and investment securities balances of \$150.5 million and \$39.1 million, respectively, resulting in lower interest income of approximately \$6.6 million and \$0.8 million, respectively.

The increase in taxable-equivalent interest income in 2023 from 2022 was primarily due to increases in the average yield earned on loans of 64 bps and the average loans balance of \$210.0 million, resulting in higher interest income of approximately \$35.1 million and \$7.9 million, respectively. In addition, the average yields earned on interest-bearing deposits in other financial institutions and investment securities increased by 442 bps and 15 bps, respectively, resulting in higher interest income of approximately \$5.9 million and \$2.3 million, respectively. These increases were partially offset by a decrease in the average investment securities balance of \$98.9 million, resulting in lower interest income of approximately \$2.0 million.

### Interest Expense

In 2024, interest expense was \$94.4 million which represented an increase of \$21.7 million, or 29.9%, compared to interest expense of \$72.7 million in 2023, which was an increase of \$55.6 million, or 325.1%, compared to \$17.1 million in 2022.

Due to the high interest rate environment, the average rate paid on interest-bearing deposits of 1.79% in 2024 increased by 47 bps from 2023, resulting in an increase in interest expense of approximately \$23.3 million. Increases in the average balance and average rate paid on long-term debt of \$7.3 million and 1 bps, respectively, resulted in a total increase in interest expense of approximately \$0.4 million.

The average rate paid on interest-bearing deposits of 1.32% in 2023 increased by 107 bps from 2022, resulting in an increase in interest expense of approximately \$48.0 million. The average interest-bearing deposit balance in 2023 increased by \$379.1 million from 2022, resulting in an increase in interest expense of approximately \$3.8 million. Increases in the average balance and average rate paid on long-term debt of \$43.2 million and 114 bps, respectively, resulted in a total increase in interest expense of approximately \$3.7 million in 2023 from 2022.

### Net Interest Margin

Our net interest margin was 3.01%, 2.94% and 3.09% in 2024, 2023 and 2022, respectively. The increase in our net interest margin in 2024 from 2023 was primarily due to the increases in the average yields earned on loans and investment securities, partially offset by increases in the average rates paid on interest-bearing deposits and long-term debt.

The decrease in our net interest margin in 2023 from 2022 was primarily due to the increases in the average rate paid on interest-bearing deposits and long-term debt, which outpaced the increases in average yields earned on loans, interest-bearing deposits in other financial institutions and investment securities.

**Non-GAAP Financial Measures**

To supplement our consolidated financial information, the Company uses certain non-GAAP financial measures, which are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures. The Company believes these non-GAAP financial measures provide useful information to investors and others, which excludes transactions that are not meaningful in comparison to our past operating performance or not reflective of ongoing financial results. The Company believes that these measures offer a supplemental measure for period-to-period comparisons and can be used to evaluate our historical and prospective financial performance. These non-GAAP financial measures may not be comparable to similarly entitled measures reported by other companies.

The following reconciling adjustments from GAAP or reported financial measures to non-GAAP adjusted financial measures are limited to:

- (i) pre-tax loss on sales of investment securities related to an investment portfolio repositioning of \$9.9 million and \$1.9 million in the fourth quarter of 2024 and fourth quarter of 2023, respectively,
- (ii) pre-tax expenses related to the evaluation and assessment of a strategic opportunity of \$3.1 million in the third quarter of 2024,
- (iii) pre-tax gain on sale of a real estate office property of \$5.1 million in the fourth quarter of 2023,
- (iv) pre-tax branch lease termination expense of \$2.3 million in the fourth quarter of 2023,
- (v) pre-tax gain on sale of Visa Class B stock of \$8.5 million in the second quarter of 2022, and
- (vi) pre-tax loss on the termination and settlement of the Company's defined benefit pension plan of \$4.9 million in the second quarter of 2022.

Management does not consider these transactions to be representative of the Company's core operating performance. The income tax effect was calculated assuming a 23% effective tax rate.

**Table 3. Non-GAAP Financial Measures**

(dollars in thousands, except for per share data)	Year Ended December 31, 2024		
	Reported	Adjustment	Non-GAAP Adjusted
<b>Financial Measures:</b>			
Net income .....	\$ 53,412	\$ 10,011	\$ 63,423
Diluted earnings per share .....	\$ 1.97	\$ 0.37	\$ 2.34
Pre-provision net revenue (non-GAAP) .....	\$ 77,865	\$ 13,002	\$ 90,867
Return on average assets .....	0.72 %	0.14 %	0.86 %
Return on average shareholders' equity .....	10.25 %	1.85 %	12.10 %
Efficiency ratio (non-GAAP) .....	68.91 %	(3.81)%	65.10 %
<b>As of December 31:</b>			
Tangible common equity ratio (non-GAAP) .....	7.21 %	0.12 %	7.33 %

(dollars in thousands, except for per share data)	Year Ended December 31, 2023		
	Reported	Adjustment	Non-GAAP Adjusted
Financial Measures:			
Net income	\$ 58,669	\$ (705)	\$ 57,964
Diluted earnings per share	\$ 2.17	\$ (0.03)	\$ 2.14
Pre-provision net revenue (non-GAAP)	\$ 92,520	\$ (915)	\$ 91,605
Return on average assets	0.78 %	— %	0.78 %
Return on average shareholders' equity	12.38 %	(0.14)%	12.24 %
Efficiency ratio (non-GAAP)	63.95 %	(0.09)%	63.86 %
As of December 31:			
Tangible common equity ratio (non-GAAP)	6.57 %	— %	6.57 %

(dollars in thousands, except for per share data)	Year Ended December 31, 2022		
	Reported	Adjustment	Non-GAAP Adjusted
Financial Measures:			
Net income	\$ 73,928	\$ (2,789)	\$ 71,139
Diluted earnings per share	\$ 2.68	\$ (0.10)	\$ 2.58
Pre-provision net revenue (non-GAAP)	\$ 97,496	\$ (3,622)	\$ 93,874
Return on average assets	1.01 %	(0.04)%	0.97 %
Return on average shareholders' equity	15.47 %	(0.51)%	14.96 %
Efficiency ratio (non-GAAP)	63.00 %	0.18 %	63.18 %
As of December 31:			
Tangible common equity ratio (non-GAAP)	6.09 %	(0.03)%	6.06 %

The following table presents a reconciliation of the Company's adjusted net income and adjusted diluted EPS, which excludes the aforementioned reconciling adjustments, for the periods presented:

**Table 4.** Adjusted Net Income and Diluted Earnings per Share

(dollars in thousands, except per share data)	Year Ended December 31,		
	2024	2023	2022
GAAP net income	\$ 53,412	\$ 58,669	\$ 73,928
Add: Pre-tax net loss related to an investment portfolio repositioning	9,934	1,939	—
Less: Pre-tax net gain on sale of a real estate office property	—	(5,128)	—
Less: Pre-tax gain on sale of Visa Class B stock	—	—	(8,506)
Add: Pre-tax expenses related to a strategic opportunity	3,068	—	—
Add: Pre-tax branch lease termination expense	—	2,274	—
Add: Pre-tax loss on termination of defined benefit pension plan	—	—	4,884
Total pre-tax adjustments (non-GAAP)	13,002	(915)	(3,622)
Less: Income tax effect (assumes 23% ETR)	(2,991)	210	833
Total adjustments, net of tax (non-GAAP)	10,011	(705)	(2,789)
Adjusted net income (non-GAAP)	\$ 63,423	\$ 57,964	\$ 71,139
Diluted weighted average shares outstanding	27,157,120	27,080,518	27,567,780
GAAP EPS	\$ 1.97	\$ 2.17	\$ 2.68
Add: Total adjustments, net of tax (non-GAAP)	0.37	(0.03)	(0.10)
Adjusted EPS (non-GAAP)	\$ 2.34	\$ 2.14	\$ 2.58

The Company believes that Pre-Provision Net Revenue ("PPNR"), a non-GAAP financial measure, is useful as a tool to help evaluate the ability to provide for credit costs through operations. The following table sets forth a reconciliation of the Company's PPNR and adjusted PPNR, which excludes the aforementioned reconciling adjustments, for the periods presented:

**Table 5. Adjusted Pre-Provision Net Revenue**

(dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
GAAP net income	\$ 53,412	\$ 58,669	\$ 73,928
Add: Income tax expense	14,627	18,153	24,841
Pre-tax income	68,039	76,822	98,769
Add: Provision (credit) for credit losses	9,826	15,698	(1,273)
Pre-provision net revenue (non-GAAP)	77,865	92,520	97,496
Add: Total pre-tax adjustments (non-GAAP)	13,002	(915)	(3,622)
Adjusted pre-provision net revenue (non-GAAP)	\$ 90,867	\$ 91,605	\$ 93,874

A key measure of operating efficiency tracked by the Company is the efficiency ratio, which is calculated by dividing total other operating expenses by total pre-provision revenue (net interest income plus total other operating income). The Company believes that the efficiency ratio, a non-GAAP financial measure, provides useful supplemental information that is important to a proper understanding of its business results and operating efficiency. The Company's efficiency ratio should not be viewed as a substitute for results determined in accordance with GAAP, nor is it necessarily comparable to the efficiency ratio presented by other companies. The following table sets forth a reconciliation to our efficiency ratio and adjusted efficiency ratio, which excludes the aforementioned reconciling adjustments, for the periods presented:

**Table 6. Adjusted Efficiency Ratio**

(dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
Total other operating expense	\$ 172,591	\$ 164,143	\$ 165,986
Less: Pre-tax expenses related to a strategic opportunity	(3,068)	—	—
Less: Pre-tax branch lease termination expense	—	(2,274)	—
Less: Pre-tax loss on termination of defined benefit pension plan	—	—	(4,884)
Less: Total other operating expense adjustments (non-GAAP)	(3,068)	(2,274)	(4,884)
Adjusted total other operating expense (non-GAAP)	\$ 169,523	\$ 161,869	\$ 161,102
Net interest income	\$ 211,733	\$ 210,000	\$ 215,563
Total other operating income	38,723	46,663	47,919
Add: Pre-tax net loss related to an investment portfolio repositioning	9,934	1,939	—
Less: Pre-tax net gain on sale of a real estate office property	—	(5,128)	—
Less: Pre-tax gain on sale of Visa Class B stock	—	—	(8,506)
Total other operating income adjustments (non-GAAP)	9,934	(3,189)	(8,506)
Adjusted total other operating income (non-GAAP)	48,657	43,474	39,413
Adjusted total revenue (non-GAAP)	\$ 260,390	\$ 253,474	\$ 254,976
Efficiency ratio (non-GAAP)	68.91 %	63.95 %	63.00 %
Less: Total pre-tax adjustments (non-GAAP)	(3.81)	(0.09)	0.18
Adjusted efficiency ratio (non-GAAP)	65.10 %	63.86 %	63.18 %

The Company's efficiency ratio increased to 68.91% in 2024, compared to 63.95% in 2023 and 63.00% in 2022. The increase in our efficiency ratio in 2024 compared to 2023, was primarily driven by the aforementioned increases in other operating expense, combined with a decrease in other operating income, offset by an increase in net interest income.

The following table presents a calculation of our adjusted ROA and adjusted ROE for the periods presented:

**Table 7.** Adjusted Return on Average Assets and Adjusted Return on Average Shareholders' Equity

(dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
Average assets	\$ 7,378,207	\$ 7,479,243	\$ 7,340,261
Add: Total adjustments, net of tax (non-GAAP)	3,093	(176)	(2,092)
Adjusted average assets (non-GAAP)	\$ 7,381,300	\$ 7,479,067	\$ 7,338,169
ROA (GAAP net income divided by average assets)	0.72 %	0.78 %	1.01 %
Add: Total adjustments, net of tax (non-GAAP)	0.14	—	(0.04)
Adjusted ROA (non-GAAP)	0.86 %	0.78 %	0.97 %

(dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
Average shareholders' equity	\$ 521,008	\$ 473,819	\$ 477,775
Add: Total adjustments, net of tax (non-GAAP)	3,093	(176)	(2,092)
Adjusted average shareholders' equity (non-GAAP)	\$ 524,101	\$ 473,643	\$ 475,683
ROE (GAAP net income divided by average shareholders' equity)	10.25 %	12.38 %	15.47 %
Add: Total adjustments, net of tax (non-GAAP)	1.85	(0.14)	(0.51)
Adjusted ROE (non-GAAP)	12.10 %	12.24 %	14.96 %

The following table presents a calculation of our tangible common equity ("TCE") ratio and adjusted TCE ratio as of the dates presented:

**Table 8.** Adjusted Tangible Common Equity Ratio

(dollars in thousands)	December 31,	
	2024	2023
Total shareholders' equity	\$ 538,385	\$ 503,815
Less: Intangible assets	—	(1,461)
Tangible common equity ("TCE")	538,385	502,354
Add: Total adjustments, net of tax (non-GAAP)	10,011	(705)
Adjusted TCE (non-GAAP)	\$ 548,396	\$ 501,649
Total assets	\$ 7,472,096	\$ 7,642,796
Less: Intangible assets	—	(1,461)
Tangible assets	7,472,096	7,641,335
Add: Total adjustments, net of tax (non-GAAP)	10,011	(705)
Adjusted tangible assets (non-GAAP)	\$ 7,482,107	\$ 7,640,630
TCE ratio (non-GAAP) (TCE to tangible assets)	7.21 %	6.57 %
Add: Total adjustments, net of tax (non-GAAP)	0.12	—
Adjusted TCE ratio (non-GAAP)	7.33 %	6.57 %

**Other Operating Income**

The following table sets forth components of other operating income and the total as a percentage of average assets for the periods presented.

**Table 9.** Components of Other Operating Income

(Dollars in thousands)	Year Ended December 31,			Dollar Change		Percent Change	
	2024	2023	2022	2024	2023	2024	2023
				to 2023	to 2022	to 2023	to 2022
<b>Mortgage banking income:</b>							
Net loan servicing fees	\$ 1,913	\$ 1,931	\$ 2,259	\$ (18)	\$ (328)	(0.9)%	(14.5)%
Amortization of mortgage servicing rights	(776)	(705)	(1,295)	(71)	590	10.1	(45.6)
Net gain on sale of residential mortgage loans	1,257	721	1,778	536	(1,057)	74.3	(59.4)
Unrealized gain (loss) on interest rate locks	77	(42)	8	119	(50)	(283.3)	(625.0)
Loan placement fees	917	687	1,060	230	(373)	33.5	(35.2)
<b>Total mortgage banking income</b>	<b>3,388</b>	<b>2,592</b>	<b>3,810</b>	<b>796</b>	<b>(1,218)</b>	<b>30.7</b>	<b>(32.0)</b>
Service charges on deposit accounts	8,656	8,753	8,197	(97)	556	(1.1)	6.8
Other service charges and fees	22,553	20,531	19,025	2,022	1,506	9.8	7.9
Income from fiduciary activities	5,761	4,895	4,565	866	330	17.7	7.2
Net (losses) gains on sales of investment securities	(9,934)	(2,074)	8,506	(7,860)	(10,580)	379.0	(124.4)
Income from bank-owned life insurance	6,619	4,870	1,865	1,749	3,005	35.9	161.1
<b>Other:</b>							
Equity in earnings of unconsolidated entities	(21)	(22)	186	1	(208)	(4.5)	(111.8)
Income recovered on nonaccrual loans previously charged-off	187	439	279	(252)	160	(57.4)	57.3
Other recoveries	90	180	100	(90)	80	(50.0)	80.0
Net unrealized losses on loans held for sale	(78)	—	—	(78)	—	N.M. (*)	N.M. (*)
Commissions on sale of checks	298	312	307	(14)	5	(4.5)	1.6
Gain on sale of premises and equipment	—	5,128	—	(5,128)	5,128	(100.0)	N.M. (*)
Other	1,204	1,059	1,079	145	(20)	13.7	(1.9)
<b>Total other operating income - other</b>	<b>1,680</b>	<b>7,096</b>	<b>1,951</b>	<b>(5,416)</b>	<b>5,145</b>	<b>(76.3)</b>	<b>263.7</b>
<b>Total other operating income</b>	<b>\$ 38,723</b>	<b>\$ 46,663</b>	<b>\$ 47,919</b>	<b>\$ (7,940)</b>	<b>\$ (1,256)</b>	<b>(17.0)</b>	<b>(2.6)</b>
Ratio of total other operating income to average assets	<u>0.52 %</u>	<u>0.62 %</u>	<u>0.65 %</u>				

(\*) Not meaningful ("N.M.")

Total other operating income of \$38.7 million in 2024 decreased by \$7.9 million, or 17.0%, from the \$46.7 million earned in 2023, which decreased by \$1.3 million, or 2.6%, from the \$47.9 million earned in 2022.

The decrease in other operating income in 2024 from 2023 was primarily due to a loss on sale of investment securities of \$9.9 million related to an investment portfolio repositioning completed in the fourth quarter of 2024, compared to a loss on sale of investment securities of \$2.1 million primarily due to an investment portfolio repositioning completed in the fourth quarter of 2023 and a gain on sale of a real estate office property of \$5.1 million completed in the fourth quarter of 2023. These decreases were partially offset by higher other service charges and fees of \$2.0 million and higher income from bank-owned life insurance ("BOLI") of \$1.7 million. Significant variances in income from BOLI are primarily attributable to volatility in the equity markets and higher death benefit income. The Company has certain company-owned life insurance policies (included in income from BOLI) used to hedge its deferred compensation plans, which are tied to the equity markets and had gains in 2024 and 2023, therefore, the Company has also recognized offsetting increases in deferred compensation expense in other operating expenses in 2024 and 2023.

The decrease in other operating income in 2023 from 2022 was primarily due to a non-recurring \$8.5 million gain on sale of Class B common stock of Visa, Inc. ("Visa") recorded in the second quarter of 2022. Due to transfer restrictions on the Visa Class B common stock and the lack of a readily determinable fair value, the investment was carried at the Company's zero cost basis, therefore the entire net proceeds from the sale of \$8.5 million were recorded as a gain on sale of investment securities. These decreases were also due to an investment portfolio repositioning completed in the fourth quarter of 2023 resulting in a

\$1.9 million loss on the sales of investment securities. In addition, the Company recorded lower mortgage banking income of \$1.2 million. The lower mortgage banking income was primarily attributable to lower originations and fewer loans sold as a result of the significant increases in market interest rates which began in 2022. The Company's Home Loans Division recorded \$307.7 million and \$266.6 million in loan originations in 2024 and 2023, respectively, and down from \$568.2 million in loan originations in 2022. The lower amortization of mortgage servicing rights (included in mortgage banking income) was primarily attributable to the continued increases in market interest rates. These decreases were partially offset by a \$5.1 million gain on sale of real estate office property, higher income from BOLI of \$3.0 million and higher other service charges and fees.

**Other Operating Expense**

The following table sets forth components of other operating expense and the total as a percentage of average assets for each of the periods presented.

**Table 10.** Components of Other Operating Expense

(Dollars in thousands)	Year Ended December 31,			Dollar Change		Percent Change	
	2024	2023	2022	2024	2023	2024	2023
				to 2023	to 2022	to 2023	to 2022
Salaries and employee benefits	\$ 85,941	\$ 82,050	\$ 88,781	\$ 3,891	\$ (6,731)	4.7 %	(7.6)%
Net occupancy	18,001	18,185	16,963	(184)	1,222	(1.0)	7.2
Equipment	3,881	3,958	4,238	(77)	(280)	(1.9)	(6.6)
Communication	3,177	3,010	2,958	167	52	5.5	1.8
Legal and professional services	9,790	9,959	10,792	(169)	(833)	(1.7)	(7.7)
Computer software	18,015	17,726	14,840	289	2,886	1.6	19.4
Advertising	3,615	3,888	4,151	(273)	(263)	(7.0)	(6.3)
Other:							
Pension plan and SERP	431	380	5,339	51	(4,959)	13.4	(92.9)
Foreclosed assets	—	—	1	—	(1)	N.M. (*)	(100.0)
Charitable contributions	557	454	453	103	1	22.7	0.2
FDIC insurance assessment	3,482	4,133	2,322	(651)	1,811	(15.8)	78.0
Miscellaneous loan expenses	1,401	1,291	1,339	110	(48)	8.5	(3.6)
ATM and debit card	3,552	3,364	3,025	188	339	5.6	11.2
Armored car	1,804	1,701	1,068	103	633	6.1	59.3
Entertainment and promotions	1,998	2,015	1,513	(17)	502	(0.8)	33.2
Stationery and supplies	668	740	722	(72)	18	(9.7)	2.5
Directors' fees and expenses	1,162	1,287	1,290	(125)	(3)	(9.7)	(0.2)
Directors' deferred compensation plan	1,528	360	(1,029)	1,168	1,389	324.4	(135.0)
Strategic expenses	3,068	—	—	3,068	—	N.M. (*)	N.M. (*)
Amortization and impairment of intangible assets	1,461	39	—	1,422	39	3,646.2	N.M. (*)
Branch consolidation costs	—	—	612	—	(612)	N.M. (*)	(100.0)
Loss on disposal of fixed assets	55	12	5	43	7	358.3	140.0
Loss on sale of loans	—	197	—	(197)	197	(100.0)	N.M. (*)
Early termination of lease	—	2,274	—	(2,274)	2,274	(100.0)	N.M. (*)
Other	9,004	7,120	6,603	1,884	517	26.5	7.8
Total other operating expense - other	30,171	25,367	23,263	4,804	2,104	18.9	9.0
Total other operating expense	\$ 172,591	\$ 164,143	\$ 165,986	\$ 8,448	\$ (1,843)	5.1	(1.1)
Ratio of total other operating expense to average assets	2.34 %	2.19 %	2.26 %				

(\*) Not meaningful ("N.M.")

Total other operating expense of \$172.6 million in 2024 increased by \$8.4 million, or 5.1%, from total operating expense of \$164.1 million in 2023, which decreased by \$1.8 million, or 1.1%, compared to 2022.

The increase in total other operating expense in 2024, compared to 2023, was primarily due to expenses related to a strategic opportunity in 2024 of \$3.1 million, higher salaries and employee benefits of \$3.9 million, amortization and impairment of

intangible assets of \$1.4 million, and higher directors' deferred compensation plan expenses of \$1.2 million. These increases were partially offset by a non-recurring charge of \$2.3 million related to the early termination of a branch lease in 2023. Significant fluctuations in directors' deferred compensation plan expenses are primarily due to volatility in the equity markets.

The decrease in total other operating expense in 2023, compared to 2022, was primarily due to lower salaries and employee benefits of \$6.7 million and a non-recurring non-cash charge of \$4.9 million related to the termination and settlement of the Company's defined benefit retirement plan during the second quarter of 2022. These decreases were partially offset by a non-recurring charge of \$2.3 million related to the early termination of a branch lease, higher computer software expense of \$2.9 million, FDIC insurance assessment of \$1.8 million, directors' deferred compensation plan expenses of \$1.4 million and net occupancy expense of \$1.2 million.

### ***Income Taxes***

In 2024, the Company recorded income tax expense of \$14.6 million, compared to \$18.2 million in 2023, and \$24.8 million in 2022. Our effective tax rate was 21.5% in 2024 compared to 23.6% in 2023 and 25.2% in 2022.

The decrease in income tax expense in 2024 from 2023 was primarily due to lower pre-tax income. The decrease in the effective tax rate in 2024 from 2023 was primarily attributable to higher tax-exempt income from BOLI as a percentage of pre-tax income, combined with additional tax credits recognized and tax return to provision adjustments in 2024.

The decrease in income tax expense in 2023 from 2022 was primarily due to lower pre-tax income. The decrease in the effective tax rate in 2023 from 2022 was primarily attributable to higher tax-exempt income from BOLI as a percentage of pretax income.

As of December 31, 2024, the valuation allowance on our net deferred tax assets ("DTA") totaled \$3.1 million, which related to our DTA from net apportioned net operating loss ("NOL") carryforwards for California state income tax purposes as we do not expect to generate sufficient income in California to utilize the DTA. Net of this valuation allowance, the Company's net DTA totaled \$17.8 million as of December 31, 2024, compared to a net DTA of \$29.5 million as of December 31, 2023, and is included in other assets in the Company's consolidated balance sheets.

On August 16, 2022, the Inflation Reduction Act ("IRA") of 2022 was signed into law to implement new tax provisions and provide various incentives and tax credits. The IRA created a 15% corporate alternative minimum tax and an excise tax of 1% on stock repurchases from publicly traded U.S. corporations, among other changes. As of December 31, 2024, the Company determined that neither this Act nor changes to income tax laws or regulations in other jurisdictions had a significant impact on income tax expense. As of December 31, 2024, the Company estimates that it will not owe any excise tax on the Company's stock repurchases in 2024. As a result the Company has not accrued any excise tax on the Company's stock repurchases.

### **Financial Condition**

Total assets of \$7.47 billion at December 31, 2024 decreased by \$170.7 million, or 2.2%, from the \$7.64 billion at December 31, 2023, and total liabilities of \$6.93 billion at December 31, 2024 decreased by \$205.3 million, or 2.9%, from the \$7.14 billion at December 31, 2023. The decrease in total assets and total liabilities in 2024 was primarily due to a decline in loans and deposits in 2024.

### ***Loan Portfolio***

Our lending activities are focused on commercial and industrial loans, commercial mortgages, and construction loans to small and medium-sized companies, business professionals, and real estate investors and developers, as well as residential mortgages, home equity and consumer loans to home-buyers and individuals. Our strategy for generating commercial loans has traditionally relied upon teams of commercial real estate and commercial banking officers who are responsible for client prospecting and business development.

To manage credit risk (i.e., the ability of borrowers to repay their loan obligations), management analyzes the borrower's financial condition, repayment source, collateral and other factors that could impact credit quality, such as national and local economic conditions and industry conditions related to respective borrowers. The general underwriting guidelines require analysis and documentation to include among other things, overall creditworthiness of borrower, guarantor support, use of funds, loan term, minimum equity, loan-to-value standards, repayment terms, sources of repayment, covenants, pricing, collateral, insurance, and documentation standards. All loan requests considered by us should be for a clearly defined legitimate purpose with a determinable primary repayment source, as well as alternate sources of repayment. All loans should be

supported by appropriate documentation including, current financial statements, credit reports, collateral information, asset verification, tax returns, title reports, and appraisals (where appropriate).

We score consumer and small business loans using underwriting matrices ("Scorecards") developed based on the results of an analysis from a reputable national credit scoring company commissioned by our Bank. The Scorecards use the attributes that were determined to most highly correlate with probability of repayment. Those attributes include, but are not limited to the following: (i) credit score, (ii) credit limit amount, and (iii) debt-to-income ratio.

Loans totaled \$5.33 billion at December 31, 2024, which decreased by \$106.1 million, or 2.0%, from the \$5.44 billion at December 31, 2023, which decreased by \$116.5 million, or 2.1%, from the \$5.56 billion held at December 31, 2022. The decrease in total loans included net decreases in the following loan portfolios: consumer of \$120.0 million, or 19.0%, home equity of \$59.5 million, or 8.1%, construction of \$40.3 million, or 21.7%, and residential mortgage of \$35.3 million, or 1.8%. These decreases were offset by net increases in commercial mortgage of \$117.8 million, or 8.5% and commercial and industrial of \$31.2 million, or 5.4%. The decrease in our consumer loan portfolio in 2024 was largely due to run-off in our U.S. mainland purchased consumer loans. In 2024, we did not foreclose on any loans. In addition, we recorded loan charge-offs of \$20.2 million.

The following table sets forth information regarding outstanding loans, net of deferred (fees) costs, by category as of the dates indicated.

**Table 11. Loans by Categories**

<b>(Dollars in thousands)</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Commercial and industrial .....	\$ 606,936	\$ 575,707
Real estate:		
Construction .....	145,211	185,519
Residential mortgage .....	1,892,520	1,927,789
Home equity .....	676,982	736,524
Commercial mortgage .....	1,500,680	1,382,902
Consumer .....	510,523	630,541
Total loans, net of deferred fees and costs .....	5,332,852	5,438,982
Allowance for credit losses .....	(59,182)	(63,934)
Net loans .....	<u>\$ 5,273,670</u>	<u>\$ 5,375,048</u>

The following table sets forth the geographic distribution of our loan portfolio, net of deferred (fees) costs, and related ACL as of the dates indicated.

**Table 12. Loans by Geographic Distribution**

<b>(Dollars in thousands)</b>	<b>December 31, 2024</b>			<b>December 31, 2023</b>		
	<b>Hawaii</b>	<b>U.S. Mainland</b>	<b>Total</b>	<b>Hawaii</b>	<b>U.S. Mainland</b>	<b>Total</b>
Commercial and industrial .....	\$ 430,167	\$ 176,769	\$ 606,936	\$ 421,736	\$ 153,971	\$ 575,707
Real estate:						
Construction .....	145,182	29	145,211	163,337	22,182	185,519
Residential mortgage .....	1,892,520	—	1,892,520	1,927,789	—	1,927,789
Home equity .....	676,982	—	676,982	736,524	—	736,524
Commercial mortgage .....	1,165,060	335,620	1,500,680	1,063,969	318,933	1,382,902
Consumer .....	274,712	235,811	510,523	322,346	308,195	630,541
Total loans, net of deferred fees and costs .....	4,584,623	748,229	5,332,852	4,635,701	803,281	5,438,982
Allowance for credit losses .....	(45,967)	(13,215)	(59,182)	(48,189)	(15,745)	(63,934)
Net loans .....	<u>\$ 4,538,656</u>	<u>\$ 735,014</u>	<u>\$ 5,273,670</u>	<u>\$ 4,587,512</u>	<u>\$ 787,536</u>	<u>\$ 5,375,048</u>

## Commercial and Industrial

Loans in this category consist primarily of term loans and lines of credit to small and middle-market businesses and professionals. The borrower's business is typically regarded as the principal source of repayment, although our underwriting policy and practice generally requires additional sources of collateral, including real estate and other business assets, as well as personal guarantees where possible to mitigate risk. Risk of credit losses could be greater in this loan category relative to secured loans where a greater percentage of the loan amount is usually covered by collateral. Nonetheless, any collateral or personal guarantees obtained on commercial loans can mitigate the increased risk and help to reduce credit losses.

Our approach to commercial lending involves teams of lending and cash management personnel who focus on relationship development including loans, deposits and other bank services to new and existing commercial clients.

In 2024, our commercial and industrial loan portfolio increased by \$31.2 million, which was attributable to an increase in the Hawaii portfolio of \$8.4 million and an increase in the U.S. Mainland portfolio of \$22.8 million. Our commercial and industrial loan portfolio increased by \$29.2 million in 2023.

## Real Estate—Construction

Construction loans include both residential and commercial development projects. Each construction project is evaluated for economic viability. Construction loans pose higher credit risks than typical secured loans. In addition to the financial strength of the borrower, construction loans have the added element of completion risk, which is the risk that the project will not be completed on time and within budget, resulting in additional costs that could affect the economic viability of the project and market risk at the time construction is complete.

In 2024, our construction loan portfolio decreased by \$40.3 million. Our construction loan portfolio increased by \$18.8 million in 2023. These fluctuations are driven by the start and completion of construction projects and are consistent with a normal construction cycle.

## Interest Reserves

Our policies require interest reserves for construction loans, including loans to build commercial buildings, residential developments (both large tract projects and individual houses), and multi-family projects.

The outstanding principal balance of loans with interest reserves was \$102.2 million at December 31, 2024, compared to \$100.9 million in the prior year, while remaining interest reserves was \$9.7 million, or 9.5% of the outstanding principal balance of loans with interest reserves at December 31, 2024, compared to \$10.2 million, or 10.1% of the outstanding principal balance of loans with interest reserves at December 31, 2023.

Interest reserves allow the Company to advance funds to borrowers to make scheduled payments during the construction period. These advances typically are capitalized and added to the borrower's outstanding loan balance, although we have the right to demand payment under certain circumstances. Our policy is to determine if interest reserve amounts are appropriately included in each project's construction budget and are adequate to cover the expected duration of the construction period.

The amount, terms, and conditions of the interest reserve are established when a loan is originated, although we generally have the option to demand payment if the credit profile of the borrower changes. We evaluate the viability and appropriateness of the construction project based on the project's complexity and feasibility, the timeline, as well as the creditworthiness of the borrowers, sponsors and/or guarantors, and the value of the collateral.

In the event that unfavorable circumstances alter the original project schedule (e.g., cost overruns, project delays, etc.), our policy is to evaluate whether or not it is appropriate to maintain interest capitalization or demand payment of interest in cash and we will work with the borrower to explore various restructuring options, which may include obtaining additional equity and/or requiring additional collateral. We may also require borrowers to directly pay scheduled interest payments.

Our process for determining that construction projects are moving as planned are detailed in our lending policies and guidelines. Prior to approving a loan, the Company and borrower generally agree on a construction budget, a proforma monthly disbursement schedule, and sales/leaseback assumptions. As each project progresses, the projections are measured against actual disbursements and sales/lease results to determine if the project is on schedule and performing as planned.

The specific monitoring requirements for each loan vary depending on the size and complexity of the project and the experience and financial strength of the borrower, sponsor and/or guarantor. At a minimum, to ensure that loan proceeds are properly disbursed and to assess whether it is appropriate to capitalize interest or demand cash payment of interest, our monitoring process generally includes:

- Physical inspection of the project to ensure work has progressed to the stage for which payment is being requested;
- Verification that the work completed is in conformance with plans and specifications and items for which disbursement is requested are within budget; and
- Determination that there continues to be satisfactory project progress.

In certain rare circumstances, we may decide to extend, renew, and/or restructure the terms of a construction loan. Reasons for the restructure can range from cost overruns to project delays and the restructuring can result in additional funds being advanced or an extension of the maturity date of the loan. Prior to the loan being restructured, our policy is to perform a detailed analysis to ensure that the economics of the project remain feasible and that the risks to the Company are within acceptable lending guidelines.

Real Estate—Mortgage

The following table sets forth information with respect to the composition of the Real Estate—Mortgage loan portfolio as of the dates indicated.

**Table 13.** Mortgage Loan Portfolio Composition

(Dollars in thousands)	December 31, 2024		December 31, 2023	
	Amount	Percent	Amount	Percent
<b>Residential:</b>				
Closed-end .....	\$ 1,892,520	46.5 %	\$ 1,927,789	47.6 %
Home equity line-of-credit ("HELOC") .....	676,982	16.6	736,524	18.2
Subtotal .....	2,569,502	63.1	2,664,313	65.8
<b>Commercial:</b>				
Owner-occupied nonfarm nonresidential .....	371,275	9.1	321,356	7.9
Other nonfarm nonresidential .....	832,088	20.4	779,819	19.3
Multi-family .....	297,317	7.3	281,708	7.0
Other .....	—	0.1	19	—
Subtotal .....	1,500,680	36.9	1,382,902	34.2
Total mortgage loans .....	\$ 4,070,182	100.0 %	\$ 4,047,215	100.0 %

*Residential*

Residential mortgage loans include fixed-rate and adjustable-rate loans primarily secured by single-family owner-occupied primary residences in Hawaii. Maximum loan-to-value ratios of 80% are typically required for fixed-rate and adjustable-rate loans secured by single-family owner-occupied residences, although higher levels are permitted with accompanying mortgage insurance. First mortgage loans secured by residential properties generally carry a moderate level of credit risk. With an average loan origination size of approximately \$0.7 million, marketable collateral and a stable Hawaii residential real estate market, credit losses on residential mortgage loans have historically been minimal. However, economic conditions including unemployment levels, future changes in interest rates and other market factors can impact the marketability and value of collateral and thus the level of credit risk inherent in the portfolio.

Closed-end residential mortgage loan balances as of December 31, 2024 totaled \$1.89 billion, decreasing by \$35.3 million, or 1.8%, from the \$1.93 billion held at year-end 2023, which decreased by \$13.2 million, or 0.7%, from the \$1.94 billion held at year-end 2022. The decrease in closed-end residential mortgage loan balances in 2024 was primarily due to lower origination activity primarily attributable to the high interest rate environment which began in 2022.

## Table of Contents

Residential mortgage loans held for sale at December 31, 2024 totaled \$5.7 million, an increase of \$3.9 million, or 218.4%, from the December 31, 2023 balance of \$1.8 million, which increased by \$0.7 million, or 60.9%, from the December 31, 2022 balance of \$1.1 million. We did not securitize any residential mortgage loans in 2024, 2023 and 2022.

### *Home Equity*

Home equity lines of credit ("HELOCs"), which typically carry floating or fixed interest rates, are underwritten using a qualifying payment which assumes the line is fully drawn and is amortizing as if it was in the repayment period. Underwriting criteria include a minimum FICO score, maximum debt-to-income ratio ("DTI"), and maximum combined loan-to-value ratio ("CLTV"). HELOCs are monitored based on default, delinquency, end of draw period, and maturity. All HELOCs originated since early 2011 have a ten-year draw period followed by a 20-year repayment period during which the principal balance will be fully amortized.

HELOC balances as of December 31, 2024 totaled \$677.0 million, decreasing by \$59.5 million, or 8.1%, from the \$736.5 million held at December 31, 2023, which decreased by \$2.9 million, or 0.4%, from the \$739.4 million held at December 31, 2022.

### *Commercial Mortgage*

Real estate mortgage loans secured by commercial properties represent a sizable portion of our loan portfolio. Our policy with respect to commercial mortgages is that loans be made for sound purposes, have a definite source and/or plan of repayment established at inception, and be backed up by reliable secondary sources of repayment and satisfactory collateral with good marketability. Loans secured by commercial property carry a greater risk than loans secured by residential property due to operating income risk. Operating income risk is the risk that the borrower will be unable to generate sufficient cash flow from the operation of the property. The commercial real estate market and interest rate conditions through economic cycles will impact risk levels.

Commercial mortgage balances as of December 31, 2024 totaled \$1.50 billion, increasing by \$117.8 million, or 8.5%, from the \$1.38 billion held at December 31, 2023, which increased by \$19.8 million, or 1.5%, from the \$1.36 billion held at December 31, 2022. The increase in commercial mortgage balances in 2024 was primarily due to increased demand from both new and existing customers.

### Consumer Loans

The following table sets forth the major components of our consumer loan portfolio as of the dates indicated.

**Table 14.** Consumer Loan Portfolio Composition

(Dollars in thousands)	December 31, 2024		December 31, 2023	
	Amount	Percent	Amount	Percent
Automobile .....	\$ 242,640	47.5 %	\$ 282,982	44.9 %
Purchased unsecured consumer and home improvement .....	138,174	27.1	213,388	33.8
Other revolving credit plans .....	94,209	18.5	100,257	15.9
Other .....	35,500	6.9	33,914	5.4
Total consumer .....	<u>\$ 510,523</u>	<u>100.0 %</u>	<u>\$ 630,541</u>	<u>100.0 %</u>

For consumer loans, credit risk is managed on a pooled basis. Considerations include an evaluation of the quality, character and inherent risks in the loan portfolio, current and projected economic conditions and past loan loss experience. Consumer loans represent a moderate credit risk. Loans in this category are either unsecured or secured by personal assets such as automobiles. The average loan size is generally small and risk is diversified among many borrowers. Our policy is to utilize credit-scoring systems for most of our consumer loans, which offer the ability to manage credit exposure based on our risk tolerance and loss experience. From time to time, we will tactically deploy funds, which are not utilized in our current short-term core lending markets, by purchasing certain consumer loan portfolios.

Consumer loans totaled \$510.5 million at December 31, 2024, decreasing by \$120.0 million, or 19.0%, from December 31, 2023 of \$630.5 million, which decreased by \$168.2 million, or 21.1%, compared to the \$798.8 million held at December 31, 2022.

At December 31, 2024, automobile loans, primarily indirect dealer loans and loans purchased from third-party originators, comprised 47.5% of consumer loans outstanding. Total automobile loans of \$242.6 million at December 31, 2024 decreased by \$40.3 million, or 14.3%, from December 31, 2023 of \$283.0 million, which decreased by \$85.3 million, or 23.2%, from \$368.3 million at December 31, 2022.

In 2024, we purchased \$49.4 million in U.S. Mainland automobile loans, which included a \$1.9 million premium over the \$47.6 million outstanding balance. In 2023, we purchased U.S. Mainland automobile loans totaling \$15.7 million, which included a \$0.6 million premium over the \$15.2 million outstanding balance. In 2022, we purchased U.S. Mainland automobile loans totaling \$106.2 million, which included a \$4.7 million premium over the \$101.5 million outstanding balance.

Purchased unsecured consumer and home improvement loans of \$138.2 million at December 31, 2024 decreased by \$75.2 million, or 35.2%, from December 31, 2023 of \$213.4 million, which decreased by \$101.5 million, or 32.2%, from \$314.9 million at December 31, 2022.

In 2024, we did not purchase any U.S. Mainland unsecured consumer loans. In 2023, we purchased \$3.9 million in U.S. Mainland unsecured consumer loans under forward flow purchase agreements at par, with outstanding balances totaling \$3.9 million. In 2022, we purchased U.S. Mainland unsecured consumer loans under forward flow purchase agreements with outstanding balances totaling \$229.3 million for \$217.2 million, reflecting a net discount of \$12.1 million.

Other revolving credit plans loans include extensions of credit to individuals and totaled \$94.2 million at December 31, 2024, which decreased by \$6.0 million, or 6.0%, from December 31, 2023 of \$100.3 million, which increased by \$19.9 million, or 24.8%, from \$80.4 million at December 31, 2022.

Other consumer loans of \$35.5 million at December 31, 2024 increased by \$1.6 million, or 4.7%, from December 31, 2023 of \$33.9 million, which decreased by \$1.3 million, or 3.8%, from \$35.2 million at December 31, 2022.

### ***Concentrations of Credit Risk***

As of December 31, 2024, approximately \$4.22 billion, or 79.0% of loans outstanding were secured by real estate, including construction loans, residential mortgage loans, home equity loans, and commercial mortgage loans. As of December 31, 2023, approximately \$4.23 billion, or 77.8% of loans outstanding were secured by real estate, including construction loans, residential mortgage loans, home equity loans, and commercial mortgage loans.

The majority of our loans are made to companies and individuals with headquarters in, or residing in, the State of Hawaii. Consistent with our focus of being a Hawaii-based bank, 86.0% of our loan portfolio was concentrated in the Hawaii market while 14.0% was concentrated in the U.S. Mainland as of December 31, 2024. As of December 31, 2023, 85.2% and 14.8% of our loan portfolio was concentrated in the Hawaii market and U.S. Mainland, respectively.

Our foreign credit exposure as of December 31, 2024 and December 31, 2023 was minimal and did not exceed 1% of total assets.

### ***Maturities and Sensitivities of Loans to Changes in Interest Rates***

At December 31, 2024, commercial and industrial loans were 44.5% fixed-rate and 55.5% variable-rate. Real estate construction loans were 33.4% fixed-rate and 66.6% variable-rate. Residential mortgage loans were 80.5% fixed-rate and 19.5% variable-rate. Home equity lines and loans were 13.4% fixed-rate and 86.6% variable-rate. Commercial mortgage loans were 54.0% fixed-rate and 46.0% variable-rate. Consumer loans were 82.3% fixed-rate and 17.7% variable-rate.

Commercial loans and commercial mortgage loans with variable interest rates are underwritten at the current market rate of interest. For commercial loans and commercial real estate loans with a fixed-rate period that are not fully amortizing, the loans are underwritten at the current market rate of interest. At the expiration of the fixed-rate period and/or maturity, the projected loan balance at that time is underwritten at an interest rate based on the current interest rate plus two percent per annum (2%).

Qualifying payments for our variable-rate residential mortgage loans with initial fixed-rate periods of five years or less are calculated using the greater of the note rate plus 2% per annum or the fully indexed rate. Payments for our variable-rate loans with a fixed-rate period of greater than five years are calculated using the greater of the note rate or the fully indexed rate. The qualifying payment for our HELOCs is based on the fully indexed rate plus the required principal plus interest payment due

during the repayment period assuming the line was fully drawn. Our consumer lines of credit use a qualifying payment based on a percentage of the credit limit that exceeds the actual required fully indexed interest rate payment calculation.

The following table sets forth the maturity distribution and sensitivities of the loan portfolio to changes in interest rates at December 31, 2024. Maturities are based on contractual maturity dates and do not factor in principal amortization. This differs from the assumptions used in the net interest income sensitivity analysis included in Table 25 - Net Interest Income Sensitivity.

**Table 15. Maturity Distribution and Sensitivities of Loans to Changes in Interest Rates**

	<b>Maturing</b>				<b>Total</b>	<b>Percentage</b>
	<b>One Year or Less</b>	<b>Over One Through Five Years</b>	<b>Over Five Through Fifteen Years</b>	<b>Over Fifteen Years</b>		
(Dollars in thousands)						
<b>Commercial and industrial:</b>						
With fixed interest rates .....	\$ 5,152	\$ 162,302	\$ 102,342	\$ —	\$ 269,796	44.5 %
With variable interest rates .....	58,147	122,639	101,559	54,795	337,140	55.5 %
Total commercial and industrial .....	63,299	284,941	203,901	54,795	606,936	100.0 %
<b>Construction:</b>						
With fixed interest rates .....	1,097	25,464	21,949	—	48,510	33.4 %
With variable interest rates .....	33,752	51,442	10,372	1,135	96,701	66.6 %
Total construction .....	34,849	76,906	32,321	1,135	145,211	100.0 %
<b>Residential mortgage:</b>						
With fixed interest rates .....	2,093	13,909	222,377	1,284,223	1,522,602	80.5 %
With variable interest rates .....	1,105	2,763	14,857	351,193	369,918	19.5 %
Total residential mortgage .....	3,198	16,672	237,234	1,635,416	1,892,520	100.0 %
<b>Home equity:</b>						
With fixed interest rates .....	1,007	18,122	35,270	36,098	90,497	13.4 %
With variable interest rates .....	2,423	5,806	18,618	559,638	586,485	86.6 %
Total home equity .....	3,430	23,928	53,888	595,736	676,982	100.0 %
<b>Commercial mortgage:</b>						
With fixed interest rates .....	26,876	365,626	418,267	—	810,769	54.0 %
With variable interest rates .....	87,980	431,019	170,912	—	689,911	46.0 %
Total commercial mortgage .....	114,856	796,645	589,179	—	1,500,680	100.0 %
<b>Consumer:</b>						
With fixed interest rates .....	15,486	292,179	35,640	76,847	420,152	82.3 %
With variable interest rates .....	5,146	57,358	62	27,805	90,371	17.7 %
Total consumer .....	20,632	349,537	35,702	104,652	510,523	100.0 %
<b>All loans:</b>						
With fixed interest rates .....	51,711	877,602	835,845	1,397,168	3,162,326	59.3 %
With variable interest rates .....	188,553	671,027	316,380	994,566	2,170,526	40.7 %
Gross loans .....	<u>\$ 240,264</u>	<u>\$ 1,548,629</u>	<u>\$ 1,152,225</u>	<u>\$ 2,391,734</u>	<u>\$ 5,332,852</u>	100.0 %

### ***Provision and Allowance for Credit Losses for Loans***

As described above under the "Critical Accounting Policies and Use of Estimates" section, the provision for credit losses ("Provision") for loans is determined by management's ongoing evaluation of the loan portfolio and our assessment of the ability of the ACL for loans to cover expected credit losses for loans. Our methodology for determining the adequacy of the ACL and Provision for loans takes into account many factors, including the level and trend of nonperforming and potential

problem loans, net charge-off experience, current repayment by borrowers, prepayment assumptions, fair value of collateral securing specific loans, changes in lending and underwriting standards and general economic factors, nationally and in the markets we serve.

The Company maintains its ACL at an appropriate level as of a given balance sheet date to absorb management's best estimate of expected credit losses in its loan portfolios that will likely be realized over the expected life of our loan portfolio. This is based upon management's comprehensive analysis of the risk profiles particular to the respective loan portfolios. Analysis of the appropriateness of the ACL for loans is performed quarterly to coincide with financial disclosure to the public and to the regulatory agencies and is governed by a Board of Directors-approved policy and methodology.

The following table sets forth certain information with respect to the ACL for loans as of the dates or for the periods presented.

**Table 16.** Allowance for Credit Losses for Loans

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
<b>Allowance for Credit Losses ("ACL") for Loans</b>			
Balance at beginning of period .....	\$ 63,934	\$ 63,738	\$ 68,097
Charge-offs:			
Commercial and industrial .....	2,977	1,962	1,969
Real estate:			
Residential mortgage .....	383	—	—
Consumer .....	16,866	17,245	6,399
Total .....	20,226	19,207	8,368
Recoveries:			
Commercial and industrial .....	536	720	995
Real estate:			
Construction .....	—	1	76
Residential mortgage .....	36	77	295
Home equity .....	6	57	36
Consumer .....	3,934	3,313	2,319
Total .....	4,512	4,168	3,721
Net loan charge-offs .....	15,714	15,039	4,647
Provision for credit losses for loans .....	10,962	15,235	288
Balance at end of period .....	\$ 59,182	\$ 63,934	\$ 63,738
Average loans outstanding .....	\$ 5,358,059	\$ 5,508,530	\$ 5,298,573
<b>Ratios:</b>			
ACL to total loans .....	1.11 %	1.18 %	1.15 %
ACL to nonaccrual loans .....	537.14 %	912.30 %	1,213.83 %
Net loan charge-offs to average loans outstanding .....	0.29 %	0.27 %	0.09 %

Our ACL for loans at December 31, 2024 totaled \$59.2 million, which decreased by \$4.8 million, or 7.4%, from \$63.9 million at December 31, 2023, which increased by \$0.2 million, or 0.3%, from \$63.7 million at December 31, 2022. When expressed as a percentage of total loans, our ACL for loans was 1.11%, 1.18%, and 1.15% as of December 31, 2024, 2023 and 2022, respectively.

During 2024, we recognized a Provision of \$9.8 million, which included a Provision for loans of \$11.0 million, offset by a credit to the Provision for off-balance sheet credit exposures of \$1.1 million. During 2023, we recognized a Provision of \$15.7 million, which included a Provision for loans of \$15.2 million and a Provision for off-balance sheet credit exposures of

\$0.5 million. During 2022, we recognized a credit to the Provision of \$1.3 million, which included a credit to the Provision for off-balance sheet credit exposures of \$1.6 million, offset by a Provision for loans of \$0.3 million.

The decrease in our ACL for loans as a percentage of total loans from December 31, 2023 to December 31, 2024 and the decrease in the Provision in 2024 reflects improvements in the economic forecast while maintaining adequate coverage for our loan portfolio.

Our ACL for loans as a percentage of our nonaccrual loans decreased to 537% at December 31, 2024 from 912% at December 31, 2023, which decreased from 1,214% at December 31, 2022.

Overall, the Company maintained strong credit quality as represented by nonperforming assets of \$11.0 million, \$7.0 million, and \$5.3 million at December 31, 2024, 2023 and 2022, respectively. Net charge-offs were \$15.7 million, \$15.0 million, and \$4.6 million, respectively, for the years ended December 31, 2024, 2023 and 2022.

The following table sets forth the allocation of the ACL by loan category as of the dates indicated. Our practice is to make specific allocations on individually evaluated loans and general allocations to each loan category based on management's risk assessment and estimated loss rate.

**Table 17.** Allocation of Allowance for Credit Losses for Loans

(Dollars in thousands)	December 31, 2024			December 31, 2023		
	ACL for Loans	ACL % of Loan Category	Loan Category as a % of Total Loans	ACL for Loans	ACL % of Loan Category	Loan Category as a % of Total Loans
Commercial and industrial .....	\$ 7,113	1.17 %	11.4 %	\$ 7,181	1.25 %	10.6 %
Real estate:						
Construction .....	2,316	1.59	2.7	4,004	2.16	3.4
Residential mortgage .....	15,267	0.81	35.5	14,626	0.76	35.5
Home equity .....	2,335	0.34	12.7	3,501	0.48	13.5
Commercial mortgage .....	18,882	1.26	28.1	17,543	1.27	25.4
Consumer .....	13,269	2.60	9.6	17,079	2.71	11.6
Total .....	<u>\$ 59,182</u>	1.11	<u>100.0 %</u>	<u>\$ 63,934</u>	1.18	<u>100.0 %</u>

In accordance with GAAP, loans held for sale and other real estate assets are not included in our assessment of the ACL.

***Nonperforming Assets, Accruing Loans Delinquent for 90 Days or More, Restructured Loans Still Accruing Interest***

The following table sets forth nonperforming assets ("NPAs"), accruing loans delinquent for 90 days or more and restructured loans still accruing interest as of the dates indicated.

**Table 18.** Nonperforming Assets, Past Due and Restructured Loans

(Dollars in thousands)	December 31, 2024	December 31, 2023
<b>Nonaccrual loans <sup>(1)</sup></b>		
Commercial and industrial .....	\$ 414	\$ 432
Real estate:		
Residential mortgage .....	9,044	4,962
Home equity .....	952	834
Commercial mortgage .....	—	77
Consumer .....	608	703
Total nonaccrual loans .....	<u>11,018</u>	<u>7,008</u>
<b>Other real estate owned ("OREO")</b>		
Total other real estate owned ("OREO") .....	—	—
Total nonperforming assets ("NPAs") .....	<u>11,018</u>	<u>7,008</u>
<b>Accruing loans delinquent for 90 days or more</b>		
Real estate:		
Residential mortgage .....	323	—
Home equity .....	78	229
Consumer .....	373	1,083
Total accruing loans delinquent for 90 days or more .....	<u>774</u>	<u>1,312</u>
Total NPAs and accruing loans delinquent for 90 days or more .....	<u>\$ 11,792</u>	<u>\$ 8,320</u>

(Dollars in thousands)	December 31, 2024	December 31, 2023
<b>Ratios:</b>		
Ratio of nonaccrual loans to total loans .....	0.21 %	0.13 %
Ratio of NPAs and accruing loans delinquent for 90 days or more to total loans and OREO .....	0.22	0.15
Ratio of classified assets and OREO to tier 1 capital and ACL .....	3.17	3.41
<b>Year-to-date changes in NPAs:</b>		
Balance at beginning of year .....	\$ 7,008	\$ 5,251
Additions .....	11,632	12,861
Reductions:		
Payments .....	(1,991)	(6,781)
Return to accrual status .....	(650)	(570)
Charge-offs, valuation and other adjustments .....	(4,981)	(3,753)
Total reductions .....	<u>(7,622)</u>	<u>(11,104)</u>
Balance at end of year .....	<u>\$ 11,018</u>	<u>\$ 7,008</u>

Nonperforming assets, which includes nonaccrual loans, nonperforming loans classified as held for sale, if any, and other real estate owned, totaled \$11.0 million, or 0.15% of total assets at December 31, 2024, compared to \$7.0 million, or 0.09% of total assets at December 31, 2023. Nonperforming assets at December 31, 2024 were comprised entirely of nonaccrual loans totaling \$11.0 million, none of which were loans classified as held for sale. The majority of the nonaccrual loans are in the residential mortgage category which are well-collateralized with strong loan-to-value ratios.

The increase in nonperforming assets in 2024 was attributable to \$11.6 million in gross additions, offset by \$2.0 million in repayments, \$0.7 million in loans returned to accrual status and \$5.0 million in charge-offs, valuation and other adjustments.

Net changes to nonperforming assets by category during 2024 included net increases in residential mortgage loans of \$4.1 million and home equity loans of \$0.1 million, partially offset by net decreases in commercial and industrial, commercial mortgage, and consumer loans of less than \$0.1 million each.

Loans delinquent for 90 days or more still accruing interest totaled \$0.8 million at December 31, 2024, compared to \$1.3 million at December 31, 2023.

During the year ended December 31, 2024 and 2023, the Company has not modified any loans for borrowers experiencing financial difficulty that were determined to be material under management's judgement for further disclosure.

Criticized loans at December 31, 2024 declined by \$17.2 million from December 31, 2023 to \$32.8 million, or 0.6% of the total loan portfolio. Special mention loans declined by \$16.2 million to \$8.6 million, or 0.2% of the total loan portfolio. Classified loans declined by \$1.0 million to \$24.2 million, or 0.5% of the total loan portfolio.

The Company's ratio of classified assets and other real estate owned to tier 1 capital and the ACL decreased from 3.41% at December 31, 2023 to 3.17% at December 31, 2024.

**Investment Portfolio**

The following table sets forth the amounts and distribution of investment securities held as of the dates indicated.

**Table 19.** Distribution of Investment Securities

(Dollars in thousands)	December 31, 2024			December 31, 2023		
	HTM (Amortized Cost)	AFS (Fair Value)	Total	HTM (Amortized Cost)	AFS (Fair Value)	Total
<b>Debt securities:</b>						
States and political subdivisions .....	\$ 42,016	\$ 116,833	\$ 158,849	\$ 41,959	\$ 126,635	\$ 168,594
Corporate securities .....	—	—	—	—	31,414	31,414
U.S. Treasury obligations and direct obligations of U.S. Government agencies .....	—	81,200	81,200	—	26,197	26,197
Collateralized loan obligations .....	—	31,140	31,140	—	—	—
<b>Mortgage-backed securities:</b>						
Residential - U.S. government-sponsored enterprises ("GSEs") .....	554,914	414,471	969,385	590,379	378,386	968,765
Residential - Non-government sponsored enterprises ("Non-GSEs") .....	—	16,926	16,926	—	18,708	18,708
Commercial - U.S. GSEs and agencies .....	—	67,161	67,161	—	50,914	50,914
Commercial - Non-GSEs .....	—	9,927	9,927	—	14,956	14,956
<b>Total .....</b>	<b>\$ 596,930</b>	<b>\$ 737,658</b>	<b>\$ 1,334,588</b>	<b>\$ 632,338</b>	<b>\$ 647,210</b>	<b>\$ 1,279,548</b>

Investment securities totaled \$1.33 billion at December 31, 2024, which increased by \$55.0 million, or 4.3%, from the \$1.28 billion held at December 31, 2023, which decreased by \$57.1 million, or 4.3%, from the \$1.34 billion at year-end 2022.

The increase in the investment securities portfolio reflects purchases of investment securities of \$253.6 million, amortization of unrealized losses on investment securities transferred to held-to-maturity of \$7.2 million, and a market valuation increase on the AFS portfolio of \$1.6 million, partially offset by the sale of investment securities with a book value of \$106.5 million, principal runoff, maturities and calls totaling \$99.1 million, and amortization and accretion of premiums and discounts of \$1.8 million.

In the fourth quarter of 2024, the Company executed an investment portfolio repositioning of its AFS investment securities portfolio. The Company sold 24 lower-yielding AFS investment securities with a book value of \$106.5 million and received proceeds of \$96.6 million, which resulted in gross realized losses of \$9.9 million. No gross gains were realized on the sale. The securities sold had a weighted average yield of 2.1% and a weighted average duration of 3.6 years. With the proceeds, the Company purchased higher-yielding AFS investment securities totaling \$101.6 million with a weighted average yield of 4.9% and a weighted average duration of 4.1 years. The Company estimates the transaction will result in a prospective annual increase to net interest income of \$2.7 million and net interest margin of 4 bps beginning in 2025. The earn-back period is estimated to be approximately 3.5 years.

In December 2023, the Company executed an investment portfolio repositioning of its AFS investment securities portfolio. The Company sold 17 AFS investment securities with a book value of \$30.0 million, weighted average yield of 3.25%, weighted average duration of 3.4 years, and received proceeds of \$28.1 million, which resulted in gross realized losses of \$1.9 million.

No gross gains were realized on the sale. With the proceeds, the Company purchased higher yielding AFS investment securities totaling \$28.3 million with a weighted average yield of 5.68% and a weighted average duration of 2.5 years.

The fluctuations in market valuation on the AFS portfolio continues to be driven by changes in market interest rates. To mitigate the potential future impact to capital through AOCI, in 2022, the Company transferred 81 investment securities that were classified as AFS to HTM. The investment securities had an amortized cost basis of \$762.7 million and a fair market value of \$673.2 million. On the dates of transfer, these securities had total net unrealized losses of \$89.5 million. There was no impact to net income as a result of the reclassifications.

Maturity Distribution of Investment Portfolio

The following table sets forth the maturity distribution of the investment portfolio and weighted-average yields by investment type and maturity grouping at December 31, 2024.

**Table 20. Maturity Distribution of Investment Portfolio**

Portfolio Type and Maturity Grouping	Carrying Value	Weighted Average Yield <sup>(1)</sup>
	(Dollars in thousands)	
<b>Held-to-maturity portfolio:</b>		
Debt securities - States and political subdivisions:		
After ten years .....	\$ 42,016	2.26 %
Total debt securities - States and political subdivisions .....	42,016	2.26
Residential mortgage-backed securities - U.S. government-sponsored entities ("GSEs"):		
After ten years .....	554,914	1.89
Total residential mortgage-backed securities - U.S. GSEs .....	554,914	1.89
Total held-to-maturity portfolio .....	\$ 596,930	1.92 %
<b>Available-for-sale portfolio:</b>		
Debt securities - States and political subdivisions:		
Within one year .....	\$ 4,230	5.87 %
After one but within five years .....	9,714	3.39
After five but within ten years .....	13,891	3.84
After ten years .....	88,998	2.30
Total debt securities - States and political subdivisions .....	116,833	2.70
Debt securities - U.S. Treasury obligations and direct obligations of U.S Government agencies:		
After one but within five years .....	27,152	4.37
After five but within ten years .....	51,234	3.88
After ten years .....	2,814	6.19
Total debt securities - U.S. Treasury obligations and direct obligations of U.S Government agencies .....	81,200	4.12
Debt securities - Collateralized loan obligations:		
After ten years .....	31,140	6.07
Total debt securities - Collateralized loan obligations .....	31,140	6.07
Residential mortgage-backed securities - U.S. GSEs:		
After one but within five years .....	468	2.05
After five but within ten years .....	165	2.90
After ten years .....	413,838	2.91
Total residential mortgage-backed securities - U.S. GSEs .....	414,471	2.90
Residential mortgage-backed securities - Non-government sponsored entities ("Non-GSEs"):		
After ten years .....	16,926	4.36
Total residential mortgage-backed securities - Non-GSEs .....	16,926	4.36
Commercial mortgage-backed securities - U.S. GSEs and agencies:		
After one but within five years .....	3,014	2.64
After five but within ten years .....	12,469	4.78
After ten years .....	51,678	2.23
Total commercial mortgage-backed securities - U.S. GSEs and agencies .....	67,161	2.72
Commercial mortgage-backed securities - Non-GSEs:		
After ten years .....	9,927	4.76
Total commercial mortgage-backed securities - Non-GSEs .....	9,927	4.76
Total available-for-sale portfolio .....	\$ 737,658	3.18 %
Total investment securities .....	\$ 1,334,588	2.62 %

<sup>(1)</sup> Weighted-average yields are computed on an annual basis, and yields on tax-exempt obligations are computed on a taxable-equivalent basis using a federal statutory tax rate of 21%.

The weighted-average yield of the investment portfolio was 2.62% as of December 31, 2024, which increased by 40 bps from 2.22% as of December 31, 2023.

## Deposits

The primary source of our funding comes from deposits in the State of Hawaii. In this competitive market, we strive to distinguish ourselves by providing exceptional customer service in our branch offices and through digital channels, and establishing long-term relationships with businesses and their principals. Our focus has been to develop a large, stable base of core deposits, which are comprised of non-interest bearing and interest-bearing demand deposits, savings and money market deposits, and time deposits less than \$250,000. Time deposits in amounts of \$250,000 and greater are generally considered to be more price-sensitive than relationship-based and are thus given less focus in our marketing and sales efforts.

The following table sets forth the composition of our deposits by category as of the dates indicated.

**Table 21.** Deposits by Categories

<b>(Dollars in thousands)</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Noninterest-bearing demand deposits .....	\$ 1,888,937	\$ 1,913,379
Interest-bearing demand deposits .....	1,338,719	1,329,189
Savings and money market deposits .....	2,329,170	2,209,733
Time deposits up to \$250,000 .....	483,378	533,898
Core deposits .....	6,040,204	5,986,199
Other time deposits greater than \$250,000 .....	500,693	486,812
Government time deposits .....	103,114	374,581
Total time deposits greater than \$250,000 .....	603,807	861,393
Total deposits .....	<u>\$ 6,644,011</u>	<u>\$ 6,847,592</u>

The Company's deposit portfolio is diversified and long-tenured as it is built upon a business model based on long-term customer relationships. Approximately 53% of deposit customers have been banking with the Company for more than 10 years.

Total deposits of \$6.64 billion at December 31, 2024 decreased by \$203.6 million, or 3.0%, from total deposits of \$6.85 billion at December 31, 2023. Total deposits at December 31, 2023 increased by \$111.4 million, or 1.7%, over the year-end 2022 balance of \$6.74 billion. The decrease in deposits in 2024 reflects net decreases in government time deposits of \$271.5 million, other time deposits up to \$250,000 totaling \$50.5 million, and noninterest-bearing demand deposits of \$24.4 million. The net decreases were partially offset by increases in savings and money market deposits of \$119.4 million, other time deposits greater than \$250,000 (excluding government time deposits) of \$13.9 million, and interest-bearing demand deposits of \$9.5 million. The Company did not have any wholesale, brokered or listing service deposits.

Core deposits, which the Company defines as demand deposits, savings and money market deposits, and time deposits up to \$250,000, totaled \$6.04 billion at December 31, 2024 and increased by \$54.01 million, or 0.9%, from December 31, 2023, which decreased by \$0.09 billion or 1.5% from December 31, 2022. Core deposits as a percentage of total deposits was 90.9% at December 31, 2024, compared to 87.4% at December 31, 2023 and 90.2% at December 31, 2022.

As an FDIC-insured institution, our deposits are insured up to applicable limits by the Deposit Insurance Fund of the FDIC. The Company reported estimated uninsured deposits of \$2.82 billion, or approximately 42% of total deposits in its FDIC Call Report as of December 31, 2024, compared to the reported \$2.91 billion, or approximately 42% of total deposits as of December 31, 2023. The Company had fully collateralized deposits of approximately \$282.3 million and \$536.3 million as of December 31, 2024 and December 31, 2023, respectively. The Company's uninsured deposits, excluding fully collateralized deposits, were approximately \$2.54 billion, or approximately 38% of total deposits, and \$2.37 billion, or approximately 35% of total deposits, as of December 31, 2024 and December 31, 2023, respectively.

The table below sets forth the contractual maturities of our time deposits greater than the FDIC insurance limit of \$250,000 as of December 31, 2024.

**Table 22.** Contractual Maturities of Time Deposits Greater Than \$250,000

**(Dollars in thousands)**

Remaining maturity:

Three months or less .....	\$ 315,551
Over three months through twelve months .....	275,259
Over one year through three years .....	12,497
Over three years .....	500
Total .....	<u>\$ 603,807</u>

For additional information regarding the contractual maturities of our time deposits, See Note 9 - Deposits to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data."

The table below sets forth information regarding the average balances and average rates paid for certain deposit categories for each of the periods presented.

**Table 23.** Average Balances and Average Rates Paid on Deposits

<b>(Dollars in thousands)</b>	<b>Year Ended December 31,</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Average Balance</b>	<b>Average Rate Paid</b>	<b>Average Balance</b>	<b>Average Rate Paid</b>
Noninterest-bearing demand deposits .....	\$ 1,794,469	— %	\$ 1,933,666	— %
Interest-bearing demand deposits .....	1,287,628	0.17	1,359,240	0.13
Savings and money market deposits .....	2,263,273	1.64	2,195,763	1.00
Time deposits .....	1,225,620	3.76	1,211,458	3.24
Interest-bearing deposits .....	4,776,521	1.79	4,766,461	1.32
Total deposits .....	<u>\$ 6,570,990</u>	1.30	<u>\$ 6,700,127</u>	0.94

Average balances are computed using daily average balances. The average rate on time deposits increased by 52 bps in 2024, and savings and money market deposit rates increased by 64 bps. The average rate paid on interest-bearing deposits increased 47 bps to 1.79% in 2024 from 1.32% in 2023, which increased from 0.25% in 2022. The average rate paid on all deposits increased 36 bps to 1.30% in 2024 from 0.94% in 2023, which increased from 0.17% in 2022.

Based on the Federal Open Market Committee's recent statements, the Company anticipates interest rates will decline modestly in 2025, but interest rates could be impacted by changes in the market environment including levels of inflation experienced during the year. However, the Company expects overall deposit rates to decline at a slower rate in 2025 as time deposits continue to mature and reprice. In addition to the external interest rate environment, the overall direction and magnitude of rate movements in our deposit base will largely depend on the level of deposit growth we need to maintain adequate liquidity and competitive pricing considerations.

## Contractual Obligations

The following table sets forth our material contractual obligations (excluding deposit liabilities) as of December 31, 2024.

**Table 24.** Contractual Obligations

(Dollars in thousands)	Payments Due By Period		
	Less Than One Year	Greater Than One Year	Total
Long-term debt	\$ 25,000	\$ 131,547	\$ 156,547
SERP obligations	574	8,181	8,755
Operating leases	5,048	34,663	39,711
Purchase obligations	23,440	52,475	75,915
Other long-term liabilities	11,830	8,053	19,883
Total	\$ 65,892	\$ 234,919	\$ 300,811

Components of short-term borrowings and long-term debt are discussed in Note 10 - Short-Term Borrowings and Long-Term Debt to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data." SERP obligations include obligations under our Supplemental Executive Retirement Plans, which are discussed in Note 14 - Retirement Benefits to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data." Operating leases represent leases on bank premises as discussed in Note 15 - Operating Leases to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data." Purchase obligations represent other contractual obligations to purchase goods or services at specified terms including, but not limited to, software licensing agreements, equipment maintenance contracts and professional service contracts. Other long-term liabilities represent expected payments for unfunded commitments related to our investments in LIHTC partnerships and other unconsolidated entities.

Contractual obligations in Table 24 - Contractual Obligations do not include off-balance sheet arrangements. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees written, forward foreign exchange contracts, forward interest rate contracts and interest rate swaps and options. These instruments and the related off-balance sheet exposures are discussed in detail in Note 20 - Financial Instruments With Off-Balance Sheet Risk to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data."

## Capital Resources

In order to ensure adequate levels of capital, we conduct an ongoing assessment of projected sources and uses of capital in conjunction with an analysis of the size and quality of our assets, the anticipated performance of our business, and the level of risk and regulatory capital requirements. As part of this ongoing assessment, the Board of Directors reviews our capital position on an ongoing basis to ensure it is adequate, including, but not limited to, the need for raising additional capital (whether debt and/or equity) or returning capital to our shareholders, including the ability to declare cash dividends or repurchase our securities.

### *Common and Preferred Equity*

Shareholders' equity totaled \$538.4 million at December 31, 2024, an increase of \$34.6 million, or 6.9%, from the \$503.8 million at December 31, 2023, which increased by \$50.9 million, or 11.2%, from December 31, 2022. The increase in shareholders' equity from December 31, 2023 to December 31, 2024 was primarily attributable to net income of \$53.4 million and other comprehensive income of \$8.2 million, partially offset by cash dividends paid of \$28.1 million and the repurchase of 49,960 shares of common stock for a total cost of \$0.9 million. During 2024, the Company repurchased approximately 0.2% of its common stock outstanding at December 31, 2023.

The increase in shareholders' equity from December 31, 2022 to December 31, 2023 was primarily attributable to net income of \$58.7 million and other comprehensive income of \$21.4 million, partially offset by cash dividends paid of \$28.1 million, and the repurchase of 130,010 shares of our common stock for a total cost of \$2.6 million, under our stock repurchase program. During 2023, the Company repurchased approximately 0.5% of its common stock outstanding at December 31, 2022.

When expressed as a percentage of total assets, shareholders' equity was 7.2% at December 31, 2024, compared to 6.6% at December 31, 2023 and 6.1% at December 31, 2022. The increase in the ratio of shareholders' equity to total assets from 2023

to 2024 was primarily attributable to lower unrealized losses on available-for-sale investment securities recorded in accumulated other comprehensive income as of December 31, 2024 compared to December 31, 2023, and lower repurchases of common stock under the stock repurchase program during the year ended December 31, 2024. The increase in our ratio of shareholders' equity to total assets from 2022 to 2023 was primarily attributable to lower unrealized losses on available-for-sale investment securities recorded in accumulated other comprehensive loss during the year ended December 31, 2023 due to market volatility and the interest rate environment.

Book value per share was \$19.89, \$18.63, and \$16.76 at year-end 2024, 2023 and 2022, respectively. The increase in book value per share from 2023 was primarily attributable to the increase in shareholders' equity from December 31, 2023 to December 31, 2024, as described above.

### ***Trust Preferred Securities***

As of December 31, 2024, we have two remaining statutory trusts, CPB Capital Trust IV ("Trust IV") and CPB Statutory Trust V ("Trust V"), which issued a total of \$50.0 million in floating rate trust preferred securities.

On July 3, 2023, after the cessation of the LIBOR benchmark rate on June 30, 2023, the Company amended its Trust IV and Trust V debt agreements to replace the LIBOR-based reference rate with an adjusted CME Term Secured Overnight Financing Rate ("SOFR") plus a tenor spread adjustment. Accounting Standards Codification ("ASC") 848 allows us to account for the modification as a continuation of the existing contract without additional analysis. The \$30.0 million in floating rate trust preferred securities of Trust IV bear an interest rate of three-month CME Term SOFR plus a tenor spread adjustment of 0.26% plus 2.45% and the \$20.0 million in floating rate trust preferred securities of Trust V bear an interest rate of three-month CME Term SOFR plus a tenor spread adjustment of 0.26% plus 1.87%.

Our obligations with respect to the issuance of the trust preferred securities constitute a full and unconditional guarantee by the Company of the trusts' obligations with respect to its trust preferred securities. Subject to certain exceptions and limitations, we may elect from time to time to defer subordinated debenture interest payments, which would result in a deferral of dividend payments on the related trust preferred securities, for up to 20 consecutive quarterly periods without default or penalty.

The Company determined that its investments in Trust IV and Trust V did not represent a variable interest and therefore the Company was not the primary beneficiary of each of the trusts. As a result, consolidation of the trusts by the Company was not required.

### ***Subordinated Notes***

On October 20, 2020, the Company completed a \$55.0 million private placement of ten-year fixed-to-floating rate subordinated notes, which was used to support regulatory capital ratios and for general corporate purposes. The Company exchanged the privately placed notes for registered notes with the same terms and in the same aggregate principal amount at the end of the fourth quarter of 2020. The notes bear a fixed interest rate of 4.75% for the first five years through November 1, 2025 and will reset quarterly thereafter for the remaining five years to the then current three-month Secured Overnight Financing Rate, as published by the Federal Reserve Bank of New York, plus 456 basis points. The notes are redeemable at our option on any interest payment date on or after November 1, 2025. The subordinated notes totaled \$54.8 million as of December 31, 2024, and includes \$0.2 million in debt issuance costs, which are being amortized over the expected life.

### ***Holding Company Capital Resources***

CPF is required to act as a source of strength to the Bank under the Dodd-Frank Act. CPF is obligated to pay its expenses and payments on its junior subordinated debentures which fund payments on the outstanding trust preferred securities and subordinated notes.

CPF relies on the Bank to pay dividends to it to fund its obligations. In order to meet its ongoing obligations, on a stand-alone basis, CPF had an available cash balance of approximately \$23.0 million as of December 31, 2024.

As a Hawaii state-chartered bank, the Bank may only pay dividends to the extent it has retained earnings as defined under Hawaii banking law ("Statutory Retained Earnings"), which differs from GAAP retained earnings. The Bank had Statutory Retained Earnings of \$196.8 million and \$169.1 million, as of December 31, 2024 and 2023, respectively.

Dividends are payable at the discretion of the Board of Directors and there can be no assurance that the Board of Directors will continue to pay dividends at the same rate, or at all, in the future. Our ability to pay cash dividends to our shareholders is

subject to restrictions under federal and Hawaii law, including restrictions imposed by the FRB and covenants set forth in various agreements we are a party to, including covenants set forth in our subordinated debentures. For further information, see the "Dividends — Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities" section.

### ***Share Repurchases***

We repurchase shares of our common stock when we believe such repurchases are in the best interests of the Company and our shareholders.

In January 2023, the Company's Board of Directors approved a new authorization to repurchase up to \$25 million of its common stock from time to time in the open market or in privately negotiated transactions (the "2023 Repurchase Plan"), pursuant to a newly authorized share repurchase program. The 2023 Repurchase Plan replaced and superseded in its entirety the share repurchase plan previously approved by the Board of Directors. The Company's 2023 Repurchase Plan was subject to a one-year expiration. Following the regional bank failures occurring in March 2023, the Company significantly reduced its volume of share repurchases to strengthen capital and liquidity considering the elevated market risks.

In 2023, 130,010 shares of common stock, at a cost of \$2.6 million, were repurchased under the Company's share repurchase programs. A total of \$23.4 million remained available for repurchase under the 2023 Repurchase Plan at December 31, 2023.

In January 2024, the Company's Board of Directors approved a new authorization to repurchase of up to \$20 million of its common stock from time to time in the open market or in privately negotiated transactions (the "2024 Repurchase Plan"), pursuant to a newly authorized share repurchase program. The 2024 Repurchase Plan replaced and superseded in its entirety the 2023 Repurchase Plan. In 2024, 49,960 shares of common stock, at a cost of \$0.9 million, were repurchased under the Company's 2024 Repurchase Plan.

In January 2025, the Company's Board of Directors approved a new authorization to repurchase of up to \$30 million of its common stock from time to time in the open market or in privately negotiated transactions (the "2025 Repurchase Plan"), pursuant to a newly authorized share repurchase program. The 2025 Repurchase Plan replaces and supersedes in its entirety the 2024 Repurchase Plan.

The Company will continue to monitor the environment, capital needs, and assess risk and return as part of its ongoing capital management decisions on future share repurchases, and there can be no assurance that the Company will repurchase shares of its common stock in the future.

### **Transaction Risk**

Transaction risk is the risk to earnings or capital arising from problems in service, activity or product delivery. This risk is significant within any bank and is interconnected with other risk categories in most activities throughout the Company. Transaction risk is a function of internal controls, information systems, associate integrity, and operating processes. It arises daily throughout the Company as transactions are processed. It pervades all divisions, departments and centers and is inherent in all products and services we offer.

In general, transaction risk by major area is categorized as high, medium or low by the Company. The audit plan ensures that high risk areas are reviewed annually. We utilize internal auditors and independent audit firms to test key controls of operational processes and to audit information systems, compliance management programs, loan programs and trust services.

The key to managing transaction risk is in the design, documentation and implementation of well-defined procedures and controls. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, but not absolute, assurances of the effectiveness of these systems and controls, and that the objectives of these controls have been met.

### **Compliance Risk**

Compliance risk is the risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, or ethical standards. Compliance risk also arises in situations where the laws or rules governing certain products or activities of the Bank's customers may be ambiguous or untested. Compliance risk exposes us to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can also lead to a diminished reputation, reduced business value, limited business opportunities, lessened expansion potential, and lack of contract enforceability. The Company

utilizes independent external firms to conduct compliance audits as a means of identifying weaknesses in the compliance program.

There is no single or primary source of compliance risk. It is inherent in every activity. Frequently, it blends into operational risk and transaction risk. A portion of this risk is sometimes referred to as legal risk. This is not limited solely to risk from failure to comply with consumer protection laws; it encompasses all laws, as well as prudent ethical standards and contractual obligations. It also includes the exposure to litigation from all aspects of banking, traditional and non-traditional.

Our risk management policies and codes of ethical conduct are cornerstones for controlling compliance risk. An integral part of controlling this risk is the proper training and development of employees. The Director of Compliance is responsible for developing and executing a comprehensive compliance training program. The Director of Compliance, in consultation with our internal and external legal counsel, seeks to provide our employees with adequate training commensurate to their job functions to ensure compliance with banking laws and regulations.

Our risk management policies and programs includes a risk-based audit program aimed at identifying internal control deficiencies and weaknesses. We have in-depth audits performed by an independent audit firm under the direction of the Director of Internal Audit and supplemented by independent external firms, and periodic monitoring performed by our risk management personnel. Annually, an Audit Plan for the Company is developed and presented for approval to the Audit Committee.

Our risk management team conducts periodic monitoring of our compliance efforts with a special focus on those areas that expose us to compliance risk. The purpose of the periodic monitoring is to verify whether our employees are adhering to established policies and procedures. Any material exceptions identified are brought forward to the appropriate department head, the Audit Committee and the Board Risk Committee.

We recognize that customer complaints can often identify weaknesses in our compliance program which could expose us to risk. Therefore, we attempt to ensure that all complaints are given prompt attention. The Director of Compliance reviews formal complaints to determine if a significant compliance risk exists and communicates those findings to our Board Risk Committee.

### **Strategic Risk**

Strategic risk is the risk to earnings or capital arising from adverse decisions or improper implementation of strategic decisions. This risk is a function of the compatibility between an organization's goals, the resources deployed against those goals and the quality of implementation.

Strategic risks are identified as part of the strategic planning process. Offsite strategic planning sessions, with members of the Board of Directors and Executive Committee, are held annually. The strategic review consists of an economic assessment, competitive analysis, industry outlook and risk and regulatory review.

A primary measurement of strategic risk is peer group analysis. Key performance ratios are compared to peer groups consisting of U.S. banks of comparable size and complexity and banks in the Hawaii market to identify any sign of weakness and potential opportunities.

Another measure is the comparison of the actual results of previous strategic initiatives against the expected results established prior to implementation of each strategy.

### **Asset/Liability Management and Interest Rate Risk**

Our earnings and capital are sensitive to risk of interest rate fluctuations. Interest rate risk arises when rate-sensitive assets and rate-sensitive liabilities mature or reprice during different periods or in differing amounts. In the normal course of business, we are subjected to interest rate risk through the activities of making loans and taking deposits, as well as from our investment securities portfolio and other interest-bearing funding sources. Asset/liability management attempts to coordinate our rate-sensitive assets and rate-sensitive liabilities to meet our financial objectives.

Our Asset/Liability Management Policy seeks to maximize the risk-adjusted return to shareholders while maintaining consistently acceptable levels of liquidity, interest rate risk and capitalization. Our Asset/Liability Management Committee ("ALCO") utilizes detailed and dynamic earnings and capital simulations that analyzes various interest rate scenarios and balance sheet forecasts. Earnings are typically measured by estimated changes in net interest income under different rate scenarios. Capital impact is measured through an Economic Value of Equity ("EVE") analysis which monitors the impact of the

durations of rate sensitive assets and liabilities. The EVE analysis simulates the cash flows for all on- and off- balance sheet instruments under different rate scenarios which are then discounted to determine a present value for each scenario. The net present value of our assets and liabilities represent the EVE for each scenario. The EVE results for each scenario are then compared to the base scenario to determine the Company’s sensitivities to longer term rate exposures. The results of the analyses are shared with the Board of Directors and informs strategic actions to mitigate and optimize our risk position and profitability. Adverse interest rate risk exposures are managed through the shortening or lengthening of the duration of assets and liabilities.

The ALCO simulation model used to measure and manage interest rate risk exposures includes both dynamic and static balance sheet and rate scenarios. The dynamic model scenarios provide an enhanced view that enables management and the Board of Directors to have a realistic view of the expected impact to earnings and capital from forecasted non-parallel movements in interest rates as well as balance sheet changes. On the other hand, static rate scenarios are a measurement of embedded interest rate risk in the balance sheet as of a point in time and incorporate various hypothetical interest rate scenarios that may include gradual or immediate parallel rate changes. The static scenarios have the benefit of comparability over time, as well as against other financial institutions, but are not intended to represent management’s forecast. Both dynamic and static model simulations include the use of a number of key modeling assumptions including prepayment speeds, pricing spreads of assets and liabilities, deposit decay rates and the timing and magnitude of deposit rate changes in relation to changes in the overall level of interest rates. The assumptions are typically based on analyses of institution specific actual historical data and trends. Market information is also incorporated where relevant and appropriate. Assumptions are periodically reviewed and updated by ALCO. During periods of increased market volatility, assumptions will be reviewed more frequently. While management believes the assumptions are reasonable, actual behaviors and results may likely differ.

The following table reflects our static net interest income sensitivity analysis as of December 31, 2024. The simulations estimate net interest income assuming no balance sheet growth under a flat interest rate scenario. The net interest income sensitivity is measured as the change in net interest income in alternate interest rate scenarios as a percentage of the flat rate scenario. The alternate rate scenarios assume rates move up or down 100 to 300 bps in either a gradual (defined as the stated change over a 12-month period in equal increments) or an instantaneous, parallel fashion. The net interest income sensitivity table shows that the Company’s balance sheet is relatively well-matched against movements in interest rates and within our ALCO Policy risk limits that have been approved by the Board of Directors.

**Table 25.** Net Interest Income Sensitivity

Rate Change	Estimated Net Interest Income Sensitivity	
	Gradual	Instantaneous
+300 bps	3.03 %	4.00 %
+200 bps	1.91 %	2.68 %
+100 bps	0.84 %	1.36 %
-100 bps	(1.36)%	(2.21)%
-200 bps	(2.93)%	(4.74)%
-300 bps	(4.55)%	(7.41)%

### Liquidity Risk and Borrowing Arrangements

Our objective in managing liquidity is to maintain a balance between sources and uses of funds in order to economically meet the cash requirements of customers for loans and deposit withdrawals and participate in lending and investment opportunities as they arise. We monitor our liquidity position in relation to changes in loan and deposit balances on a daily basis to assure maximum utilization, maintenance of an adequate level of readily marketable assets and access to short-term funding sources.

The Company performs regular liquidity stress testing under a variety of scenarios to ensure that liquidity is adequate under certain potential liquidity stress events. Further, forecasts of Company cashflows are updated and analyzed periodically and more frequently during periods of elevated liquidity risk.

Core deposits have historically provided us with a sizable source of relatively stable and low cost funds, but are subject to competitive pressure in our market. A significant portion of our deposits are granular, long-tenured, and relationship-based. In addition to core deposit funding, we also have access to a variety of other short-term and long-term funding sources, which

include proceeds from maturities of our loans and investment securities, as well as secondary funding sources available to meet our liquidity needs such as the FHLB, secured repurchase agreements and the Federal Reserve discount window.

Our loan-to-deposit ratio at December 31, 2024 was 80.3% compared to 79.4% at December 31, 2023. The Company had cash on its balance sheet of \$380.9 million and total other liquidity sources, including available borrowing capacity and unpledged investment securities of approximately \$2.49 billion as of December 31, 2024. Total available sources of liquidity as a percentage of uninsured and uncollateralized deposits was approximately 113%. Refer to Note 10 - Short-Term Borrowings and Long-Term Debt in the accompanying notes to the consolidated financial statements in this report for information on the Company's borrowing arrangements.

### **Off-Balance Sheet Arrangements**

In the normal course of business, we enter into off-balance sheet arrangements to meet the financing needs of our banking customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees written, forward foreign exchange contracts, forward interest rate contracts, interest rate swaps and options, and risk participation agreements. These instruments and the related off-balance sheet exposures are discussed in detail in Note 20 - Financial Instruments With Off-Balance Sheet Risk to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data." In the unlikely event that we must satisfy a significant amount of outstanding commitments to extend credit, liquidity may be adversely impacted, as may credit risk. The remaining components of off-balance sheet arrangements, primarily interest rate options and forward interest rate contracts related to our mortgage banking activities, are not expected to have a material impact on our consolidated financial position or results of operations.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Quantitative and qualitative disclosures about market risk is set forth under "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Asset/Liability Management and Interest Rate Risk" and in Note 21 - Fair Value of Financial Assets and Financial Liabilities to the Consolidated Financial Statements under "Part II, Item 8. Financial Statements and Supplementary Data."

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Index

	<b>Page</b>
<a href="#">Report of Independent Registered Public Accounting Firm (PCAOB ID: 173)</a> .....	76
<a href="#">Consolidated Balance Sheets</a> .....	78
<a href="#">Consolidated Statements of Income</a> .....	79
<a href="#">Consolidated Statements of Comprehensive Income (Loss)</a> .....	80
<a href="#">Consolidated Statements of Changes in Equity</a> .....	81
<a href="#">Consolidated Statements of Cash Flows</a> .....	82
<a href="#">Note 1 - Summary of Significant Accounting Policies</a> .....	84
<a href="#">Note 2 - Investment Securities</a> .....	95
<a href="#">Note 3 - Loans and Credit Quality</a> .....	100
<a href="#">Note 4 - Allowance for Credit Losses and Reserve for Off-Balance Sheet Credit Exposures</a> .....	106
<a href="#">Note 5 - Premises and Equipment</a> .....	107
<a href="#">Note 6 - Investments in Unconsolidated Entities</a> .....	107
<a href="#">Note 7 - Mortgage Servicing Rights</a> .....	108
<a href="#">Note 8 - Derivatives</a> .....	109
<a href="#">Note 9 - Deposits</a> .....	112
<a href="#">Note 10 - Short-Term Borrowings and Long-Term Debt</a> .....	112
<a href="#">Note 11 - Equity</a> .....	114
<a href="#">Note 12 - Revenue from Contracts with Customers</a> .....	115
<a href="#">Note 13 - Share-Based Compensation</a> .....	117
<a href="#">Note 14 - Retirement Benefits</a> .....	119
<a href="#">Note 15 - Operating Leases</a> .....	120
<a href="#">Note 16 - Income Taxes</a> .....	122
<a href="#">Note 17 - Accumulated Other Comprehensive Income (Loss)</a> .....	124
<a href="#">Note 18 - Earnings Per Share</a> .....	127
<a href="#">Note 19 - Contingent Liabilities and Other Commitments</a> .....	128
<a href="#">Note 20 - Financial Instruments with Off-Balance Sheet Risk</a> .....	128
<a href="#">Note 21 - Fair Value of Financial Assets and Financial Liabilities</a> .....	130
<a href="#">Note 22 - Segment Information</a> .....	136
<a href="#">Note 23 - Parent Company and Regulatory Restrictions</a> .....	136
<a href="#">Note 24 - Subsequent Events</a> .....	141

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors of  
Central Pacific Financial Corp.  
Honolulu, Hawaii

### **Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of Central Pacific Financial Corp. and subsidiaries (the "Company") as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

### **Basis for Opinions**

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### ***Allowance for Credit Losses on Loans –Development and Application of Reasonable and Supportable Forecasts - Refer to Notes 1 and 4 to the Financial Statements***

The allowance for credit losses on loans is an accounting estimate of expected credit losses over the estimated life of the Company's loan portfolio, measured at amortized cost, to be presented at the net amount expected to be collected. The allowance for credit losses on loans was \$59,182,000 as of December 31, 2024.

The allowance for credit losses on loans under the current expected credit loss methodology required by ASC 326, *Financial Instruments – Credit Losses*, is based on relevant available information about the collectability of cash flows, from internal and external sources, including historical information relating to past events, current conditions, and reasonable and supportable forecasts of future economic conditions. The economic forecast used in the current expected credit loss methodology includes Hawaii specific economic indicators. The Company performed a loss driver analysis to determine relevant economic indicators with a strong correlation to the historical loss experience used as the basis for the expected credit loss estimate. Significant management judgements are required in the development and application of reasonable and supportable forecasts.

We identified the development and application of the reasonable and supportable forecasts used in the allowance for credit losses on loans as a critical audit matter because of the significant auditor judgment and audit effort needed to evaluate the judgments made by management, including the need to involve more experienced audit personnel and valuation specialists.

The primary procedures we performed to address this critical audit matter included:

- Testing the effectiveness of controls over the development and application of reasonable and supportable forecasts, including controls addressing:
  - The conceptual design of the reasonable and supportable forecast methodology,
  - Significant judgments and assumptions in the reasonable and supportable forecasts methodology, including the selection and application of economic variables,
  - The application of the reasonable and supportable forecasts,
  - The relevance and reliability of the underlying data.
- Substantively testing management's process for the development and application of reasonable and supportable forecasts, including:
  - Evaluation of the conceptual design of the reasonable and supportable forecast methodology,
  - Evaluation of significant judgments and assumptions in the reasonable and supportable forecasts methodology, including the selection and application of economic variables,
  - Testing the application of the reasonable and supportable forecasts,
  - The relevance and reliability of the underlying data.

/s/ Crowe LLP

We have served as the Company's auditor since 2018.

Sacramento, California  
February 26, 2025

**CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2024	2023
(Dollars in thousands)		
<b>Assets</b>		
Cash and due from financial institutions	\$ 77,774	\$ 116,181
Interest-bearing deposits in other financial institutions	303,167	406,256
Investment securities:		
Debt securities available-for-sale, at fair value	737,658	647,210
Held-to-maturity debt securities, fair value of: \$506,681 at December 31, 2024 and \$565,178 at December 31, 2023	596,930	632,338
Total investment securities	1,334,588	1,279,548
Loans held for sale	5,662	1,778
Loans	5,332,852	5,438,982
Allowance for credit losses	(59,182)	(63,934)
Loans, net of allowance for credit losses	5,273,670	5,375,048
Premises and equipment, net	104,342	96,184
Accrued interest receivable	23,378	21,511
Investment in unconsolidated entities	52,417	41,546
Mortgage servicing rights, net	8,473	8,696
Bank-owned life insurance	176,216	170,706
Federal Home Loan Bank of Des Moines ("FHLB") stock	6,929	6,793
Right-of-use lease asset	30,824	29,720
Other assets	74,656	88,829
Total assets	<u>\$ 7,472,096</u>	<u>\$ 7,642,796</u>
<b>Liabilities and Equity</b>		
Deposits:		
Noninterest-bearing demand	\$ 1,888,937	\$ 1,913,379
Interest-bearing demand	1,338,719	1,329,189
Savings and money market	2,329,170	2,209,733
Time	1,087,185	1,395,291
Total deposits	6,644,011	6,847,592
Long-term debt, net of unamortized debt issuance costs of \$202 at December 31, 2024 and \$445 at December 31, 2023	156,345	156,102
Lease liability	32,025	30,634
Accrued interest payable	10,051	18,948
Other liabilities	91,279	85,705
Total liabilities	6,933,711	7,138,981
Contingent liabilities and other commitments (see Note 19)		
Equity:		
Preferred stock, no par value, authorized 1,000,000 shares; issued and outstanding: none at December 31, 2024, and December 31, 2023	—	—
Common stock, no par value, authorized 185,000,000 shares; issued and outstanding: 27,065,570 at December 31, 2024 and 27,045,033 at December 31, 2023	404,494	405,439
Additional paid-in capital	105,054	102,982
Retained earnings	143,259	117,990
Accumulated other comprehensive loss	(114,422)	(122,596)
Total equity	538,385	503,815
Total liabilities and equity	<u>\$ 7,472,096</u>	<u>\$ 7,642,796</u>

*See accompanying notes to consolidated financial statements.*

**CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Year Ended December 31,		
	2024	2023	2022
	(Dollars in thousands, except per share data)		
<b>Interest income:</b>			
Interest and fees on loans	\$ 258,192	\$ 243,315	\$ 200,280
<b>Interest and dividends on investment securities:</b>			
Taxable investment securities	33,278	28,789	28,041
Tax-exempt investment securities	2,527	2,912	3,204
Dividend income on investment securities	—	—	21
Interest on deposits in other financial institutions	11,593	7,163	740
Dividend income on FHLB stock	509	478	370
<b>Total interest income</b>	<b>306,099</b>	<b>282,657</b>	<b>232,656</b>
<b>Interest expense:</b>			
<b>Interest on deposits:</b>			
Demand	2,159	1,701	806
Savings and money market	37,043	21,979	4,188
Time	46,084	39,205	6,114
Interest on short-term borrowings	1	1,139	1,055
Interest on long-term debt	9,079	8,633	4,930
<b>Total interest expense</b>	<b>94,366</b>	<b>72,657</b>	<b>17,093</b>
Net interest income	211,733	210,000	215,563
Provision (credit) for credit losses	9,826	15,698	(1,273)
Net interest income after provision for credit losses	201,907	194,302	216,836
<b>Other operating income:</b>			
Mortgage banking income	3,388	2,592	3,810
Service charges on deposit accounts	8,656	8,753	8,197
Other service charges and fees	22,553	20,531	19,025
Income from fiduciary activities	5,761	4,895	4,565
Income from bank-owned life insurance	6,619	4,870	1,865
Net (losses) gains on sales of investment securities	(9,934)	(2,074)	8,506
Other	1,680	7,096	1,951
<b>Total other operating income</b>	<b>38,723</b>	<b>46,663</b>	<b>47,919</b>
<b>Other operating expense:</b>			
Salaries and employee benefits	85,941	82,050	88,781
Net occupancy	18,001	18,185	16,963
Equipment	3,881	3,958	4,238
Communication	3,177	3,010	2,958
Legal and professional services	9,790	9,959	10,792
Computer software	18,015	17,726	14,840
Advertising	3,615	3,888	4,151
Other	30,171	25,367	23,263
<b>Total other operating expense</b>	<b>172,591</b>	<b>164,143</b>	<b>165,986</b>
Income before income taxes	68,039	76,822	98,769
Income tax expense	14,627	18,153	24,841
<b>Net income</b>	<b>\$ 53,412</b>	<b>\$ 58,669</b>	<b>\$ 73,928</b>
<b>Per common share data:</b>			
Basic earnings per share	\$ 1.97	\$ 2.17	\$ 2.70
Diluted earnings per share	1.97	2.17	2.68
Cash dividends declared	1.04	1.04	1.04

*See accompanying notes to consolidated financial statements.*

**CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

	Year Ended December 31,		
	2024	2023	2022
	(Dollars in thousands)		
Net income .....	\$ 53,412	\$ 58,669	\$ 73,928
<b>Other comprehensive income (loss), net of tax:</b>			
Net change in unrealized gains (losses) on investment securities .....	1,174	15,852	(150,141)
Amortization of unrealized losses on investment securities transferred to held-to-maturity .....	5,257	5,335	4,698
Net change in unrealized gain on derivatives .....	1,465	384	4,645
Defined benefit plans .....	278	(183)	4,774
Total other comprehensive income (loss), net of tax .....	8,174	21,388	(136,024)
Comprehensive income (loss) .....	\$ 61,586	\$ 80,057	\$ (62,096)

*See accompanying notes to consolidated financial statements.*

**CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Common Shares Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interest	Total
(Dollars in thousands, except per share data)								
<b>Balance at December 31, 2021</b> .....	27,714,071	\$ —	\$ 426,091	\$ 98,073	\$ 42,015	\$ (7,960)	\$ 48	\$ 558,267
Net income .....	—	—	—	—	73,928	—	—	73,928
Other comprehensive loss .....	—	—	—	—	—	(136,024)	—	(136,024)
Cash dividends declared (\$1.04 per share) ...	—	—	—	—	(28,505)	—	—	(28,505)
78,670 net shares of common stock sold by the directors' deferred compensation plan .....	—	—	2,041	—	—	—	—	2,041
Shares of common stock repurchased and other related costs .....	(868,613)	—	(20,740)	—	—	—	—	(20,740)
Share-based compensation expense .....	179,612	—	679	3,273	—	—	—	3,952
Non-controlling interest .....	—	—	—	—	—	—	(48)	(48)
<b>Balance at December 31, 2022</b> .....	<u>27,025,070</u>	<u>\$ —</u>	<u>\$ 408,071</u>	<u>\$ 101,346</u>	<u>\$ 87,438</u>	<u>\$ (143,984)</u>	<u>\$ —</u>	<u>\$ 452,871</u>
Net income .....	—	—	—	—	58,669	—	—	58,669
Other comprehensive income .....	—	—	—	—	—	21,388	—	21,388
Cash dividends declared (\$1.04 per share) ...	—	—	—	—	(28,117)	—	—	(28,117)
Shares of common stock repurchased and other related costs .....	(130,010)	—	(2,632)	—	—	—	—	(2,632)
Share-based compensation expense .....	149,973	—	—	1,636	—	—	—	1,636
<b>Balance at December 31, 2023</b> .....	<u>27,045,033</u>	<u>\$ —</u>	<u>\$ 405,439</u>	<u>\$ 102,982</u>	<u>\$ 117,990</u>	<u>\$ (122,596)</u>	<u>\$ —</u>	<u>\$ 503,815</u>
Net income .....	—	—	—	—	53,412	—	—	53,412
Other comprehensive income .....	—	—	—	—	—	8,174	—	8,174
Cash dividends declared (\$1.04 per share) ...	—	—	—	—	(28,143)	—	—	(28,143)
Shares of common stock repurchased and other related costs .....	(49,960)	—	(945)	—	—	—	—	(945)
Share-based compensation expense .....	70,497	—	—	2,072	—	—	—	2,072
<b>Balance at December 31, 2024</b> .....	<u>27,065,570</u>	<u>\$ —</u>	<u>\$ 404,494</u>	<u>\$ 105,054</u>	<u>\$ 143,259</u>	<u>\$ (114,422)</u>	<u>\$ —</u>	<u>\$ 538,385</u>

*See accompanying notes to consolidated financial statements.*

**CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2024	2023	2022
	(Dollars in thousands)		
<b>Cash flows from operating activities:</b>			
Net income	\$ 53,412	\$ 58,669	\$ 73,928
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision (credit) for credit losses	9,826	15,698	(1,273)
Depreciation and amortization of premises and equipment	6,878	6,943	6,865
Net gain (loss) on sales and disposals of premises and equipment	56	(5,059)	295
Non-cash lease expense (income)	159	13	(401)
Cash flows for operating leases	(5,073)	(5,095)	(5,896)
Amortization of mortgage servicing rights	776	705	1,295
Net amortization and accretion of premium/discount on investment securities	1,766	3,049	4,395
Share-based compensation expense	2,072	1,636	3,273
Net loss (gain) on sales of investment securities	9,934	2,074	(8,506)
Net gain on sales of residential mortgage loans	(1,257)	(721)	(1,778)
Proceeds from sales of loans held for sale	68,339	39,950	80,237
Origination of loans held for sale	(70,966)	(39,902)	(76,033)
Equity in earnings of unconsolidated entities	21	22	(184)
Distributions from unconsolidated entities	—	51	237
Net increase in cash surrender value of bank-owned life insurance	(6,619)	(5,366)	(10)
Deferred income tax expense	8,771	11,211	25,810
Net tax benefit from share-based compensation	57	154	146
Amortization and impairment of intangible assets	1,461	—	—
Net change in other assets and liabilities	10,906	21,080	11,721
<b>Net cash provided by operating activities</b>	<b>90,519</b>	<b>105,112</b>	<b>114,121</b>
<b>Cash flows from investing activities:</b>			
Purchases of available-for-sale investment securities	(253,580)	(47,393)	(89,058)
Proceeds from maturities, prepayments and calls of available-for-sale investment securities	57,371	60,101	168,224
Proceeds from sales of available-for-sale and equity investment securities	96,562	29,476	8,506
Purchases of held-to-maturity investment securities	—	—	(20,041)
Proceeds from maturities, prepayments and calls of held-to-maturity investment securities	41,690	39,099	33,469
Loan payments (originations), net	131,598	111,012	(133,501)
Purchases of loan portfolios	(49,443)	(19,659)	(323,402)
Proceeds from sales of loans originated for investment	9,397	9,629	—
Purchases of bank-owned life insurance	(3,008)	—	(1,300)
Proceeds from bank-owned life insurance death benefits	4,117	2,627	2,491
Net purchases of premises and equipment	(15,092)	(12,650)	(18,440)
Proceeds from sales of premises and equipment	—	6,216	—
Net return of capital from unconsolidated entities	—	495	—
Contributions to unconsolidated entities	(18,822)	(1,645)	(10,249)
Net proceeds from (purchases) redemption of FHLB stock	(136)	2,353	(1,182)
<b>Net cash provided by (used in) investing activities</b>	<b>654</b>	<b>179,661</b>	<b>(384,483)</b>
<b>Cash flows from financing activities:</b>			
Net (decrease) increase in deposits	(203,581)	111,369	97,065
Net (decrease) increase in FHLB advances and other short-term borrowings	—	(5,000)	5,000
Proceeds from long-term debt	—	50,000	—
Cash dividends paid on common stock	(28,143)	(28,117)	(28,505)
Repurchases of common stock	(945)	(2,632)	(20,740)
Net proceeds from issuance of common stock and stock option exercises	—	—	679
<b>Net cash (used in) provided by financing activities</b>	<b>(232,669)</b>	<b>125,620</b>	<b>53,499</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(141,496)</b>	<b>410,393</b>	<b>(216,863)</b>
Cash and cash equivalents at beginning of year	522,437	112,044	328,907
<b>Cash and cash equivalents at end of year</b>	<b>\$ 380,941</b>	<b>\$ 522,437</b>	<b>\$ 112,044</b>

**CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

	Year Ended December 31,		
	2024	2023	2022
	(Dollars in thousands)		
<b>Supplemental disclosure of cash flow information:</b>			
Interest expense paid .....	\$ 103,263	\$ 58,448	\$ 13,476
Income taxes (received) paid, net .....	(9,213)	7,313	5,581
<b>Supplemental non-cash disclosures:</b>			
Net change in common stock held by directors' deferred compensation plan .....	\$ —	\$ —	\$ (2,041)
Net transfer of investment securities from available-for-sale to held-to-maturity at fair value .....	—	—	675,177
Right-of-use lease assets obtained in exchange for lease liabilities .....	5,117	—	—
Amortization of unrealized losses on investment securities transferred to held-to-maturity at fair value .....	7,159	7,440	4,295
Other intangible assets and services provided in exchange for Swell common stock .....	—	—	1,500
Other intangible assets received in exchange for Swell common stock .....	—	1,500	—

*See accompanying notes to consolidated financial statements.*

**CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Business**

Central Pacific Financial Corp. is a bank holding company. Our principal operating subsidiary, Central Pacific Bank, is a full-service commercial bank with 27 branches and 55 ATMs located throughout the State of Hawaii. The Bank engages in a broad range of lending activities including originating commercial loans, commercial and residential mortgage loans, home equity loans and consumer loans. The Bank also offers a variety of deposit products and services. These include personal and business checking and savings accounts, money market accounts and time certificates of deposit. Other products and services include debit cards, internet banking, mobile banking, cash management services, full-service ATMs, safe deposit boxes, international banking services, night depository facilities, foreign exchange and wire transfers. Wealth management products and services include non-deposit investment products, annuities, investment management, asset custody and general consultation and planning services.

**Operating Segments**

Effective January 1, 2024, the Company adopted Accounting Standards Update ("ASU") 2023-07 *"Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures"*. This update enhances the disclosure requirements for reportable segments by requiring additional qualitative and quantitative information about significant segment expenses, as well as interim segment disclosures. The adoption of ASU 2023-07 did not have a material impact on our consolidated financial statements.

Operations, resource allocation and financial performance are managed by the Company's Executive Committee, or its chief operating decision maker ("CODM"), on a Company-wide basis. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable segment. See Note 22 - Segment Information for additional information.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

In February 2024, the Bank acquired a 50% ownership interest in a mortgage loan origination and brokerage company, One Hawaii HomeLoans, LLC ("One Hawaii"). The Bank did not fund its initial capital contribution and One Hawaii had no activity in 2024. The Bank concluded that the investment meets the consolidation requirements under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, *"Consolidation"* and the entity also meets the definition of a variable interest entity ("VIE") and as the Bank is the primary beneficiary of the VIE. Accordingly, the investment will be consolidated into the Company's financial statements when activity begins.

The Bank has 50% ownership interests in three other mortgage loan origination and brokerage companies which are accounted for using the equity method and are included in investment in unconsolidated entities in the Company's consolidated balance sheets: Gentry HomeLoans, LLC, Haseko HomeLoans, LLC and Island Pacific HomeLoans, LLC.

The Bank has low income housing tax credit partnership investments that are accounted for under the proportional amortization method and are included in investment in unconsolidated entities in the Company's consolidated balance sheets.

In 2021, the Company committed \$2.0 million to the JAM FINTOP Banktech Fund, L.P., an investment fund designed to help develop and accelerate technology adoption at community banks across the United States. The Company does not have the ability to exercise significant influence over the JAM FINTOP Banktech Fund, L.P. and the investment does not have a readily determinable fair value. As a result, the Company determined that the cost method of accounting for the investment was appropriate. The investment is included in investment in unconsolidated entities in the Company's consolidated balance sheets.

The Company also has other non-controlling equity investments in affiliates that are accounted for under the cost method and are included in investment in unconsolidated entities in the Company's consolidated balance sheets.

Investments in unconsolidated entities accounted for under the equity, proportional amortization and cost methods were \$0.1 million, \$48.7 million and \$3.6 million, respectively, at December 31, 2024 and \$0.1 million, \$37.8 million and \$3.6 million, respectively, at December 31, 2023.

The Company's policy for determining impairment of these investments includes an evaluation of whether a loss in value of an investment is other than temporary. Evidence of a loss in value includes absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain an earnings capacity which would justify the carrying amount of the investment. Impairment tests are performed whenever indicators of impairment are present. If the value of an investment declines and it is considered other than temporary, the investment is written down to its respective fair value in the period in which this determination is made.

### **Reclassification of Prior Period Amounts**

Certain prior period amounts have been reclassified to conform to the current year's presentation. These reclassifications had no impact on previously reported total assets, total liabilities, net income, or cash flows. The changes were made to improve comparability and align with our updated financial statement presentation.

### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that reflect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance and provision for credit losses, reserve for credit losses on off-balance sheet credit exposures, deferred income tax assets and income tax expense, valuation of investment securities, mortgage servicing rights and the related amortization thereon, the liability related to the Supplemental Executive Retirement Plans, and the fair value of certain financial instruments.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash and due from financial institutions, interest-bearing deposits in other financial institutions, federal funds sold and all highly liquid investments with maturities of three months or less at the time of purchase. Net cash flows are reported for customer loan and deposit transactions, interest-bearing deposits in other financial institutions, and federal funds purchased and repurchase agreements.

### **Investment Securities**

Investments in debt securities are designated as trading, available-for-sale ("AFS"), or held-to-maturity ("HTM"). Investments in debt securities are designated as HTM only if we have the positive intent and ability to hold these securities to maturity. HTM securities are reported at amortized cost in the consolidated balance sheets. Trading securities are reported at fair value, with changes in fair value included in net income. Debt securities not classified as HTM or trading are classified as AFS and are reported at fair value, with net unrealized gains and losses, net of applicable taxes, excluded from net income and included in accumulated other comprehensive income (loss) ("AOCI").

Transfers of investment securities from AFS to HTM are accounted for at fair value as of the date of the transfer. The difference between the fair value and the par value at the date of transfer is considered a premium or discount and is accounted for accordingly. Any unrealized gain or loss at the date of the transfer is reported in AOCI, and is amortized over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of any premium or discount, and will offset or mitigate the effect on interest income of the amortization of the premium or discount for that HTM security.

Equity securities with readily determinable fair values are carried at fair value, with changes in fair value included in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

The Company classifies its investment securities portfolio into the following major security types: mortgage-backed securities ("MBS"), other debt securities and equity securities. The Company's MBS portfolio is comprised primarily of residential MBS issued by United States of America ("U.S.") government entities and agencies. These securities are either explicitly or implicitly guaranteed by an agency of the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The remainder of the MBS portfolio are commercial MBS issued by U.S government entities and agencies (for

which there is no minimum credit rating), non-agency residential MBS (which shall meet a minimum credit rating of AAA) and non-agency commercial MBS (which shall meet a minimum credit rating of BBB and meet minimum internal credit guidelines).

The Company's other debt securities portfolio is comprised of obligations issued by U.S. government entities and agencies, obligations issued by states and political subdivisions (which shall meet a minimum credit rating of BBB), and collateralized loan obligations (which shall meet a minimum credit rating of AA).

Interest income on investment securities includes amortization of premiums and accretion of discounts. We amortize premiums to the earliest call date. We accrete discounts associated with investment securities using the effective interest method over the life of the respective security instrument. Gains and losses on the sale of investment securities are recorded on the trade date and determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual status is reversed against current period interest income. There were no investment securities on nonaccrual status as of December 31, 2024 and the Company did not reverse any accrued interest against interest income during the year ended December 31, 2024.

#### Allowance for Credit Losses ("ACL") for AFS Debt Securities

AFS debt securities in an unrealized loss position are evaluated for impairment at least quarterly. For AFS debt securities in an unrealized loss position, the Company first assesses whether or not it intends to sell, or it is more likely than not that it 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 investment security's amortized cost basis is written down to fair value through net income.

For AFS debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In conducting this assessment for debt securities in an unrealized loss position, management evaluates the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the investment security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any unrealized loss that has not been recorded through an ACL is recognized in AOCI.

Changes in the ACL are recorded as a provision (credit) for credit losses. Losses are charged against the ACL when management believes the uncollectibility of an AFS debt security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

As of December 31, 2024, the declines in market values of our AFS debt securities were primarily attributable to changes in interest rates and volatility in the financial markets. Because we have no intent to sell securities in an unrealized loss position and it is not more likely than not that we will be required to sell such securities before recovery of its amortized cost basis, we do not believe a credit loss exists and an ACL was not recorded.

The Company has made a policy election to exclude accrued interest receivable from the amortized cost basis of debt securities as the Company writes off any uncollectible accrued interest receivable in a timely manner. Accrued interest receivable on AFS and HTM debt securities is reported together with accrued interest receivable on loans and other assets in the consolidated balance sheets. Accrued interest receivable on AFS debt securities totaled \$3.6 million and \$2.8 million as of December 31, 2024 and 2023, respectively. Accrued interest receivable on AFS debt securities is excluded from the estimate of credit losses.

#### ACL for HTM Debt Securities

Management measures expected credit losses on HTM debt securities on a collective basis by major security type. For pools of such securities with common risk characteristics, the historical lifetime probability of default and severity of loss in the event of default is derived or obtained from external sources. Expected credit losses for these securities are estimated using a loss rate methodology which considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Expected credit loss on each security in the HTM portfolio that do not share common risk characteristics with any of the pools of debt securities is individually measured based on net realizable value, or the difference between the discounted value of the expected future cash flows, based on the original effective interest rate, and the recorded amortized cost basis of the security.

Securities in the HTM portfolio are issued by or contain collateral issued by U.S. government sponsored enterprises ("GSEs") and carry implicit guarantees from the U.S. government. Due to the implicit guarantee and the long history of no credit losses, no allowance for credit losses was recorded for these securities.

Accrued interest on HTM debt securities is reported in accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

Accrued interest receivable on HTM debt securities totaled \$1.1 million and \$1.2 million as of December 31, 2024 and 2023, respectively.

### **Loans Held for Sale**

Loans held for sale consists of the following two types: (1) Hawaii residential mortgage loans that are originated with the intent to sell them in the secondary market and (2) non-residential mortgage loans in both Hawaii and the U.S. Mainland that were originated with the intent to be held in our portfolio but were subsequently transferred to the held for sale category. Hawaii residential mortgage loans classified as held for sale are carried at the lower of cost or fair value on an aggregate basis, while the non-residential Hawaii and U.S. Mainland loans are recorded at the lower of cost or fair value on an individual basis. Net fees and costs associated with originating and acquiring the Hawaii residential mortgage loans held for sale are deferred and included in the basis for determining the gain or loss on sales of loans held for sale.

Loans originated with the intent to be held in our portfolio are subsequently transferred to held for sale when our intent to hold for the foreseeable future has changed. At the time of a loan's transfer to the held for sale account, the loan is recorded at the lower of cost or fair value. Any reduction in the loan's value is reflected as a write-down of the recorded investment resulting in a new cost basis, with a corresponding reduction in the allowance for credit losses.

In subsequent periods, if the fair value of a loan classified as held for sale is less than its cost basis, a valuation adjustment is recognized in our consolidated statement of income in other operating expense and the carrying value of the loan is adjusted accordingly. The valuation adjustment may be recovered in the event that the fair value increases, which is also recognized in our consolidated statement of income in other operating expense.

The fair value of loans classified as held for sale are generally based upon quoted prices for similar assets in active markets, acceptance of firm offer letters with agreed upon purchase prices, discounted cash flow models that take into account market observable assumptions, or independent appraisals of the underlying collateral securing the loans. Collateral values are determined based on appraisals received from qualified valuation professionals and are obtained periodically or when indicators that property values may be impaired are present.

We sell residential mortgage loans under industry standard contractual provisions that include certain representations and warranties, which typically cover ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan, and other similar matters. We may be required to repurchase certain loans sold with identified defects, indemnify the investor, or reimburse the investor for any credit losses incurred. Our repurchase risk generally relates to early payment defaults and borrower fraud. We establish residential mortgage repurchase reserves to reflect this risk based on our estimate of losses after considering a combination of factors, including our estimate of future repurchase activity and our projection of estimated credit losses resulting from repurchased loans.

### **Loans**

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the unpaid principal amount outstanding, net of unamortized purchase premiums and discounts, unamortized deferred loan origination fees and costs and cumulative principal charge-offs. Purchase premiums and discounts are generally amortized into interest income over the contractual terms of the underlying loans using the effective interest method. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income over the life of the related loan as an adjustment to yield and are amortized using the interest method over the contractual term of the loan, adjusted for actual prepayments. Deferred loan fees and costs on loans paid in full are recognized as a component of interest income on loans.

Interest income on loans is accrued at the contractual rate of interest on the unpaid principal balance. Accrued interest receivable on loans totaled \$17.5 million and \$17.1 million at December 31, 2024 and 2023, respectively, and is reported together with accrued interest on investment securities on the consolidated balance sheets. Upon adoption of Accounting

Standards Update ("ASU") 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*," the Company made the accounting policy election to not measure an estimate of credit losses on accrued interest receivable as the Company writes off any uncollectible accrued interest receivable in a timely manner.

### Nonaccrual Loans

The Company determines delinquency status by considering the number of days full payments required by the contractual terms of the loan are past due. Commercial, scored small business, automobile and other consumer loans are generally placed on nonaccrual status when principal and/or interest payments are 90 days past due, or earlier should management determine that the borrowers will be unable to meet contractual principal and/or interest obligations, unless the loans are well-secured and in the process of collection. Residential mortgage and home equity loans, are generally placed on nonaccrual status when principal and/or interest payments are 120 days past due, or earlier should management determine that the borrowers will be unable to meet contractual principal and/or interest obligations, unless the loans are well-secured and in the process of collection. When a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income should management determine that the collectability of such accrued interest is doubtful. All subsequent receipts are applied to principal outstanding and no interest income is recognized unless the financial condition and payment record of the borrowers warrant such recognition and the loan is restored to accrual status. A nonaccrual loan may be restored to an accrual basis when principal and interest payments are current for a predetermined period, normally at least six months, and full payment of principal and interest is reasonably assured.

### Loan Modifications for Borrowers Experiencing Financial Difficulty

Effective January 1, 2023, the Company adopted ASU 2022-02, "*Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*", under the prospective transition method.

Effective as of the adoption date, loan modifications or restructurings for borrowers experiencing financial difficulty are evaluated to determine whether they result in a new loan or a continuation of an existing loan. Loan restructurings for borrowers experiencing financial difficulty are generally accounted for as a continuation of the existing loan as the terms of the restructured loans are typically not at market rates.

When a loan is restructured under ASU 2022-02, the loan is measured for impairment using the discounted cash flow method that utilizes a prepayment-adjusted discount rate based on the loan's restructured terms. Under the previous TDR accounting model, the discount rate that was in effect prior to the restructuring to measure impairment was used. Using the interest rate that was in effect prior to the restructuring resulted in the recognition of the economic concession that was granted to borrowers as part of the loan restructuring in the ACL for loans. Using a post-restructuring interest rate does not result in the recognition of an economic concession in the ACL for loans.

As we have elected a prospective transition, the economic concession on a loan that was previously restructured and accounted for as a TDR under previous guidance will continue to be measured in our ACL for loans using the discount rate that was in effect prior to the restructuring and the economic concession may increase or decrease as the cash flow assumptions related to the expected life of the loan are updated. Further, the component of the ACL for loans representing economic concessions will decrease as the borrower makes payments in accordance with the restructured terms of the mortgage loan and as the loan is sold, liquidated, or subsequently restructured.

### Troubled Debt Restructurings Prior to the Adoption of ASU 2022-02

Prior to the adoption of ASU 2022-02, a loan was accounted for and reported as a troubled debt restructuring ("TDR") when two conditions were met: 1) the borrower was experiencing financial difficulty and 2) the Company granted a concession to the borrower experiencing financial difficulty that it would not have otherwise considered for a borrower or transaction with similar credit risk characteristics. A restructuring that resulted in only an insignificant delay in payment was not considered a concession. A delay may have been considered insignificant if the payments subject to the delay were insignificant relative to the unpaid principal or collateral value and the contractual amount due, or the delay in timing of the restructured payment period was insignificant relative to the frequency of payments, the debt's original contractual maturity or original expected duration.

TDRs that were performing and on accrual status as of the date of the modification remained on accrual status. TDRs that were nonperforming as of the date of modification generally remained as nonaccrual until the prospect of future payments in accordance with the modified loan agreement was reasonably assured, generally demonstrated when the borrower maintained compliance with the restructured terms for a predetermined period, normally at least six months. TDRs with temporary below-market concessions remained designated as a TDR regardless of the accrual or performance status until the loan was paid off.

Expected credit losses were estimated on a collective (pool) basis when they shared similar risk characteristics. If a TDR financial asset shared similar risk characteristics with other financial assets, it was evaluated with those other financial assets on a collective basis. If it did not share similar risk characteristics with other financial assets, it was evaluated individually. The Company's ACL reflected all effects of a TDR when an individual asset was specifically identified as a reasonably expected TDR. The Company had determined that a TDR was reasonably expected no later than the point when the lender concluded that modification was the best course of action and it was at least reasonably possible that the troubled borrower would accept some form of concession from the lender to avoid a default. Reasonably expected TDRs and executed TDRs were evaluated to determine the required ACL using the same method as all other loans held for investment, except when the value of a concession could not be measured using a method other than the discounted cash flow method. When the value of a concession was measured using the discounted cash flow method, the ACL was determined by discounting the expected future cash flows at the original interest rate of the loan. Based on the underlying risk characteristics, TDRs performing in accordance with their modified contractual terms may have been collectively evaluated.

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

The ACL for loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on loans. The Company's policy is to charge off a loan against the ACL during the period in which the loan is deemed to be uncollectible and all interest previously accrued but uncollected, is reversed against current period interest income. A loan is deemed to be uncollectible when it is probable that a loss has been incurred and when it is possible to determine a reasonable estimate of the loss. Subsequent receipts, if any, are credited first to the remaining principal, then to the ACL for loans as recoveries, and finally to interest income. The ACL for loans represents management's estimate of all expected credit losses over the expected life of the Company's loan portfolio as of a given balance sheet date. Management estimates the ACL balance using relevant available information from both internal and external sources, regarding the collectability of cash flows impacted by past events, current conditions, and reasonable and supportable forecasts of future economic conditions. When the Company is unable to forecast future economic events, management may revert to historical information.

The Company's ACL model incorporates a reasonable and supportable forecast period of one year and reverts to the historical average of the macroeconomic variables being used when its forecast is no longer deemed reasonable and supportable.

The Company's ACL model may also consider other adjustments to address changes in conditions, trends, and circumstances such as local industry changes that could have a significant impact on the risk profile of the loan portfolio and provide for adjustments that may not be reflected or captured in the historical loss data. These factors include: lending policies, imprecision in forecasting future economic conditions, loan profile, lending staff, problem loan trends, loan review, collateral, credit concentration and other internal and external factors.

The Company uses Moody's Analytics ("Moody's"), a firm widely recognized and used for its research, analysis, and economic forecasts, for its economic forecast assumptions. The Company generally uses Moody's most recent Baseline forecast, which is updated at least monthly with a variety of upside and downside economic scenarios and includes both National and Hawaii-specific economic indicators. During times of economic and market volatility or instability, the Company may include a qualitative factor for forecast imprecision.

The ACL for loans is measured on a collective or pool basis when similar risk characteristics exist. The Company segments its portfolio generally by the loans categories in the Federal Financial Institutions Examination Council ("FFIEC") Call Report. The following is a description and the risk characteristics of each segment:

#### Commercial and industrial loans - SBA Paycheck Protection Program

Paycheck Protection Program ("PPP") loans are considered lower risk as they are guaranteed by the Small Business Administration ("SBA") and may be forgivable in whole or in part in accordance with the requirements of the PPP.

#### Commercial and industrial loans - Others

Commercial and industrial loans consist primarily of term loans and lines of credit to small- and middle-market businesses and professionals. The predominant risk characteristics of this segment are the cash flows of the business we lend to, global cash flows including guarantor liquidity, as well as economic and market conditions. Although our underwriting policy and practice generally requires secondary sources of support or collateral to mitigate risk, cash flow generated from the borrower's business is typically regarded as the principal source of repayment.

### Construction loans

Construction loans include both residential and commercial development projects. Each construction project is evaluated for economic viability and construction loans pose higher credit risks than typical secured loans. Financial strength of the borrower, completion risk (the risk that the project will not be completed on time and within budget) and geographic location are the predominant risk characteristics of this segment.

### Commercial real estate loans - Multi-family

Multi-family mortgage loans can comprise multi-building properties with extensive amenities or a single building with no amenities. The predominant risk characteristic of this segment is operating risk or the ability to generate sufficient rental income from the operation of the property.

### Commercial real estate loans - Others

Commercial real estate loans are secured by commercial properties. The predominant risk characteristic of this segment is operating risk, which is the risk that the borrower will be unable to generate sufficient cash flows from the operation of the property. Interest rate conditions and the commercial real estate market through economic cycles also impact risk levels.

### Residential mortgage loans

Residential mortgage loans primarily include fixed-rate or adjustable-rate loans secured by single-family owner-occupied primary residences in Hawaii. Economic conditions such as unemployment levels, future changes in interest rates, Hawaii home prices and other market factors impact the level of credit risk inherent in the portfolio.

### Home equity lines of credit

Home equity lines of credit include fixed or floating interest rate loans and are also primarily secured by single-family owner-occupied primary residences in Hawaii. They are underwritten based on a minimum FICO score, maximum debt-to-income ratio, and maximum combined loan-to-value ratio. Home equity lines of credit are monitored based on credit score, delinquency, end of draw period and maturity.

### Consumer loans - Other revolving

Other revolving consumer loans consist of unsecured consumer lines of credit. The predominant risk characteristics of this segment relate to current and projected economic conditions, as well as employment and income levels attributed to the borrower.

### Consumer loans - Non-revolving

Non-revolving consumer loans consist of non-revolving (term) consumer loans, including automobile dealer loans. The predominant risk characteristics of this segment relate to current and projected economic conditions, as well as employment and income levels attributed to the borrower.

### Purchased consumer loans

Purchased consumer loans consist of dealer and unsecured consumer loans. Credit risk for purchased consumer loans is managed on a pooled basis. The predominant risk characteristics of this segment include current and projected economic conditions, employment and income levels, and the quality of purchased consumer loans.

The following table presents the Company's loan portfolio segments and the methodology used to measure expected credit losses. As of December 31, 2024, the historical look-back period is 2008 to present, economic forecast length is one year and the reversion method is one year (on a straight-line basis) for all segments.

Loan Segment	Expected Credit Loss Methodology		Historical Look-Back Period	Economic Forecast Length	Reversion Method
	December 31, 2024 and 2023	June 30, 2023 and prior			
Commercial and industrial - SBA PPP	Zero loss	PD/LGD	2008 to present	One year	One year (straight-line basis)
Commercial and industrial - All others	DCF	PD/LGD			
Construction	DCF	PD/LGD			
Commercial real estate - Multi-family	DCF	PD/LGD			
Commercial real estate - All others	DCF	PD/LGD			
Residential mortgage	DCF	Loss-Rate Migration			
Home equity	DCF	Loss-Rate Migration			
Consumer - Other revolving	DCF	Loss-Rate Migration			
Consumer - Non-revolving	DCF	Loss-Rate Migration			
Consumer - Purchased portfolios	WARM	WARM			

During the third quarter of 2023, the Company updated its methodology to measure expected credit losses from the Probability of Default/Loss Given Default ("PD/LGD") or Loss-Rate Migration methods to the Discounted Cash Flow ("DCF") method for all segments except the SBA PPP and purchased consumer loan segments. The Company believes that the DCF methodology has better alignment with the Current Expected Credit Losses ("CECL") standard for forward looking forecasting, while also factoring in more detailed assumptions. The Company is utilizing an industry leading software platform to perform the DCF analysis using a historical look back period of 2008 to present. The Company ran the ACL model under both the current and previous methodologies and noted that the changes to the ACL model and the differences in methodologies did not result in a material impact to the Company's financial statements and as a percentage of the ACL.

The Company continues to use the Moody's baseline forecast with an economic forecast length of one year and a one-year, straight-line reversion method. We revert to the historical average of the macroeconomic variables being used. Forecast models exclude the post-2019 COVID-19 pandemic period due to abnormal and volatile behavior.

The ACL on the purchased consumer loan portfolios continues to be calculated using the Remaining Life methodology (also known as the Weighted Average Remaining Maturity or "WARM" methodology) as this portfolio is evaluated on a pooled basis. Because SBA PPP loans are guaranteed by the SBA and may be forgivable in whole or in part in accordance with the requirements of the PPP we anticipate zero losses on these loans and accordingly apply a Zero Loss methodology.

The following is a description of the methodologies utilized to measure expected credit losses from the third quarter of 2023 to present:

#### Discounted Cash Flow

The DCF methodology calculates CECL reserves as the difference between the amortized cost of a loan and the discounted expected value of future cash flows. Expected future cash flows are calculated based on assumptions of PD/LGD, prepayments and recovery rates, and are discounted using the loan's effective interest rate.

#### Remaining Life or Weighted Average Remaining Life

Under the remaining life or WARM methodology, lifetime losses are calculated by determining the remaining life of the loan pool, and then applying a loss rate over this remaining life of the loan. The methodology considers historical loss experience to estimate credit losses for the remaining balance of the loan pool. The calculated loss rate is applied to the contractual term (adjusted for prepayments) to determine the loan pool's current expected credit losses.

The following is a description of the methodologies utilized to measure expected credit losses as of June 30, 2023 and prior:

#### Probability of Default/Loss Given Default

The PD/LGD calculation is based on a cohort methodology whereby loans in the same cohort are tracked over time to identify defaults and corresponding losses. PD/LGD analysis requires a portfolio segmented into pools, and we elected to then further sub-segment by risk characteristics such as Risk Rating, loans modified for borrowers experiencing financial difficulty, TDRs prior to the adoption of ASU 2022-02 and nonaccrual status to measure losses accurately. PD measures the count or dollar amount of loans that defaulted in a given cohort. LGD measures the losses related to the loans that defaulted. Total loss rate is calculated using the formula, 'PD times LGD'.

#### Loss-Rate Migration

Loss-rate migration analysis is a cohort-based approach that measures cumulative net charge-offs over a defined time-horizon to calculate a loss rate that will be applied to the loan pool. Loss-rate migration analysis requires the portfolio to be segmented into pools then further sub-segmented by risk characteristics such as days past due, delinquency counters, loans modified for borrowers experiencing financial difficulty, TDRs prior to the adoption of ASU 2022-02 and nonaccrual status to measure loss rates accurately. The key inputs to run a loss-rate migration analysis are the length and frequency of the migration period, the dates for the migration periods to start and the number of migration periods used for the analysis. For each migration period, the analysis will determine the outstanding balance in each segment and/or sub-segment at the start of each period. These loans will then be followed for the length of the migration period to identify the amount of associated charge-offs and recoveries. A loss rate for each migration period is calculated using the formula: net charge-offs over the period divided by beginning loan balance.

#### Other

If a loan ceases to share similar risk characteristics with other loans in its segment, it will be moved to a different pool sharing similar risk characteristics. Loans that do not share risk characteristics are evaluated on an individual basis based on the fair value of the collateral or other approaches such as discounted cash flow methodology. Loans evaluated individually are not included in the collective evaluation.

#### **Reserve for Off-Balance Sheet Credit Exposures**

The Company maintains a separate and distinct reserve for off-balance-sheet credit exposures which is included in other liabilities in the Company's consolidated balance sheets. The Company estimates the amount of expected losses by calculating a commitment usage factor for letters of credit, non-revolving lines of credit, and revolving lines of credit over the remaining life during which the Company is exposed to credit risk via a contractual obligation to extend credit.

Letters of credit are generally unlikely to advance since they are typically in place only to ensure various forms of performance of the borrowers. Many of the letters of credit are cash secured. Non-revolving lines of credit are determined to be likely to advance as these are typically construction lines. Meanwhile, the likelihood of revolving lines of credit advancing varies with each individual borrower. Therefore, the future usage of each line was estimated based on the average line utilization of the revolving line of credit portfolio as a whole.

The estimate also applies the loss factors for each loan type used in the ACL for loans methodology, which is based on historical losses, economic conditions and reasonable and supportable forecasts. The reserve for off-balance sheet credit exposures is adjusted as a provision for off-balance sheet credit exposures.

#### **Premises and Equipment**

Premises and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are included in other operating expense and are computed using the straight-line method over the shorter of the estimated useful lives of the assets or the applicable leases. Useful lives generally range from five to thirty-nine years for premises and improvements, and one to seven years for equipment. Major improvements and betterments are capitalized, while recurring maintenance and repairs are charged to operating expense. Net gains or losses on dispositions of premises and equipment are included in other operating income and operating expense.

## **Other Real Estate Owned**

Other real estate owned is composed of properties acquired through deed-in-lieu or foreclosure proceedings and is initially recorded at fair value less estimated costs to sell the property, thereby establishing the new cost basis of other real estate. Losses arising at the time of acquisition of such properties are charged against the ACL. Subsequent to acquisition, such properties are carried at the lower of cost or fair value less estimated selling expenses, determined on an individual asset basis. Any deficiency resulting from the excess of cost over fair value less estimated selling expenses is recognized as a valuation allowance. Any subsequent increase in fair value up to its cost basis is recorded as a reduction of the valuation allowance. Increases or decreases in the valuation allowance are included in other operating expense. Net gains or losses recognized on the sale of these properties are included in other operating income.

## **Mortgage Servicing Rights**

Mortgage servicing rights are recorded when loans are sold to third-parties with servicing of those loans retained and we classify and pool our mortgage servicing rights into buckets of homogeneous characteristics. We utilize the amortization method to measure our mortgage servicing rights. Under the amortization method, we amortize our mortgage servicing rights in proportion to and over the period of net servicing income. Income generated as the result of new mortgage servicing rights is reported as gains on sales of loans and is a component of mortgage banking income in the other operating income section of our consolidated statements of income. Amortization of the servicing rights is also reported as a component of mortgage banking income. Ancillary income is recorded in other income.

Initial fair value of the servicing right is calculated by a discounted cash flow model prepared by a third-party service provider based on market value assumptions at the time of origination and we assess the servicing right for impairment using current market value assumptions at each reporting period. Critical assumptions used in the discounted cash flow model include mortgage prepayment speeds, discount rates, and servicing income and costs. Variations in our assumptions could materially affect the estimated fair values. Changes to our assumptions are made when current trends and market data indicate that new trends have developed. Current market value assumptions based on loan product types (fixed-rate, adjustable-rate and government FHA loans) include average discount rates, servicing cost and ancillary income. Many of these assumptions are subjective and require a high level of management judgment. Our mortgage servicing rights portfolio and valuation assumptions are periodically reviewed by management.

Prepayment speeds may be affected by economic factors such as home price appreciation, market interest rates, the availability of other credit products to our borrowers and customer payment patterns. Prepayment speeds include the impact of all borrower prepayments, including full payoffs, additional principal payments and the impact of loans paid off due to foreclosure liquidations.

We perform an impairment assessment of our mortgage servicing rights quarterly or whenever events or changes in circumstance indicate that the carrying value of those assets may not be recoverable. Our impairment assessments involve, among other valuation methods, the estimation of future cash flows and other methods of determining fair value. Estimating future cash flows and determining fair values are subject to judgments and often involve the use of significant estimates and assumptions. The variability of the factors we use to perform our impairment tests depend on a number of conditions, including the uncertainty about future events and cash flows. All such factors are interdependent and, therefore, do not change in isolation. Accordingly, our accounting estimates may materially change from period to period due to changing market factors.

As of December 31, 2024 and 2023, the Company determined its mortgage servicing rights were not impaired.

## **Federal Home Loan Bank of Des Moines Stock**

The Bank is a member of the Federal Home Loan Bank of Des Moines (the "FHLB") and is required to obtain and hold a specific number of shares of capital stock of the FHLB equal to the sum of a membership investment requirement and an activity-based investment requirement. The securities are reported at cost and are presented separately in the consolidated balance sheets.

## **Goodwill and Intangible Assets**

The Company did not hold any goodwill on its consolidated balance sheet at December 31, 2024 and 2023.

During the third quarter of 2023, the Company entered into a transaction with Swell Financial, Inc. ("Swell") whereby Swell repurchased the Company's entire preferred and common stock equity investment in exchange for \$0.5 million in cash, certain

intellectual property rights and a platform usage fee agreement related to products that may be launched by Swell or its affiliates in the future (not to exceed \$1.5 million in value). The intangible assets totaling \$1.5 million were included in other assets in the Company's consolidated balance sheet at December 31, 2023. During the fourth quarter of 2024, the Company performed an impairment analysis and determined that the carrying value of the intangible assets would not be recoverable. As a result, the Company recorded impairment of \$1.3 million on the intangible assets. The carrying value of the intangible assets was zero as of December 31, 2024.

### **Non-Controlling Interest**

The Company did not hold any non-controlling interest on its consolidated balance sheet at December 31, 2024 and 2023.

### **Share-Based Compensation**

Share-based compensation expense is measured at the grant date, based on the estimated fair value of the award. We use the Black-Scholes option-pricing expense model to determine the fair-value of stock options, and the market price of the Company's common stock at the grant date for restricted stock awards. Share-based compensation is recognized as expense over the employee's requisite service period, generally defined as the vesting period. For awards with graded vesting, we recognize compensation expense on a straight-line basis over their respective vesting period. The Company's accounting policy is to recognize forfeitures as they occur. See Note 13 - Share-Based Compensation for additional information.

### **Income Taxes**

Deferred tax assets and liabilities are recognized for the estimated future tax effects attributable to temporary differences and carryforwards. A valuation allowance may be required if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. In determining whether a valuation allowance is necessary, we consider the level of taxable income in prior years, the extent that carrybacks are permitted under current tax laws, as well as estimates of future taxable income and tax planning strategies that could be implemented to accelerate taxable income, if necessary. If our estimates of future taxable income were materially overstated or if our assumptions regarding the tax consequences of tax planning strategies were inaccurate, some or all of our deferred tax assets may not be realized, which would result in a charge to earnings. Net deferred tax assets (liabilities) are included in other assets (liabilities) in the Company's consolidated balance sheets. We recognize interest and penalties related to income tax matters in other expense.

We establish income tax contingency reserves for potential tax liabilities related to uncertain tax positions. Tax benefits are recognized when we determine that it is more likely than not that such benefits will be realized. Where uncertainty exists due to the complexity of income tax statutes, and where the potential tax amounts are significant, we generally seek independent tax opinions to support our positions. If our evaluation of the likelihood of the realization of benefits is inaccurate, we could incur additional income tax and interest expense that would adversely impact earnings, or we could receive tax benefits greater than anticipated which would positively impact earnings.

### **Earnings per Share**

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period, excluding unvested restricted stock awards. Diluted earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period, increased by the dilutive effect of stock options and stock awards.

### **Forward Foreign Exchange Contracts**

We are periodically a party to a limited amount of forward foreign exchange contracts to satisfy customer needs for foreign currencies. These contracts are not utilized for trading purposes and are carried at market value, with realized gains and losses included in fees on foreign exchange.

### **Derivatives and Hedging Activities**

We recognize all derivatives on the balance sheet at fair value. On the date that we enter into a derivative contract, we designate the derivative as (1) a hedge of the fair value of an identified asset or liability ("fair value hedge"), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to an identified asset or liability ("cash flow hedge") or (3) a transaction not qualifying for hedge accounting ("free standing derivative"). For a fair value hedge, changes in the fair value of the derivative and, to the extent that it is effective, changes in the fair value of the hedged asset or liability, attributable

to the hedged risk, are recorded in current period net income in the same financial statement category as the hedged item. For a cash flow hedge, changes in the fair value of the derivative, to the extent that it is effective, is recorded in other comprehensive income (loss) ("OCI"). These changes in fair value are subsequently reclassified to net income in the same periods that the hedged transaction affects net income in the same financial statement category as the hedged item. For free standing derivatives, changes in fair values are reported in current period other operating income.

## Impact of Other Recently Issued Accounting Pronouncements on Future Filings

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". ASU 2023-09 expands existing income tax disclosures for rate reconciliations by requiring disclosure of certain specific categories in the rate reconciliation, as well as additional qualitative information about the reconciliation, and additional disaggregated information about income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted, and is to be applied on a prospective basis. The Company does not expect ASU 2023-09 to have a material impact on its consolidated financial statements.

## 2. INVESTMENT SECURITIES

The amortized cost, gross unrecognized/unrealized gains and losses, fair value and related allowance for credit losses on available-for-sale ("AFS") and held-to-maturity ("HTM") investment securities as of December 31, 2024 and 2023 are as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	ACL
<b>December 31, 2024</b>					
Available-for-Sale:					
Debt securities:					
States and political subdivisions .....	\$ 147,014	\$ 2	\$ (30,183)	\$ 116,833	\$ —
U.S. Treasury obligations and direct obligations of U.S. Government agencies .....	83,861	81	(2,742)	81,200	—
Collateralized loan obligations .....	31,254	—	(114)	31,140	—
Mortgage-backed securities:					
Residential - U.S. Government-sponsored enterprises .....	472,476	42	(58,047)	414,471	—
Residential - Non-government agencies .....	17,836	151	(1,061)	16,926	—
Commercial - U.S. Government-sponsored enterprises .....	81,400	76	(14,315)	67,161	—
Commercial - Non-government agencies .....	9,933	—	(6)	9,927	—
Total available-for-sale investment securities .....	<u>\$ 843,774</u>	<u>\$ 352</u>	<u>\$ (106,468)</u>	<u>\$ 737,658</u>	<u>\$ —</u>

(Dollars in thousands)	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value	ACL
<b>December 31, 2024</b>					
Held-to-Maturity:					
Debt securities:					
States and political subdivisions .....	\$ 42,016	\$ —	\$ (8,884)	\$ 33,132	\$ —
Mortgage-backed securities:					
Residential - U.S. Government-sponsored enterprises .....	554,914	—	(81,365)	473,549	—
Total held-to-maturity investment securities .....	<u>\$ 596,930</u>	<u>\$ —</u>	<u>\$ (90,249)</u>	<u>\$ 506,681</u>	<u>\$ —</u>

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	ACL
<b>December 31, 2023</b>					
Available-for-Sale:					
Debt securities:					
States and political subdivisions .....	\$ 156,432	\$ 13	\$ (29,810)	\$ 126,635	\$ —
Corporate securities .....	35,731	—	(4,317)	31,414	—
U.S. Treasury obligations and direct obligations of U.S Government agencies .....	28,105	33	(1,941)	26,197	—
Mortgage-backed securities:					
Residential - U.S. Government-sponsored enterprises .....	441,898	95	(63,607)	378,386	—
Residential - Non-government agencies .....	19,322	366	(980)	18,708	—
Commercial - U.S. Government-sponsored enterprises .....	58,318	—	(7,404)	50,914	—
Commercial - Non-government agencies .....	15,144	—	(188)	14,956	—
Total available-for-sale investment securities .....	<u>\$ 754,950</u>	<u>\$ 507</u>	<u>\$ (108,247)</u>	<u>\$ 647,210</u>	<u>\$ —</u>

(Dollars in thousands)	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value	ACL
<b>December 31, 2023</b>					
Held-to-Maturity:					
Debt securities:					
States and political subdivisions .....	\$ 41,959	\$ —	\$ (6,706)	\$ 35,253	\$ —
Mortgage-backed securities:					
Residential - U.S. Government-sponsored enterprises .....	590,379	61	(60,515)	529,925	—
Total held-to-maturity investment securities .....	<u>\$ 632,338</u>	<u>\$ 61</u>	<u>\$ (67,221)</u>	<u>\$ 565,178</u>	<u>\$ —</u>

In 2022, the Company transferred 81 investment securities that were classified as AFS to HTM. The investment securities had an amortized cost basis of \$762.7 million and a fair market value of \$673.2 million. On the date of transfers, these securities had a total net unrealized loss of \$89.5 million. There was no impact to net income as a result of the reclassifications.

During the years ended December 31, 2024 and 2023, the Company recorded a total of \$7.2 million and \$7.4 million, respectively, in amortization of unrecognized losses on the aforementioned investment securities transferred from AFS to HTM.

These transfers were executed to mitigate the potential future impact to capital through accumulated other comprehensive loss in consideration of a rising interest rate environment and the impact of rising rates on the market value of the investment securities. The Company believes that it maintains sufficient liquidity for future business needs and it has the positive intent and ability to hold these securities to maturity.

The amortized cost, estimated fair value and weighted average yield of our investment securities at December 31, 2024 by contractual maturity are shown below. Actual maturities may differ from contractual maturities as issuers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

(Dollars in thousands)	December 31, 2024		
	Amortized Cost	Fair Value	Weighted Average Yield <sup>(1)</sup>
<b>Available-for-Sale:</b>			
Debt securities:			
Due in one year or less .....	\$ 4,237	\$ 4,230	5.87 %
Due after one year through five years .....	37,393	36,866	4.11
Due after five years through ten years .....	68,257	65,126	3.87
Due after ten years .....	120,988	91,811	2.42
Collateralized loan obligations .....	31,254	31,140	6.07
Mortgage-backed securities			
Residential - U.S. Government-sponsored enterprises .....	472,476	414,471	2.90
Residential - Non-government agencies .....	17,836	16,926	4.36
Commercial - U.S. Government-sponsored enterprises .....	81,400	67,161	2.72
Commercial - Non-government agencies .....	9,933	9,927	4.76
Total available-for-sale investment securities .....	<u>\$ 843,774</u>	<u>\$ 737,658</u>	<u>3.18 %</u>
<b>Held-to-Maturity:</b>			
Debt securities:			
Due after ten years .....	\$ 42,016	\$ 33,132	2.26 %
Mortgage-backed securities:			
Residential - U.S. Government-sponsored enterprises .....	554,914	473,549	1.89
Total held-to-maturity investment securities .....	<u>\$ 596,930</u>	<u>\$ 506,681</u>	<u>1.92 %</u>
Total investment securities .....	<u><u>\$ 1,440,704</u></u>	<u><u>\$ 1,244,339</u></u>	<u><u>2.62 %</u></u>

<sup>(1)</sup> Weighted-average yields are computed on an annual basis, and yields on tax-exempt obligations are computed on a taxable-equivalent basis using a federal statutory tax rate of 21%.

In November 2024, the Company executed an investment portfolio repositioning of its AFS investment securities portfolio. The Company sold 24 lower-yielding AFS investment securities with a book value of \$106.5 million and received proceeds of \$96.6 million, which resulted in gross realized losses of \$9.9 million. No gross gains were realized on the sale. With the proceeds, the Company purchased higher-yielding AFS investment securities totaling \$101.6 million.

In December 2023, the Company executed an investment portfolio repositioning of its AFS investment securities portfolio. The Company sold 17 AFS investment securities with a book value of \$30.0 million and received proceeds of \$28.1 million, which resulted in gross realized losses of \$1.9 million. No gross gains were realized on the sale. With the proceeds, the Company purchased higher yielding and shorter duration AFS investment securities totaling \$28.3 million.

In September 2023, the Company sold two AFS commercial mortgage-backed securities issued by non-government agencies and received proceeds of \$1.4 million. The investment securities had a cost basis of \$1.5 million and were sold at a loss of \$0.1 million.

In 2022, the Company did not sell any investment securities except for its Class B common stock of Visa which is discussed later in this footnote.

Investment securities of \$756.0 million and \$990.4 million at December 31, 2024 and 2023, respectively, were pledged to secure public funds on deposit and other long-term and short-term borrowings.

There were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity as of December 31, 2024 and 2023.

There were a total of 218 and 208 AFS securities in an unrealized loss position at December 31, 2024 and 2023, respectively. There were a total of 83 and 82 HTM securities in an unrecognized loss position at December 31, 2024 and 2023, respectively.

The following table summarizes AFS and HTM securities which were in an unrealized or unrecognized loss position at December 31, 2024 and 2023, aggregated by major security type and length of time in a continuous unrealized or unrecognized loss position:

Description of Securities	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2024</b>						
Available-for-Sale:						
Debt securities:						
States and political subdivisions .....	\$ 4,967	\$ (85)	\$ 107,267	\$ (30,098)	\$ 112,234	\$ (30,183)
U.S. Treasury obligations and direct obligations of U.S. Government agencies .....	56,139	(803)	12,971	(1,939)	69,110	(2,742)
Collateralized loan obligations .....	31,140	(114)	—	—	31,140	(114)
Mortgage-backed securities:						
Residential - U.S. Government-sponsored enterprises .....	135,224	(2,254)	260,575	(55,793)	395,799	(58,047)
Residential - Non-government agencies .....	5,270	(100)	7,606	(961)	12,876	(1,061)
Commercial - U.S. Government-sponsored enterprises .....	12,469	(90)	48,304	(14,225)	60,773	(14,315)
Commercial - Non-government agencies .....	9,927	(6)	—	—	9,927	(6)
Total .....	<u>\$ 255,136</u>	<u>\$ (3,452)</u>	<u>\$ 436,723</u>	<u>\$ (103,016)</u>	<u>\$ 691,859</u>	<u>\$ (106,468)</u>

Description of Securities	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
<b>December 31, 2024</b>						
Held-to-Maturity:						
Debt securities:						
States and political subdivisions .....	\$ —	\$ —	\$ 33,132	\$ (8,884)	\$ 33,132	\$ (8,884)
Mortgage-backed securities:						
Residential - U.S. Government-sponsored enterprises .....	7,470	(19)	466,079	(81,346)	473,549	(81,365)
Total .....	<u>\$ 7,470</u>	<u>\$ (19)</u>	<u>\$ 499,211</u>	<u>\$ (90,230)</u>	<u>\$ 506,681</u>	<u>\$ (90,249)</u>

Description of Securities	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in thousands)						
<b>December 31, 2023</b>						
Available-for-Sale:						
Debt securities:						
States and political subdivisions .....	\$ 534	\$ (1)	\$ 114,601	\$ (29,809)	\$ 115,135	\$ (29,810)
Corporate securities .....	—	—	31,414	(4,317)	31,414	(4,317)
U.S. Treasury obligations and direct obligations of U.S. Government agencies .....	2,893	(87)	16,286	(1,854)	19,179	(1,941)
Mortgage-backed securities:						
Residential - U.S. Government-sponsored enterprises .....	—	—	367,887	(63,607)	367,887	(63,607)
Residential - Non-government agencies .....	—	—	8,169	(980)	8,169	(980)
Commercial - U.S. Government-sponsored enterprises .....	6,467	(1)	44,447	(7,403)	50,914	(7,404)
Commercial - Non-government agencies .....	9,663	(130)	5,293	(58)	14,956	(188)
Total .....	<u>\$ 19,557</u>	<u>\$ (219)</u>	<u>\$ 588,097</u>	<u>\$ (108,028)</u>	<u>\$ 607,654</u>	<u>\$ (108,247)</u>

Description of Securities	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
(Dollars in thousands)						
<b>December 31, 2023</b>						
Held-to-Maturity:						
Debt securities:						
States and political subdivisions .....	\$ —	\$ —	\$ 35,253	\$ (6,706)	\$ 35,253	\$ (6,706)
Mortgage-backed securities:						
Residential - U.S. Government-sponsored enterprises .....	8,853	(33)	512,378	(60,482)	521,231	(60,515)
Total .....	<u>\$ 8,853</u>	<u>\$ (33)</u>	<u>\$ 547,631</u>	<u>\$ (67,188)</u>	<u>\$ 556,484</u>	<u>\$ (67,221)</u>

Investment securities in an unrecognized or unrealized loss position are evaluated on at least a quarterly basis, and include evaluating the changes in the investment securities' ratings issued by rating agencies and changes in the financial condition of the issuer. For mortgage-related securities, delinquency and loss information with respect to the underlying collateral, changes in levels of subordination for the Company's particular position within the repayment structure, and remaining credit enhancement as compared to projected credit losses of the security are also evaluated.

The Company has evaluated its HTM and AFS investment securities that are in an unrecognized or unrealized loss position and has determined that the unrecognized or unrealized losses on the Company's investment securities are unrelated to credit quality and are primarily attributable to changes in interest rates and volatility in the financial markets since purchase. All of the investment securities in an unrecognized or unrealized loss position continue to be rated investment grade by one or more major rating agencies. Because we have no intent to sell securities in an unrecognized or unrealized loss position and it is not more likely than not that we will be required to sell such securities before recovery of its amortized cost basis, the Company has not recorded an ACL on these securities and the unrecognized or unrealized losses on these securities have not been recognized into income as of December 31, 2024.

### Visa Class B Common Stock

In 2022, the Company sold all of its 34,631 shares of Class B common stock of Visa, Inc. ("Visa") and received net proceeds of \$8.5 million. The Company no longer holds any shares of Class B common stock of Visa.

The Company received these shares in 2008 as part of Visa's initial public offering ("IPO"). These shares were transferable only under limited circumstances until they could be converted into shares of the publicly traded Class A common stock. This conversion will not occur until the resolution of certain litigation, which is indemnified by Visa members. Since its IPO, Visa has funded a litigation reserve to settle these litigation claims. At its discretion, Visa may continue to increase the litigation

reserve based upon a change in the conversion ratio of each member bank's restricted Class B common stock to unrestricted Class A common stock.

Due to the transfer restriction and the uncertainty of the outcome of the Visa litigation, the Company determined that the Visa Class B common stock did not have a readily determinable fair value and chose to carry the shares on the Company's consolidated balance sheets at zero cost basis. As a result, the entire net proceeds of \$8.5 million were recognized as a pre-tax gain and included in net gain on sales of investment securities in the Company's consolidated statements of income.

### 3. LOANS AND CREDIT QUALITY

Loans, net of deferred fees and costs as of December 31, 2024 and 2023 consisted of the following:

(Dollars in thousands)	December 31,	
	2024	2023
Commercial and industrial .....	\$ 606,936	\$ 575,707
Real estate:		
Construction .....	145,211	185,519
Residential mortgage .....	1,892,520	1,927,789
Home equity .....	676,982	736,524
Commercial mortgage .....	1,500,680	1,382,902
Consumer .....	510,523	630,541
Loans, net of deferred fees and costs .....	<u>\$ 5,332,852</u>	<u>\$ 5,438,982</u>

There are different types of risk characteristics for the loans in each portfolio segment. The construction and real estate segment's predominant risk characteristics are the collateral and the geographic location of the property collateralizing the loan, as well as the operating cash flow for the commercial real estate properties. The commercial and industrial segment's predominant risk characteristics are the cash flows of the business we lend to, the global cash flows and liquidity of the guarantors, as well as economic and market conditions. The consumer segment's predominant risk characteristics are employment and income levels as they relate to the consumer.

In 2024, the Company sold one loan with an amortized cost of \$9.7 million and received proceeds of \$9.4 million. The loan did not have any credit concerns at the time of sale. The loss of \$0.3 million was recorded through charge-offs in the allowance for credit losses.

In 2023, the Company transferred one loan to the loans held for sale category. The loan did not have any credit concerns at the time of transfer and thus was transferred to loans held for sale at its amortized cost of \$9.8 million. The loan was sold in 2023 for \$9.6 million, or a loss of \$0.2 million, which was recorded in other operating expense. The Company did not transfer any other loans to the held-for-sale category during the years ended December 31, 2024 and 2023.

The Company has purchased loan portfolios, none of which were credit deteriorated at the time of purchase.

The following table presents loan purchases by class for the periods presented:

(Dollars in thousands)	Consumer - Unsecured	Consumer - Automobile	Total
<b>Year Ended December 31, 2024</b>			
Purchases:			
Outstanding balance .....	\$ —	\$ 47,560	\$ 47,560
Purchase premium .....	—	1,883	1,883
Purchase price .....	<u>\$ —</u>	<u>\$ 49,443</u>	<u>\$ 49,443</u>
<b>Year Ended December 31, 2023</b>			
Purchases:			
Outstanding balance .....	\$ 3,932	\$ 15,159	\$ 19,091
Purchase premium .....	—	568	568
Purchase price .....	<u>\$ 3,932</u>	<u>\$ 15,727</u>	<u>\$ 19,659</u>

In the normal course of business, the Bank makes loans to certain directors, executive officers and their affiliates. Related party loan balances were \$33.0 million and \$33.7 million as of December 31, 2024 and 2023, respectively.

### Collateral-Dependent Loans

In accordance with ASC 326, a loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following table presents the amortized cost basis of collateral-dependent loans by class, which are individually evaluated to determine expected credit losses, and the related ACL allocated to these loans as of December 31, 2024 and 2023:

(Dollars in thousands)	December 31, 2024			Allocated ACL
	Secured by 1-4 Family Residential Properties	Secured by Nonfarm Nonresidential Properties	Total	
Real estate:				
Residential mortgage .....	\$ 9,044	\$ —	\$ 9,044	\$ —
Home equity .....	952	—	952	—
Total .....	<u>\$ 9,996</u>	<u>\$ —</u>	<u>\$ 9,996</u>	<u>\$ —</u>
(Dollars in thousands)	December 31, 2023			Allocated ACL
	Secured by 1-4 Family Residential Properties	Secured by Nonfarm Nonresidential Properties	Total	
Real estate:				
Residential mortgage .....	\$ 6,450	\$ —	\$ 6,450	\$ 47
Home equity .....	834	—	834	—
Commercial mortgage .....	—	77	77	—
Total .....	<u>\$ 7,284</u>	<u>\$ 77</u>	<u>\$ 7,361</u>	<u>\$ 47</u>

### Foreclosure Proceedings

Residential mortgage and home equity loans collateralized by residential real estate property that were in the process of foreclosure totaled \$3.9 million and \$2.3 million as of December 31, 2024 and 2023, respectively. The residential mortgage and home equity loans that were in the process of foreclosure are well-collateralized with low loan-to-value ratios and no losses are expected upon foreclosure of the loans.

The Company did not foreclose on any loans during the years ended December 31, 2024 and 2023. The Company did not sell any foreclosed properties during the years ended December 31, 2024 and 2023.

### Nonaccrual and Past Due Loans

For all loan types, the Company determines delinquency status by considering the number of days full payments required by the contractual terms of the loan are past due. The following tables present by class, the aging of the recorded investment in past due loans as of December 31, 2024 and 2023. The following tables also present the amortized cost of loans on nonaccrual status for which there was no related ACL as of the dates indicated:

December 31, 2024								
(Dollars in thousands)	Accruing Loans 30 - 59 Days Past Due	Accruing Loans 60 - 89 Days Past Due	Accruing Loans 90+ Days Past Due	Nonaccrual Loans	Total Past Due and Nonaccrual	Loans and Leases Not Past Due	Total	Nonaccrual Loans with No ACL
Commercial and industrial .....	\$ 2,978	\$ 210	\$ —	\$ 414	\$ 3,602	\$ 603,334	\$ 606,936	\$ —
Real estate:								
Construction .....	—	—	—	—	—	145,211	145,211	—
Residential mortgage .....	8,880	3,316	323	9,044	21,563	1,870,957	1,892,520	9,044
Home equity .....	943	485	78	952	2,458	674,524	676,982	952
Commercial mortgage .....	—	—	—	—	—	1,500,680	1,500,680	—
Consumer .....	5,255	1,444	373	608	7,680	502,843	510,523	—
Total .....	<u>\$ 18,056</u>	<u>\$ 5,455</u>	<u>\$ 774</u>	<u>\$ 11,018</u>	<u>\$ 35,303</u>	<u>\$ 5,297,549</u>	<u>\$ 5,332,852</u>	<u>\$ 9,996</u>

December 31, 2023								
(Dollars in thousands)	Accruing Loans 30 - 59 Days Past Due	Accruing Loans 60 - 89 Days Past Due	Accruing Loans 90+ Days Past Due	Nonaccrual Loans	Total Past Due and Nonaccrual	Loans and Leases Not Past Due	Total	Nonaccrual Loans with No ACL
Commercial and industrial .....	\$ 513	\$ 169	\$ —	\$ 432	\$ 1,114	\$ 574,593	\$ 575,707	\$ —
Real estate:								
Construction .....	—	—	—	—	—	185,519	185,519	—
Residential mortgage .....	3,082	2,140	—	4,962	10,184	1,917,605	1,927,789	4,855
Home equity .....	804	400	229	834	2,267	734,257	736,524	834
Commercial mortgage .....	—	—	—	77	77	1,382,825	1,382,902	77
Consumer .....	5,677	2,329	1,083	703	9,792	620,749	630,541	—
Total .....	<u>\$ 10,076</u>	<u>\$ 5,038</u>	<u>\$ 1,312</u>	<u>\$ 7,008</u>	<u>\$ 23,434</u>	<u>\$ 5,415,548</u>	<u>\$ 5,438,982</u>	<u>\$ 5,766</u>

Interest income totaling \$0.1 million, \$0.1 million, and \$1.6 million was recognized on nonaccrual loans in 2024, 2023 and 2022, respectively. Additional interest income of \$0.6 million, \$0.3 million, and \$0.2 million would have been recognized in 2024, 2023 and 2022, respectively, had these loans been accruing interest throughout those periods. Additionally, interest income recoveries of \$0.2 million, \$0.4 million, and \$0.3 million was collected on charged-off loans and recognized in other operating income in 2024, 2023 and 2022, respectively.

### Loan Modifications for Borrowers Experiencing Financial Difficulty

Since the adoption of ASU 2022-02 on January 1, 2023 and during the year ended December 31, 2024, the Company has not modified any loans that were material, individually or in the aggregate, for borrowers experiencing financial difficulty.

### Troubled Debt Restructurings Prior to the Adoption of ASU 2022-02

Prior to our adoption of ASU 2022-02, the Company accounted for a modification to the contractual terms of a loan that resulted in granting a concession to a borrower experiencing financial difficulties as a TDR.

There were \$1.9 million and \$2.1 million of TDRs still accruing interest at December 31, 2024 and 2023, respectively, none of which were more than 90 days delinquent. There were \$0.8 million and \$0.9 million of TDRs included in nonperforming assets at December 31, 2024 and 2023, respectively.

### **Credit Quality Indicators**

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans by credit risk. This analysis includes non-homogeneous loans, such as commercial and industrial and commercial real estate loans. This analysis is performed on a quarterly basis. The Company uses the following definitions for risk rating of loans:

**Pass.** Loans classified as pass are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan agreement.

**Special Mention.** Loans classified as special mention, while still adequately protected by the borrower's capital adequacy and payment capability, exhibit distinct weakening trends and/or elevated levels of exposure to external conditions. If left unchecked or uncorrected, these potential weaknesses may result in deteriorated prospects of repayment. These exposures require management's close attention so as to avoid becoming undue or unwarranted credit exposures.

**Substandard.** Loans classified as substandard are inadequately protected by the borrower's current financial condition and payment capability or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the orderly repayment of debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

**Doubtful.** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or orderly repayment in full, on the basis of current existing facts, conditions and values, highly questionable and improbable. Possibility of loss is extremely high, but because of certain important and reasonably specific factors that may work to the advantage and strengthening of the exposure, its classification as an estimate loss is deferred until its more exact status may be determined.

**Loss.** Loans classified as loss are considered to be non-collectible and of such little value that their continuance as bankable assets is not warranted. This does not mean the loan has absolutely no recovery value, but rather it is neither practical nor desirable to defer writing off the loan, even though partial recovery may be obtained in the future. Losses are taken in the period in which they surface as uncollectible.

The following tables present the amortized cost basis, net of deferred (fees) costs of the Company's loans by class, credit quality indicator and origination year as of December 31, 2024 and 2023. Revolving loans converted to term as of and during the year ended December 31, 2024 and 2023 were not material to the total loan portfolio.

<b>Amortized Cost of Term Loans by Origination Year</b>								
(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Amortized Cost of Revolving Loans	Total
<b>December 31, 2024</b>								
Commercial and industrial:								
Risk Rating								
Pass .....	\$ 167,816	\$ 58,905	\$ 69,576	\$ 57,354	\$ 21,827	\$ 142,546	\$ 81,876	\$ 599,900
Special Mention .....	—	—	—	2,539	—	—	—	2,539
Substandard .....	3,372	110	922	11	—	82	—	4,497
Subtotal .....	171,188	59,015	70,498	59,904	21,827	142,628	81,876	606,936
Construction:								
Risk Rating								
Pass .....	10,141	33,646	35,398	19,217	11,754	34,937	118	145,211
Subtotal .....	10,141	33,646	35,398	19,217	11,754	34,937	118	145,211
Residential mortgage:								
Risk Rating								
Pass .....	85,844	89,118	259,516	589,118	393,633	465,032	—	1,882,261
Substandard .....	—	—	1,599	616	1,855	6,189	—	10,259
Subtotal .....	85,844	89,118	261,115	589,734	395,488	471,221	—	1,892,520
Home equity:								
Risk Rating								
Pass .....	1,060	11,787	28,687	18,277	8,406	25,235	582,499	675,951
Substandard .....	—	—	—	—	—	1,031	—	1,031
Subtotal .....	1,060	11,787	28,687	18,277	8,406	26,266	582,499	676,982
Commercial mortgage:								
Risk Rating								
Pass .....	180,391	95,323	235,344	223,724	111,399	635,255	5,731	1,487,167
Special Mention .....	—	621	—	2,506	—	2,930	—	6,057
Substandard .....	—	—	—	—	—	7,456	—	7,456
Subtotal .....	180,391	95,944	235,344	226,230	111,399	645,641	5,731	1,500,680
Consumer:								
Risk Rating								
Pass .....	95,971	60,771	173,097	92,976	20,838	14,466	51,422	509,541
Substandard .....	21	90	162	144	27	478	60	982
Subtotal .....	95,992	60,861	173,259	93,120	20,865	14,944	51,482	510,523
Total loans, net of deferred fees and costs .....	\$ 544,616	\$ 350,371	\$ 804,301	\$ 1,006,482	\$ 569,739	\$ 1,335,637	\$ 721,706	\$ 5,332,852

The following table includes gross charge-offs of loans by origination year during the year ended December 31, 2024.

<b>Gross Charge-offs by Year of Origination</b>								
(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Amortized Cost of Revolving Loans	Total
Commercial and industrial: .....	\$ 102	\$ 434	\$ 438	\$ 519	\$ 33	\$ 1,451	\$ —	\$ 2,977
Real estate:								
Residential mortgage .....	—	—	175	—	—	208	—	383
Consumer .....	140	675	10,132	4,179	481	1,259	—	16,866
Total gross charge-offs .....	\$ 242	\$ 1,109	\$ 10,745	\$ 4,698	\$ 514	\$ 2,918	\$ —	\$ 20,226

Amortized Cost of Term Loans by Origination Year								Amortized Cost of Revolving Loans	Total
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior			
<b>December 31, 2023</b>									
Commercial and industrial:									
Risk Rating									
Pass	\$ 83,333	\$ 82,649	\$ 77,551	\$ 32,831	\$ 42,162	\$ 152,940	\$ 90,177	\$	\$ 561,643
Special Mention	—	—	2,916	—	—	944	93	—	3,953
Substandard	37	1,189	576	662	571	7,026	50	—	10,111
Subtotal	83,370	83,838	81,043	33,493	42,733	160,910	90,320	—	575,707
Construction:									
Risk Rating									
Pass	8,434	52,596	69,203	18,878	2,136	31,090	2,778	—	185,115
Special Mention	—	—	404	—	—	—	—	—	404
Subtotal	8,434	52,596	69,607	18,878	2,136	31,090	2,778	—	185,519
Residential mortgage:									
Risk Rating									
Pass	101,473	266,314	609,648	414,430	144,312	385,452	—	—	1,921,629
Special Mention	—	—	—	—	—	268	—	—	268
Substandard	—	1,057	299	931	818	2,787	—	—	5,892
Subtotal	101,473	267,371	609,947	415,361	145,130	388,507	—	—	1,927,789
Home equity:									
Risk Rating									
Pass	12,229	32,208	19,589	8,766	6,372	17,379	638,917	—	735,460
Substandard	—	—	—	—	66	998	—	—	1,064
Subtotal	12,229	32,208	19,589	8,766	6,438	18,377	638,917	—	736,524
Commercial mortgage:									
Risk Rating									
Pass	96,479	256,660	202,933	115,055	112,578	566,325	6,311	—	1,356,341
Special Mention	—	—	—	—	10,513	9,638	—	—	20,151
Substandard	—	—	2,587	—	1,654	2,169	—	—	6,410
Subtotal	96,479	256,660	205,520	115,055	124,745	578,132	6,311	—	1,382,902
Consumer:									
Risk Rating									
Pass	88,593	261,752	144,341	36,431	27,970	10,538	59,130	—	628,755
Substandard	58	231	205	87	83	1,084	10	—	1,758
Loss	—	—	—	—	—	28	—	—	28
Subtotal	88,651	261,983	144,546	36,518	28,053	11,650	59,140	—	630,541
Total loans, net of deferred fees and costs	\$ 390,636	\$ 954,656	\$ 1,130,252	\$ 628,071	\$ 349,235	\$ 1,188,666	\$ 797,466	\$	\$ 5,438,982

The following table includes gross charge-offs of loans by origination year during the year ended December 31, 2023.

Gross Charge-offs by Year of Origination								Amortized Cost of Revolving Loans	Total
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior			
Commercial and industrial:	\$ 211	\$ 314	\$ 204	\$ —	\$ 276	\$ 957	\$ —	\$	\$ 1,962
Consumer	111	8,282	5,997	1,148	833	874	—	—	17,245
Total gross charge-offs	\$ 322	\$ 8,596	\$ 6,201	\$ 1,148	\$ 1,109	\$ 1,831	\$ —	\$	\$ 19,207

#### 4. ALLOWANCE FOR CREDIT LOSSES AND RESERVE FOR OFF-BALANCE SHEET CREDIT EXPOSURES

The following tables present the activity in the ACL for loans by class for the years ended December 31, 2024, 2023 and 2022:

(Dollars in thousands)	Commercial & Industrial	Real Estate			Consumer	Total	
		Construction	Residential Mortgage	Home Equity			
<b>Year ended December 31, 2024</b>							
Beginning balance	\$ 7,181	\$ 4,004	\$ 14,626	\$ 3,501	\$ 17,543	\$ 17,079	\$ 63,934
Provision (credit) for credit losses on loans	2,373	(1,688)	988	(1,172)	1,339	9,122	10,962
Subtotal	9,554	2,316	15,614	2,329	18,882	26,201	74,896
Charge-offs	2,977	—	383	—	—	16,866	20,226
Recoveries	536	—	36	6	—	3,934	4,512
Net charge-offs (recoveries)	2,441	—	347	(6)	—	12,932	15,714
Ending balance	\$ 7,113	\$ 2,316	\$ 15,267	\$ 2,335	\$ 18,882	\$ 13,269	\$ 59,182

(Dollars in thousands)	Commercial & Industrial	Real Estate			Consumer	Total	
		Construction	Residential Mortgage	Home Equity			
<b>Year ended December 31, 2023</b>							
Beginning balance	\$ 6,824	\$ 2,867	\$ 11,804	\$ 4,114	\$ 17,902	\$ 20,227	\$ 63,738
Provision (credit) for credit losses on loans	1,599	1,136	2,745	(670)	(359)	10,784	15,235
Subtotal	8,423	4,003	14,549	3,444	17,543	31,011	78,973
Charge-offs	1,962	—	—	—	—	17,245	19,207
Recoveries	720	1	77	57	—	3,313	4,168
Net charge-offs (recoveries)	1,242	(1)	(77)	(57)	—	13,932	15,039
Ending balance	\$ 7,181	\$ 4,004	\$ 14,626	\$ 3,501	\$ 17,543	\$ 17,079	\$ 63,934

(Dollars in thousands)	Commercial & Industrial	Real Estate			Consumer	Total	
		Construction	Residential Mortgage	Home Equity			
<b>Year ended December 31, 2022</b>							
Beginning balance	\$ 10,391	\$ 3,908	\$ 12,463	\$ 4,509	\$ 18,411	\$ 18,415	\$ 68,097
Provision (credit) for credit losses on loans	(2,593)	(1,117)	(954)	(431)	(509)	5,892	288
Subtotal	7,798	2,791	11,509	4,078	17,902	24,307	68,385
Charge-offs	1,969	—	—	—	—	6,399	8,368
Recoveries	995	76	295	36	—	2,319	3,721
Net charge-offs	974	(76)	(295)	(36)	—	4,080	4,647
Ending balance	\$ 6,824	\$ 2,867	\$ 11,804	\$ 4,114	\$ 17,902	\$ 20,227	\$ 63,738

The following table presents the activity in the reserve for off-balance sheet credit exposures, included in other liabilities, under ASC 326 during the years ended December 31, 2024, 2023 and 2022.

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
Balance, beginning of year	\$ 3,706	\$ 3,243	\$ 4,804
Provision (credit) for off-balance sheet credit exposures	(1,136)	463	(1,561)
Balance, end of year	\$ 2,570	\$ 3,706	\$ 3,243

In accordance with GAAP, loans held for sale and other real estate assets are not included in our assessment of the ACL.

In determining the amount of our ACL, the Company relies on an analysis of its loan portfolio, experience and evaluation of general economic conditions, as well as regulatory requirements and input. If assumptions prove to be incorrect, the current ACL may not be sufficient to cover future credit losses and the Company may experience significant increases to the provision.

## 5. PREMISES AND EQUIPMENT

Premises and equipment consisted of the following as of December 31, 2024 and 2023:

(Dollars in thousands)	December 31,	
	2024	2023
Land	\$ 22,564	\$ 22,564
Office buildings and improvements	161,712	148,362
Furniture, fixtures and equipment	39,302	38,867
Gross premises and equipment	223,578	209,793
Accumulated depreciation and amortization	(119,236)	(113,609)
Net premises and equipment	\$ 104,342	\$ 96,184

Depreciation and amortization of premises and equipment were charged to the following operating expenses during the periods presented:

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
Net occupancy	\$ 4,740	\$ 4,813	\$ 4,720
Equipment	2,138	2,130	2,145
Total	\$ 6,878	\$ 6,943	\$ 6,865

## 6. INVESTMENTS IN UNCONSOLIDATED ENTITIES

Investments in unconsolidated entities consisted of the following components as of December 31, 2024 and 2023:

(Dollars in thousands)	December 31,	
	2024	2023
Investments in low income housing tax credit partnerships	\$ 48,730	\$ 37,838
Investments in common securities of statutory trusts	1,547	1,547
Investments in affiliates	90	111
Other	2,050	2,050
Total	\$ 52,417	\$ 41,546

The Company invests in low income housing tax credit ("LIHTC") partnerships. As of December 31, 2024 and 2023, the Company had \$19.1 million and \$22.0 million, respectively, in unfunded commitments related to the LIHTC partnerships, which is included in other liabilities in the Company's consolidated balance sheets.

The expected payments for the unfunded commitments related to the Company's investments in unconsolidated entities as of December 31, 2024 are as follows:

(Dollars in thousands)	LIHTC		Other	
	Partnerships	Partnerships	Partnerships	Total
Year Ending December 31:				
2025	\$ 11,027	\$ 803	\$	11,830
2026	7,564	—		7,564
2027	36	—		36
2028	30	—		30
2029	36	—		36
Thereafter	387	—		387
Total commitments	\$ 19,080	\$ 803	\$	19,883

The following table presents amortization expense and tax credits recognized associated with our investments in LIHTC partnerships for the periods presented:

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
Proportional amortization method:			
Amortization expense recognized in income tax expense .....	\$ 4,794	\$ 3,101	\$ 2,566
Federal and state tax credits recognized in income tax expense .....	5,632	3,400	2,938

In 2021, the Company committed \$2.0 million in the JAM FINTOP Banktech Fund, L.P. The Company does not have the ability to exercise significant influence over the JAM FINTOP Banktech Fund, L.P. and the investment does not have a readily determinable fair value. As a result, the Company determined that the cost method of accounting for the investment was appropriate. The investment is included in investment in unconsolidated entities in the Company's consolidated balance sheets. As of December 31, 2024, the Company had an unfunded commitment of \$0.8 million related to the investment, which is expected to be paid in 2025. The unfunded commitment is included in other liabilities in the Company's consolidated balance sheets.

During the third quarter of 2023, the Company entered into a transaction with Swell Financial, Inc. ("Swell") whereby Swell repurchased the Company's entire preferred and common stock equity investment in exchange for \$0.5 million in cash and certain intangible assets. The intangible assets totaling \$1.5 million are included in other assets in the Company's consolidated balance sheet at December 31, 2023. During the fourth quarter of 2024, the Company performed an impairment analysis and determined that the carrying value of the intangible assets would not be recoverable. As a result, the Company recorded impairment of \$1.3 million on the intangible assets. The carrying value of the intangible assets was zero as of December 31, 2024.

## 7. MORTGAGE SERVICING RIGHTS

Loans serviced for others totaled \$1.18 billion and \$1.22 billion as of December 31, 2024 and 2023, respectively.

The following table presents changes in our mortgage servicing rights for the periods presented:

(Dollars in thousands)	Mortgage Servicing Rights
Balance as of December 31, 2022 .....	\$ 9,074
Additions .....	327
Amortization .....	(705)
Balance as of December 31, 2023 .....	8,696
Additions .....	553
Amortization .....	(776)
Balance as of December 31, 2024 .....	\$ 8,473

The gross carrying value, accumulated amortization, and net carrying value related to our mortgage servicing rights as of December 31, 2024 and 2023 are presented below:

(Dollars in thousands)	December 31, 2024			December 31, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Mortgage servicing rights .....	\$ 70,293	\$ (61,820)	\$ 8,473	\$ 69,740	\$ (61,044)	\$ 8,696

Based on our mortgage servicing rights held as of December 31, 2024, estimated amortization expense for the next five succeeding fiscal years and all years thereafter are as follows:

**(Dollars in thousands)**

**Year Ending December 31:**

2025	\$	928
2026		887
2027		788
2028		699
2029		612
Thereafter		4,559
<b>Total</b>	<b>\$</b>	<b>8,473</b>

The Company utilizes the amortization method to measure our mortgage servicing rights. Under the amortization method, mortgage servicing rights are amortized in proportion to and over the period of net servicing income. Income generated as the result of new mortgage servicing rights is reported as a component of mortgage banking income and totaled \$0.6 million, \$0.3 million, and \$0.6 million in 2024, 2023 and 2022, respectively. Amortization of the servicing rights is reported as a component of mortgage banking income in the Company's consolidated statements of income. Ancillary income is recorded in other income. Mortgage servicing rights are recorded when loans are sold to third-parties with servicing of those loans retained, and are classified and pooled into buckets of homogeneous characteristics.

Initial fair value of the servicing right is calculated by a discounted cash flow model prepared by a third-party service provider based on market value assumptions at the time of origination. The servicing right is assessed for impairment using current market value assumptions at each reporting period. Critical assumptions used in the discounted cash flow model include mortgage prepayment speeds, discount rates, and servicing income and costs. Variations in our assumptions could materially affect the estimated fair values. Changes to our assumptions are made when current trends and market data indicate that new trends have developed. Current market value assumptions based on loan product types (fixed-rate, adjustable-rate and government FHA loans) include average discount rates, servicing costs and ancillary income. Many of these assumptions are subjective and require a high level of management judgment. The Company's mortgage servicing rights portfolio and valuation assumptions are periodically reviewed by management.

Prepayment speeds may be affected by economic factors such as home price appreciation, market interest rates, availability of other credit products to our borrowers and customer payment patterns. Prepayment speeds include the impact of all borrower prepayments, including full payoffs, additional principal payments and the impact of loans paid off due to foreclosure liquidations. As market interest rates decline, prepayment speeds will generally increase as customers refinance existing mortgages under more favorable interest rate terms. As prepayment speeds increase, anticipated cash flows will generally decline resulting in a potential reduction, or impairment, to the fair value of the capitalized mortgage servicing rights. Alternatively, an increase in market interest rates may cause a decrease in prepayment speeds and therefore an increase in fair value of mortgage servicing rights.

The following table presents the fair market value and key assumptions used in determining the fair market value of our mortgage servicing rights:

<b>(Dollars in thousands)</b>	<b>Year Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Fair market value, beginning of period	\$ 12,185	\$ 12,061
Fair market value, end of period	12,387	12,185
Weighted-average discount rate	9.5 %	9.5 %
Weighted-average prepayment speed assumption	10.2 %	11.2 %

## 8. DERIVATIVES

The Company utilizes various designated and undesignated derivative financial instruments to reduce our exposure to movements in interest rates. All derivatives are measured at fair value on the Company's consolidated balance sheet. In each reporting period, we record the derivative instruments in other assets or other liabilities depending on whether the derivatives are in an asset or liability position. For derivative instruments that are designated as hedging instruments, the effective portion

of the changes in the fair value of the derivative are reported in AOCI, net of tax, until earnings are affected by the variability of cash flows of the hedged transaction. The portion of the gain or loss in the fair value of the derivative that represents hedge ineffectiveness is immediately recognized in current period earnings. For derivative instruments that are not designated as hedging instruments, changes in the fair value of the derivative are included in current period earnings.

Derivative financial instruments are subject to credit and counterparty risk, which is defined as the risk of financial loss if a borrower or counterparty is either unable or unwilling to repay borrowings or settle transactions in accordance with the underlying contractual terms. Credit and counterparty risks associated with derivative financial instruments are similar to those relating to traditional financial instruments. The Company manages derivative credit and counterparty risk by evaluating the creditworthiness of each borrower or counterparty and requiring collateral where appropriate.

### **Interest Rate Lock and Forward Sale Commitments**

The Company enters into interest rate lock commitments on certain mortgage loans that are intended to be sold. To manage interest rate risk on interest rate lock commitments, the Company also enters into forward loan sale commitments. The interest rate lock and forward loan sale commitments are accounted for as undesignated derivatives and are recorded at their respective fair values in other assets or other liabilities, with changes in fair value recorded in current period earnings. These instruments serve to reduce our exposure to movements in interest rates. At December 31, 2024, the Company was party to forward sale commitments on \$4.9 million of mortgage loans. At December 31, 2023, the Company was not party to any forward sale commitments on mortgage loans. As of December 31, 2024 and 2023, the Company had interest rate lock commitments on mortgage loans of \$0.5 million and \$1.8 million, respectively.

### **Risk Participation Agreements**

From time to time, the Company may enter into credit risk participation agreements ("RPA") with financial institution counterparties for interest rate swaps related to loans in which the Company participates. The risk participation agreements entered into by the Company as a participant bank provide credit protection to the financial institution counterparties should the borrowers fail to perform on their interest rate derivative contracts with the financial institutions.

### **Back-to-Back Swap Agreements**

The Company established a program whereby it originates a variable rate loan and enters into a variable-to-fixed interest rate swap with the customer. The Company also enters into an equal and offsetting swap with a highly rated third-party financial institution. These "back-to-back swap agreements" are intended to offset each other and allow the Company to originate a variable rate loan, while providing a contract for fixed interest payments for the customer. The net cash flow for the Company is equal to the interest income received from a variable rate loan originated with the customer. These back-to-back swap agreements are free-standing derivatives and are recorded at fair value in other assets or other liabilities on the Company's consolidated balance sheet, with changes recorded in current period earnings.

As of December 31, 2024 and 2023, the Company has entered into swaps agreements with its borrowers with a total notional amount of \$50.2 million and \$51.1 million, respectively, offset by swap agreements with third-party financial institutions with a total notional amount of \$50.2 million and \$51.1 million, respectively. As of December 31, 2024 and 2023, the Company pledged \$12.9 million and \$9.6 million, respectively, in cash as collateral for the back-to-back swap agreements.

### **Interest Rate Swaps**

To mitigate interest rate risk, during the first quarter of 2022, the Company entered into a forward starting interest rate swap, with an effective date of March 31, 2024. This transaction had a notional amount totaling \$115.5 million as of December 31, 2024, and was designated as a fair value hedge of certain municipal debt securities. The Company pays the counterparty a fixed rate of 2.095% and receives a floating rate based on the Federal Funds effective rate. The fair value hedge has a maturity date of March 31, 2029. The interest rate swap is carried on the Company's consolidated balance sheet at its fair value in other assets (when the fair value is positive) or in other liabilities (when the fair value is negative). The changes in the fair value of the interest rate swap are recorded in interest income. The unrealized gains or losses due to changes in fair value of the hedged debt securities due to changes in benchmark interest rates are recorded as an adjustment to the hedged debt securities and offset in the same interest income line item.

The following table presents the location of all assets and liabilities associated with our derivative instruments within the Company's consolidated balance sheet:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	Asset Derivatives		Liability Derivatives	
		Fair Value at	Fair Value at	Fair Value at	Fair Value at
		December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
(Dollars in thousands)					
Interest rate lock and forward sale commitments	Other assets / other liabilities	\$ 46	\$ —	\$ 4	\$ 34
Back-to-back swap agreements	Other assets / other liabilities	3,840	3,547	3,840	3,547

Derivatives Designated as Hedging Instruments	Balance Sheet Location	Asset Derivatives		Liability Derivatives	
		Fair Value at	Fair Value at	Fair Value at	Fair Value at
		December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
(Dollars in thousands)					
Interest rate swap	Other assets / other liabilities	\$ 8,382	\$ 6,440	\$ —	\$ —

The following table presents the impact of derivative instruments and their location within the Company's consolidated statements of income for the periods presented:

Derivatives Not in Cash Flow Hedging Relationship	Location of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives
	(Dollars in thousands)	
<b>Year ended December 31, 2024</b>		
Interest rate lock and forward sale commitments	Mortgage banking income	\$ 77
Loans held for sale	Other income	(78)
Risk participation agreements	Other service charges and fees	—
Back-to-back swap agreements	Other service charges and fees	80
<b>Year ended December 31, 2023</b>		
Interest rate lock and forward sale commitments	Mortgage banking income	(42)
Loans held for sale	Other income	3
Risk participation agreements	Other service charges and fees	—
Back-to-back swap agreements	Other service charges and fees	71
<b>Year ended December 31, 2022</b>		
Interest rate lock and forward sale commitments	Mortgage banking income	8
Loans held for sale	Other income	(3)
Risk participation agreements	Other service charges and fees	16
Back-to-back swap agreements	Other service charges and fees	—
Derivatives in Cash Flow Hedging Relationship	Location of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives
(Dollars in thousands)		
<b>Year ended December 31, 2024</b>		
Interest rate swap	Interest income	\$ 2,563
<b>Year ended December 31, 2023</b>		
Interest rate swap	Interest income	\$ (37)
<b>Year ended December 31, 2022</b>		
Interest rate swap	Interest income	\$ (340)

## 9. DEPOSITS

The Company had \$1.09 billion and \$1.40 billion of total time deposits as of December 31, 2024 and 2023, respectively. Contractual maturities of total time deposits as of December 31, 2024 were as follows:

(Dollars in thousands)

Year Ending December 31:

2025	\$	1,048,873
2026		24,748
2027		6,581
2028		2,728
2029		3,908
Thereafter		347
Total	\$	<u>1,087,185</u>

Time deposits that meet or exceed the FDIC insurance limit of \$250,000 totaled \$624.3 million and \$899.3 million at December 31, 2024 and 2023, respectively. This includes \$103.1 million and \$374.6 million in government time deposits at December 31, 2024 and 2023, respectively, which are fully collateralized.

Contractual maturities of time deposits of \$250,000 or more as of December 31, 2024 were as follows:

(Dollars in thousands)

Three months or less	\$	327,050
Over three months through six months		191,786
Over six months through twelve months		92,247
2026		11,867
2027		880
2028		—
2029		500
Thereafter		—
Total	\$	<u>624,330</u>

Overdrawn deposit accounts totaling \$1.3 million and \$0.7 million have been reclassified as loans on the Company's consolidated balance sheets as of December 31, 2024 and 2023, respectively.

## 10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The Bank is a member of the FHLB and maintained a \$1.76 billion line of credit, of which \$1.63 billion remained available as of December 31, 2024. The FHLB advances available of \$1.63 billion at December 31, 2024 was secured by certain real estate loans with a carrying value of \$3.14 billion in accordance with the collateral provisions of the Advances, Pledge and Security Agreement with the FHLB. There were no short-term borrowings outstanding under this arrangement at December 31, 2024 and 2023.

The FHLB provides standby letters of credit on behalf of the Bank to secure certain public deposits. If the FHLB is required to make a payment on a standby letter of credit, the payment amount is converted to an advance at the FHLB. The standby letters of credit issued on our behalf by the FHLB totaled \$83.6 million and \$72.0 million as of December 31, 2024 and 2023, respectively.

The Bank had additional unused borrowings available at the Federal Reserve discount window of \$232.1 million and \$285.8 million as of December 31, 2024 and 2023, respectively. Certain commercial real estate and commercial loans with carrying values totaling \$128.3 million and \$135.1 million were pledged as collateral on our line of credit with the Federal Reserve discount window as of December 31, 2024 and 2023, respectively. In addition, investment securities with a par value of \$184.3 million and \$196.7 million as of December 31, 2024 and 2023, respectively, were pledged to the Federal Reserve in support of the line of credit. The Federal Reserve does not have the right to sell or repledge these loans and investment securities.

Interest expense on short-term borrowings totaled \$1 thousand, \$1.1 million and \$1.1 million in 2024, 2023 and 2022, respectively.

A summary of the Bank's short-term borrowings as of December 31, 2024, 2023 and 2022 is as follows:

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
Amount outstanding at December 31, .....	\$ —	\$ —	\$ 5,000
Average amount outstanding during year .....	17	23,322	37,211
Highest month-end balance during year .....	6,000	100,000	140,000
Weighted-average interest rate on balances outstanding at December 31, .....	— %	— %	4.60 %
Weighted-average interest rate during year .....	5.58 %	4.88 %	2.84 %

Long-term debt, which is based on original maturity, consisted of FHLB advances, subordinated notes and debentures totaling \$156.3 million and \$156.1 million at December 31, 2024 and 2023, respectively.

(Dollars in thousands)	December 31,	
	2024	2023
FHLB advances .....	\$ 50,000	\$ 50,000
Subordinated debentures .....	51,547	51,547
Subordinated notes, net of unamortized debt issuance costs of \$202 and \$445 .....	54,798	54,555
Total .....	\$ 156,345	\$ 156,102

At December 31, 2024, future principal payments on long-term debt based on redemption date or final maturity are as follows:

(Dollars in thousands)	
Year Ending December 31:	
2025 .....	\$ 25,000
2026 .....	—
2027 .....	—
2028 .....	25,000
2029 .....	—
Thereafter .....	106,547
Total .....	\$ 156,547

### FHLB Advances

The Bank had \$50.0 million in FHLB long-term advances outstanding as of December 31, 2024 and 2023. Interest expense on FHLB long-term advances was \$2.2 million and \$1.9 million in 2024 and 2023, respectively. The Bank did not incur any interest expense on FHLB long-term advances in 2022.

### Subordinated Debentures

As of December 31, 2024 and 2023, the Company had the following junior subordinated debentures outstanding:

(Dollars in thousands)	December 31, 2024 and 2023		December 31, 2024 and 2023	
	Name of Trust	Subordinated Debentures	Interest Rate	
Trust IV .....	\$ 30,928	Three-month CME Term SOFR + tenor spread adjustment of 0.26% + 2.45%		
Trust V .....	20,619	Three-month CME Term SOFR + tenor spread adjustment of 0.26% + 1.87%		
Total .....	\$ 51,547			

In September 2004, the Company created a wholly-owned statutory trust, CPB Capital Trust IV ("Trust IV"). Trust IV issued \$30.0 million in floating rate trust preferred securities which bore an interest rate of three-month LIBOR plus 2.45% and maturing on December 15, 2034. The principal assets of Trust IV are \$30.9 million of the Company's junior subordinated

debentures with an identical interest rate and maturity as the Trust IV trust preferred securities. Trust IV issued \$0.9 million of common securities to the Company.

In December 2004, the Company created a wholly-owned statutory trust, CPB Statutory Trust V ("Trust V"). Trust V issued \$20.0 million in floating rate trust preferred securities which bore an interest rate of three-month LIBOR plus 1.87% and maturing on December 15, 2034. The principal assets of Trust V are \$20.6 million of the Company's junior subordinated debentures with an identical interest rate and maturity as the Trust V trust preferred securities. Trust V issued \$0.6 million of common securities to the Company.

On July 3, 2023, after the cessation of the LIBOR benchmark rate on June 30, 2023, the Company amended its Trust IV and Trust V debt agreements to replace the LIBOR-based reference rate with an adjusted CME Term Secured Overnight Financing Rate ("SOFR") plus a tenor spread adjustment. ASC 848 allows us to account for the modification as a continuation of the existing contract without additional analysis.

The Company is not considered the primary beneficiary of Trusts IV and V and the trusts are not consolidated in the Company's financial statements. The subordinated debentures are shown as a liability on the Company's consolidated balance sheets. The Company's investment in the common securities of the trusts are included in investment in unconsolidated entities in the Company's consolidated balance sheets.

The floating rate trust preferred securities, the junior subordinated debentures that are the assets of Trusts IV and V and the common securities issued by Trusts IV and V are redeemable in whole or in part on any interest payment date on or after December 15, 2009 for Trust IV and V, or at any time in whole but not in part within 90 days following the occurrence of certain events. Our obligations with respect to the issuance of the trust preferred securities constitute a full and unconditional guarantee by the Company of each trust's obligations with respect to its trust preferred securities. Subject to certain exceptions and limitations, we may elect from time to time to defer interest payments on the subordinated debentures, which would result in a deferral of distribution payments on the related trust preferred securities, for up to 20 consecutive quarterly periods without default or penalty.

The subordinated debentures may be included in Tier 1 capital, with certain limitations applicable, under current regulatory guidelines and interpretations.

### Subordinated Notes

As of December 31, 2024 and 2023, the Company had the following subordinated notes outstanding:

(Dollars in thousands) Name	December 31, 2024 and 2023	
	Subordinated Notes	Interest Rate
October 2020 Private Placement	\$ 55,000	4.75% for the first five years. Resets quarterly thereafter to the then current three-month SOFR plus 456 basis points.

On October 20, 2020, the Company completed a \$55.0 million private placement of ten-year fixed-to-floating rate subordinated notes. The Company exchanged the privately placed notes for registered notes with the same terms and in the same aggregate principal amount at the end of the fourth quarter of 2020. The Notes, which have been used to support regulatory capital ratios and for general corporate purposes, bear a fixed interest rate of 4.75% for the first five years through November 1, 2025 and will reset quarterly thereafter for the remaining five years to the then current three-month Secured Overnight Financing Rate ("SOFR"), as published by the Federal Reserve Bank of New York, plus 456 basis points. The subordinated notes are callable at any time after the first five years, or November 1, 2025.

The subordinated notes may be included in Tier 2 capital, with certain limitations applicable, under current regulatory guidelines and interpretations. The subordinated notes had a carrying value of \$54.8 million, net of unamortized debt issuance costs of \$0.2 million, at December 31, 2024.

## 11. EQUITY

As a Hawaii state-chartered bank, Central Pacific Bank may only pay dividends to the extent it has retained earnings as defined under Hawaii banking law ("Statutory Retained Earnings"), which differs from GAAP retained earnings. As of December 31, 2024 and 2023, the Bank had Statutory Retained Earnings of \$196.8 million and \$169.1 million, respectively.

Dividends are payable at the discretion of the Board of Directors and are subject to restrictions under federal and Hawaii law, including restrictions imposed by the FRB and covenants set forth in various agreements we are a party to, including covenants set forth in our subordinated debentures. There can be no assurance that the Board of Directors will continue to pay dividends at the same rate, or at all, in the future.

We repurchase shares of our common stock when we believe such repurchases are in the best interests of the Company.

In January 2023, the Company's Board of Directors authorized the repurchase of up to \$25.0 million of its common stock from time to time in the open market or in privately negotiated transactions, pursuant to a newly authorized share repurchase program (the "2023 Repurchase Plan"). The 2023 Repurchase Plan replaced and superseded in its entirety the share repurchase plan previously approved by the Board of Directors, which had \$9.3 million in remaining repurchase authority. The Company's 2023 Repurchase Plan was subject to a one-year expiration.

In the year ended December 31, 2023, 130,010 shares of common stock, at a cost of \$2.6 million, were repurchased under the Company's share repurchase programs.

In January 2024, the Company's Board of Directors authorized the repurchase of up to \$20.0 million of its common stock from time to time in the open market or in privately negotiated transactions, pursuant to a share repurchase program (the "2024 Repurchase Plan"). The 2024 Repurchase Plan replaced and superseded in its entirety the share repurchase program previously approved by the Company's Board of Directors, which had \$23.4 million in remaining repurchase authority.

In the year ended December 31, 2024, a total of 49,960 shares of common stock, at a cost of \$0.9 million, were repurchased under the Company's share repurchase program. A total of \$19.1 million remained available for repurchase under the Company's 2024 Repurchase Plan at December 31, 2024.

## 12. REVENUE FROM CONTRACTS WITH CUSTOMERS

### Revenue Recognition

ASC 606, "Revenue from Contracts with Customers", establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts to provide goods or services to its customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services. Revenue is recognized as performance obligations are satisfied.

The Company recognizes revenues as they are earned based on contractual terms, as transactions occur, or as services are provided and collectability is reasonably assured. Our principal source of revenue is derived from interest income on financial instruments, such as our loan and investment securities portfolios, as well as revenue related to our mortgage banking activities. These revenue-generating transactions are out of scope of ASC 606, but are subject to other GAAP and discussed elsewhere within our disclosures.

The Company also generates other revenue in connection with our broad range of banking products and financial services. Descriptions of our other revenue-generating activities that are within the scope of ASC 606, which are presented in the Company's consolidated statements of income as components of other operating income are as follows:

#### *Mortgage banking income*

Loan placement fees, included in mortgage banking income, primarily represent revenues earned by the Company for loan placement and underwriting. Revenues for these services are recorded at a point-in-time, upon completion of a contractually identified transaction, or when an advisory opinion is provided.

#### *Service charges on deposit accounts*

Revenue from service charges on deposit accounts includes general service fees for monthly account maintenance and activity- or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue is recognized when our performance obligation is completed, which is generally monthly for account maintenance services or when a transaction has been completed (such as stop payment fees). Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

### *Other Service Charges and Fees*

Revenue from other service charges and fees includes fees on foreign exchange, cards and payments income, safe deposit rental income and other service charges, commissions and fees.

The Company provides foreign currency exchange services to customers, whereby cash can be converted to different foreign currencies, and vice versa. As a result of the services, a gain or loss is recognized on foreign currency transactions, as well as income related to commissions and fees earned on each transaction. Revenue from the commissions and fees earned on the transactions fall within the scope of ASC 606, and is recorded in a manner that reflects the timing of when transactions occur, and as services are provided. Realized and unrealized gains or losses related to foreign currency are out of scope of ASC 606.

Cards and payments income includes interchange fees from debit cards processed through card association networks, merchant services, and other card related services. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. Interchange fees are recognized as transactions occur. Interchange expenses related to cards and payments income are presented gross in other operating expense. Merchant services income represents account management fees and transaction fees charged to merchants for the processing of card association network transactions. Merchant services revenue is recognized as transactions occur, or as services are performed.

Other service charges, commissions and fees include automated teller machines ("ATM") surcharge and interchange fees, bill payment fees, cashier's check and money order fees, wire transfer fees, loan brokerage fees, and commissions on sales of insurance, broker-dealer products, and letters of credit. Revenue from these fees and commissions is recorded in a manner that reflects the timing of when transactions occur, and as services are provided.

Based on the nature of the commission agreement with the broker-dealer and each insurance provider, we may recognize revenue from broker-dealer and insurance commissions over time or at a point-in-time as our performance obligation is satisfied.

### *Income from Fiduciary Activities*

Income from fiduciary activities includes fees from wealth management, trust, custodial and escrow services provided to individual and institutional customers. Revenue is generally recognized monthly based on a minimum annual fee and/or the market value of assets in custody. Additional fees are recognized for transactional activity.

Revenue from trade execution and brokerage services is earned through commissions from trade execution on behalf of clients. Revenue from these transactions is recognized at the trade date. Any ongoing service fees are recognized on a monthly basis as services are performed.

### *Net Gain (Loss) on Sales of Foreclosed Assets*

The Company records a gain or loss on the sale of a foreclosed property when control of the property transfers to the Company, which typically occurs at the time the deed is executed. The Company does not finance the sale of the foreclosed property.

The following presents the Company's other operating income, segregated by revenue streams that are in-scope and out-of-scope of ASC 606 for the periods presented:

#### **Year Ended December 31, 2024**

(Dollars in thousands)

	<b>In-scope</b>	<b>Out-of-scope</b>	<b>Total</b>
<b>Other operating income:</b>			
Mortgage banking income .....	\$ 917	\$ 2,471	\$ 3,388
Service charges on deposit accounts .....	8,656	—	8,656
Other service charges and fees .....	20,128	2,425	22,553
Income on fiduciary activities .....	5,761	—	5,761
Net (losses) gains on sales of investment securities .....	—	(9,934)	(9,934)
Income from bank-owned life insurance .....	—	6,619	6,619
Other .....	—	1,680	1,680
<b>Total other operating income .....</b>	<b>\$ 35,462</b>	<b>\$ 3,261</b>	<b>\$ 38,723</b>

**Year Ended December 31, 2023**

(Dollars in thousands)

	In-scope	Out-of-scope	Total
Other operating income:			
Mortgage banking income	\$ 687	\$ 1,905	\$ 2,592
Service charges on deposit accounts	8,753	—	8,753
Other service charges and fees	18,605	1,926	20,531
Income on fiduciary activities	4,895	—	4,895
Net (losses) gains on sales of investment securities	—	(2,074)	(2,074)
Income from bank-owned life insurance	—	4,870	4,870
Other	—	7,096	7,096
Total other operating income	<u>32,940</u>	<u>13,723</u>	<u>46,663</u>

**Year Ended December 31, 2022**

(Dollars in thousands)

	In-scope	Out-of-scope	Total
Other operating income:			
Mortgage banking income	\$ 1,060	\$ 2,750	\$ 3,810
Service charges on deposit accounts	8,197	—	8,197
Other service charges and fees	16,581	2,444	19,025
Income on fiduciary activities	4,565	—	4,565
Net (losses) gains on sales of investment securities	—	8,506	8,506
Income from bank-owned life insurance	—	1,865	1,865
Other	—	1,951	1,951
Total other operating income	<u>\$ 30,403</u>	<u>\$ 17,516</u>	<u>\$ 47,919</u>

**13. SHARE-BASED COMPENSATION**

In accordance with ASC 718, compensation expense is recognized only for those shares expected to vest, based on the Company's historical experience and future expectations. The following table summarizes the effects of share-based compensation for options and awards granted under the Company's equity incentive plans for each of the periods presented:

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
Salaries and employee benefits	\$ 2,165	\$ 2,641	\$ 4,567
Directors stock awards	432	399	350
Income tax benefit	(742)	(957)	(1,461)
Net share-based compensation effect	<u>\$ 1,855</u>	<u>\$ 2,083</u>	<u>\$ 3,456</u>

Upon exercise or vesting of a share-based award, if the tax deduction exceeds the compensation cost that was previously recorded for financial statement purposes, this will result in an excess tax benefit. The Company recognizes all excess tax benefits or tax deficiencies through the income statement as income tax expense/benefit. The Company recorded income tax benefits of \$0.1 million, \$0.2 million, and \$0.1 million in 2024, 2023, and 2022, respectively, as a result of restricted stock units vesting during the respective years.

The Company's share-based compensation arrangements are described below:

**Equity Incentive Plans**

The Company has adopted equity incentive plans for the purpose of granting options, restricted stock and other equity based awards for the Company's common stock to directors, officers and other key individuals. Option awards are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant; those option awards generally vest based on three or five years of continuous service and have 10-year contractual terms. Certain option and share awards provide for accelerated vesting if there is a change in control (as defined in the stock option plans below). The Company has historically issued new shares of common stock upon exercises of stock options and purchases of restricted awards.

In January 2023, the Company adopted and shareholders approved the 2023 Stock Compensation Plan ("2023 Plan") making available 1,140,000 shares for grants to employees and directors. Upon adoption of the 2023 Plan, all unissued shares from the previous plan were frozen and no new grants were granted under the previous plan. Shares may continue to be settled under the previous plan pursuant to previously outstanding awards. New shares are issued from the 2023 Plan.

A total of 950,328 and 1,108,639 shares were available for future grants under our 2023 Plan as of December 31, 2024 and 2023, respectively, and 747,332 shares were previously available for future grants under our previous stock compensation plan as of December 31, 2022.

### Restricted and Performance Stock Units

Under the 2023 Plan, the Company awarded restricted stock units ("RSUs") and performance stock units ("PSUs") to non-officer directors and certain senior management personnel. The awards typically vest over a two, three or five year period from the date of grant and are subject to forfeiture until performance and employment targets are achieved. The fair value of the grant and the related compensation expense is typically measured as the market price of the stock award on the grant date, and is recognized over the specified vesting periods.

As of December 31, 2024, there was \$2.7 million of total unrecognized compensation cost related to RSUs and PSUs that is expected to be recognized over a weighted-average period of 1.8 years.

The table below presents the activity of RSUs and PSUs for each of the periods presented:

	Number of Units	Weighted Average Grant Date Fair Value	Fair Value of RSUs and PSUs That Vested During The Year (in thousands)
Unvested as of December 31, 2021	485,339	\$ 21.95	
Changes during the year:			
Granted	99,887	28.99	
Forfeited	(53,980)	25.66	
Vested	(178,781)	21.91	\$ 4,787
Unvested as of December 31, 2022	352,465	23.40	
Changes during the year:			
Granted	115,992	22.76	
Forfeited	(53,041)	25.09	
Vested	(190,837)	20.93	3,942
Unvested as of December 31, 2023	224,579	24.76	
Changes during the year:			
Granted	137,911	19.41	
Forfeited	(1,648)	20.59	
Vested	(76,691)	23.68	1,515
Unvested as of December 31, 2024	284,151	22.48	

### Stock Options

There were no stock options that were granted or vested in 2024, 2023 and 2022. As of December 31, 2024, all shares have been vested and exercised.

There were no options exercised during the year ended December 31, 2024 and 2023. There were 47,440 options exercised during the year ended December 31, 2022. The aggregate intrinsic value of options exercised in 2022 under our stock compensation plans determined as of the date of exercise was \$0.7 million.

As of December 31, 2024, all compensation costs related to stock options granted to employees under our stock option plans have been recognized.

## 14. RETIREMENT BENEFITS

### Defined Benefit Retirement Plan

The Bank had a defined benefit retirement plan that covered substantially all of its employees who were employed during the period that the plan was in effect. Effective December 31, 2002, the Bank curtailed its defined benefit retirement plan, and accordingly, plan benefits were fixed as of that date.

The Company completed the termination and settlement of its defined benefit retirement plan in the second quarter of 2022 and recognized a one-time noncash settlement expense of \$4.9 million, which was recorded in other operating expense.

With the termination of the defined benefit retirement plan in the second quarter of 2022, there were no plan assets, further defined benefit retirement plan liability or ongoing pension expense recognition remaining as of December 31, 2022 and no activity in 2023 and 2024.

### Supplemental Executive Retirement Plans

In 1995, 2001, 2004 and 2006, our Bank established Supplemental Executive Retirement Plans ("SERP") that provide certain current and former officers of the Company with supplemental retirement benefits. On December 31, 2002, the 1995 and 2001 SERP were curtailed. In conjunction with the September 2004 merger with CB Bancshares, Inc. ("CBBI"), we assumed CBBI's SERP obligation. The SERP holds no plan assets other than employer contributions that are paid as benefits during the year.

The following tables set forth information pertaining to the SERP for the periods presented:

(Dollars in thousands)	Year Ended December 31,	
	2024	2023
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 9,274	\$ 9,220
Interest cost	434	448
Actuarial (gains) losses	(378)	181
Benefits paid	(575)	(575)
Benefit obligation at end of year	8,755	9,274
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	—	—
Employer contributions	575	575
Benefits paid	(575)	(575)
Fair value of plan assets at end of year	—	—
Funded status at end of year	\$ (8,755)	\$ (9,274)
<b>Amounts recognized in AOCI</b>		
Net actuarial losses	\$ 426	\$ 106
Total amounts recognized in AOCI	\$ 426	\$ 106
<b>Benefit obligation actuarial assumptions</b>		
Weighted-average discount rate	5.2 %	4.8 %

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
<b>Components of net periodic benefit cost</b>			
Interest cost.....	\$ 432	\$ 448	\$ 301
Amortization of net actuarial (gains) losses.....	(2)	(74)	79
Amortization of net transition obligation.....	—	7	18
Net periodic benefit cost.....	<u>\$ 430</u>	<u>\$ 381</u>	<u>\$ 398</u>
<b>Net periodic cost actuarial assumptions</b>			
Weighted-average discount rate.....	4.9 %	5.1 %	2.7 %

Estimated future benefit payments reflecting expected future service for the SERP in each of the next five years and thereafter are as follows:

(Dollars in thousands)	
Year Ending December 31:	
2025.....	\$ 574
2026.....	569
2027.....	563
2028.....	954
2029.....	1,026
Thereafter.....	5,069
Total.....	<u>\$ 8,755</u>

#### 401(k) Retirement Savings Plan

The Company maintains a 401(k) Retirement Savings Plan ("Retirement Savings Plan"), a defined contribution plan, that covers substantially all employees of the Company. The Retirement Savings Plan allows employees to direct their own investments among a selection of investment alternatives and is funded by employee elective deferrals, employer matching contributions and employer discretionary contributions.

The Company has the option of making regular matching contributions on employee's elective deferrals. The Company has sole discretion in determining the percentage to be matched, subject to limitations of the Internal Revenue Code.

From January 1, 2022 through December 31, 2024, the Company matched 100% of an employees effective deferrals, up to 4% of the employee's pay each pay period.

The Company also has the option of making discretionary contributions into the Retirement Savings Plan and has sole discretion in determining the discretionary contribution, subject to limitations of the Internal Revenue Code. The Company did not make any discretionary contributions in 2024, 2023 and 2022.

Total contributions to the Retirement Savings Plan totaled \$2.3 million, \$2.4 million and \$2.4 million in 2024, 2023 and 2022, respectively.

## 15. OPERATING LEASES

The Company leases certain property and equipment with lease terms expiring through 2045. In some instances, a lease may contain renewal options for periods ranging from five to fifteen years. All renewal options are likely to be exercised and therefore have been recognized as part of our right-of-use assets and lease liabilities in accordance with ASC 842, "Leases". Certain leases also contain variable payments that are primarily determined based on common area maintenance costs and Hawaii state tax rates. All leases are operating leases and any short-term leases are not included in the calculation of the right-of-use assets and lease liabilities. The most significant assumption related to the Company's application of ASC 842 was the discount rate assumption. As most of the Company's lease agreements do not provide for an implicit interest rate, the Company uses the collateralized interest rate that the Company would have to pay to borrow over a similar term to estimate the Company's lease liability.

Total lease cost, cash flow information, weighted-average remaining lease term and weighted-average discount rate are summarized below for the periods presented:

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
<b>Lease cost:</b>			
Operating lease cost .....	\$ 5,233	\$ 5,108	\$ 5,495
Variable lease cost .....	3,229	3,751	3,278
Less: sublease income .....	—	(34)	(48)
<b>Total lease cost .....</b>	<b>\$ 8,462</b>	<b>8,825</b>	<b>8,725</b>
<b>Other information:</b>			
Operating cash flows from operating leases .....	\$ (5,073)	\$ (5,095)	\$ (5,896)
Weighted-average remaining lease term - operating leases .....	10.25 years	10.64 years	11.22 years
Weighted-average discount rate - operating leases .....	4.07 %	3.96 %	3.95 %

The following is a schedule of annual undiscounted cash flows for our operating leases and a reconciliation of those cash flows to the operating lease liabilities for the next five succeeding fiscal years and all years thereafter:

(Dollars in thousands)	Undiscounted Cash Flows	Lease Liability Expense	Lease Liability Reduction
<b>Year Ending December 31,</b>			
2025 .....	\$ 5,048	\$ 1,210	\$ 3,838
2026 .....	5,002	1,065	3,937
2027 .....	4,199	926	3,273
2028 .....	3,443	811	2,632
2029 .....	3,062	710	2,352
Thereafter .....	18,957	2,964	15,993
<b>Total .....</b>	<b>\$ 39,711</b>	<b>\$ 7,686</b>	<b>\$ 32,025</b>

In addition, the Company leases certain properties that it owns as lessor. All of these leases are operating leases. The following represents lease income related to these leases that was recognized for the periods presented:

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
Total rental income recognized .....	\$ 2,059	2,132	2,228

Based on the Company's leases as lessor as of December 31, 2024, estimated lease payments for the next five succeeding fiscal years and all years thereafter are as follows:

(Dollars in thousands)	
<b>Year Ending December 31,</b>	
2025 .....	\$ 1,441
2026 .....	1,289
2027 .....	1,170
2028 .....	716
2029 .....	640
Thereafter .....	1,294
<b>Total .....</b>	<b>\$ 6,550</b>

## 16. INCOME TAXES

Components of income tax expense (benefit) for the years ended December 31, 2024, 2023 and 2022 were as follows:

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
Current expense (benefit):			
Federal .....	\$ 5,744	\$ 5,538	\$ 996
State .....	112	1,404	(1,965)
Total current .....	5,856	6,942	(969)
Deferred expense:			
Federal .....	6,800	9,300	18,854
State .....	1,971	1,911	6,956
Total deferred .....	8,771	11,211	25,810
Provision for income taxes .....	\$ 14,627	\$ 18,153	\$ 24,841

Income tax expense (benefit) for the periods presented differed from the "expected" tax expense (computed by applying the U.S. federal corporate tax rate of 21% for the years ended December 31, 2024, 2023 and 2022, to income before income taxes) for the following reasons:

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
Computed "expected" tax expense .....	\$ 14,288	\$ 16,133	\$ 20,741
Increase (decrease) in taxes resulting from:			
Tax-exempt interest income .....	(868)	(702)	(692)
Other tax-exempt income .....	(1,370)	(1,023)	(392)
Low-income housing tax credits .....	(940)	(508)	(530)
State income taxes, net of Federal income tax effect, excluding impact of deferred tax valuation allowance .....	3,354	3,827	4,982
Change in the valuation allowance for deferred tax assets allocated to income tax expense .....	(1,340)	1,048	39
Prior year deferred adjustments .....	611	(1,043)	348
Other, net .....	892	421	345
Total .....	\$ 14,627	\$ 18,153	\$ 24,841

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities were as follows:

(Dollars in thousands)	December 31,	
	2024	2023
<b>Deferred tax assets</b>		
Lease liability .....	\$ 8,530	\$ 8,162
Allowance for credit losses .....	12,643	13,643
Accrued expenses .....	2,576	1,804
Employee retirement benefits .....	1,765	1,926
Federal and state tax credit carryforwards .....	1,590	2,208
Federal net operating loss carryforwards .....	—	1,644
State net operating loss carryforwards .....	2,890	4,503
Deferred compensation .....	4,207	3,976
Premises and equipment .....	4,460	4,161
Available-for-sale and held-to-maturity investment securities .....	—	2,309
Other .....	1,667	3,370
<b>Total deferred tax assets</b> .....	<b>40,328</b>	<b>47,706</b>
<b>Deferred tax liabilities</b>		
Right-of-use lease asset .....	8,210	7,918
Intangible assets .....	2,257	2,317
Available-for-sale and held-to-maturity investment securities .....	5,749	—
Other .....	3,180	3,489
<b>Total deferred tax liabilities</b> .....	<b>19,396</b>	<b>13,724</b>
<b>Less: Deferred tax valuation allowance</b> .....	<b>3,106</b>	<b>4,446</b>
<b>Net deferred tax assets</b> .....	<b>\$ 17,826</b>	<b>\$ 29,536</b>

In assessing the realizability of our net DTA, management considers whether it is more likely than not that some portion or all of the DTA will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income and tax-planning strategies in making this assessment.

As of December 31, 2024, the valuation allowance on our net DTA totaled \$3.1 million, which related to our DTA from net apportioned net operating loss ("NOL") carryforwards for California state income tax purposes as the Company does not expect to generate sufficient income in California to utilize the DTA. The net change in the valuation allowance was a decrease of \$1.3 million in 2024, compared to an increase of \$1.0 million in 2023.

Net of this valuation allowance, the Company's net DTA totaled \$17.8 million as of December 31, 2024, compared to a net DTA of \$29.5 million as of December 31, 2023, and is included in other assets in the Company's consolidated balance sheets.

The U.S. Federal and most of the state NOL carryforwards, except for California, have been utilized as of December 31, 2024. At December 31, 2024, the Company had NOL carryforwards for California state income tax purposes of \$33.7 million, which are available to offset future taxable income. The California state NOL carryforwards will begin to expire if not utilized beginning in 2031. In addition, the Company has low-income housing tax credit carryforwards of approximately \$0.4 million and \$1.6 million for U.S. Federal and Hawaii state income tax purposes, respectively. If not utilized, the U.S. Federal tax credit carryforwards will begin to expire in 2044. The Hawaii state credit can be carried forward indefinitely.

Utilization of the NOL carryforwards and credits may be subject to annual limitations due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitations may result in

the expiration of net operating losses and credits before they are able to be utilized. The Company does not expect any previous ownership changes, as defined under Sections 382 and 383 of the Internal Revenue Code, to result in an ultimate limitation that will materially reduce the total amount of net operating loss carryforwards that can be utilized.

At December 31, 2024, the Company did not have any material unrecognized tax benefits that, if recognized would favorably affect the effective income tax rate in future periods. The Company does not expect our unrecognized tax benefits to change significantly over the next 12 months.

The Company is subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. As of December 31, 2024, the Company's federal and state tax returns for 2020 and earlier, were no longer subject to examination by the taxing authorities. However, tax periods closed in a prior period may be subject to audit and re-examination by tax authorities for which tax carryforwards are utilized in subsequent years.

## 17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the components of other comprehensive income (loss) for the years ended December 31, 2024, 2023 and 2022, by component:

<b>(Dollars in thousands)</b>	<b>Before Tax</b>	<b>Tax Effect</b>	<b>Net of Tax</b>
<b>Year ended December 31, 2024</b>			
Net change in fair value of investment securities:			
Net unrealized losses on investment securities arising during the period ..	\$ (8,310)	\$ (2,170)	\$ (6,140)
Less: Reclassification adjustment for losses realized in net income .....	9,934	2,620	7,314
Less: Amortization of unrealized losses on investment securities transferred to HTM .....	7,159	1,902	5,257
Net change in fair value of investment securities .....	<u>8,783</u>	<u>2,352</u>	<u>6,431</u>
Net change in fair value of derivative:			
Net unrealized gains arising during the period .....	1,988	523	1,465
Net change in fair value of derivative .....	<u>1,988</u>	<u>523</u>	<u>1,465</u>
SERPs:			
Net actuarial gains arising during the period .....	379	99	280
Amortization of net actuarial gains .....	(2)	—	(2)
SERPs .....	<u>377</u>	<u>99</u>	<u>278</u>
Other comprehensive income .....	<u>\$ 11,148</u>	<u>\$ 2,974</u>	<u>\$ 8,174</u>

<b>(Dollars in thousands)</b>	<b>Before Tax</b>	<b>Tax Effect</b>	<b>Net of Tax</b>
<b>Year ended December 31, 2023</b>			
Net change in fair value of investment securities:			
Net unrealized gains on investment securities arising during the period ...	\$ 19,762	\$ 5,437	\$ 14,325
Less: Reclassification adjustment for losses realized in net income .....	2,074	547	1,527
Less: Amortization of unrealized losses on investment securities transferred to HTM .....	7,440	2,105	5,335
Net change in fair value of investment securities .....	<u>29,276</u>	<u>8,089</u>	<u>21,187</u>
Net change in fair value of derivative:			
Net unrealized gains arising during the period .....	491	107	384
Net change in fair value of derivative .....	<u>491</u>	<u>107</u>	<u>384</u>
SERPs:			
Net actuarial losses arising during the period .....	(182)	(48)	(134)
Amortization of net actuarial losses .....	(74)	(20)	(54)
Amortization of net transition obligation .....	7	2	5
SERPs .....	(249)	(66)	(183)
Other comprehensive income .....	<u>\$ 29,518</u>	<u>\$ 8,130</u>	<u>\$ 21,388</u>

<b>(Dollars in thousands)</b>	<b>Before Tax</b>	<b>Tax Effect</b>	<b>Net of Tax</b>
<b>Year ended December 31, 2022</b>			
Net change in fair value of investment securities:			
Net unrealized losses on investment securities arising during the period ..	\$ (204,250)	\$ (54,109)	\$ (150,141)
Less: Amortization of unrealized losses on investment securities transferred to HTM .....	6,218	1,520	4,698
Net change in fair value of investment securities .....	<u>(198,032)</u>	<u>(52,589)</u>	<u>(145,443)</u>
Net change in fair value of derivative:			
Net unrealized gains arising during the period .....	6,326	1,681	4,645
Net change in fair value of derivative .....	<u>6,326</u>	<u>1,681</u>	<u>4,645</u>
Defined benefit retirement plan and SERPs:			
Net actuarial gains arising during the period .....	2,007	537	1,470
Amortization of net actuarial losses .....	304	81	223
Amortization of net transition obligation .....	18	4	14
Settlement .....	4,884	1,817	3,067
Defined benefit retirement plan and SERPs .....	<u>7,213</u>	<u>2,439</u>	<u>4,774</u>
Other comprehensive loss .....	<u>\$ (184,493)</u>	<u>\$ (48,469)</u>	<u>\$ (136,024)</u>

The following table presents the changes in each component of AOCI, net of tax, for the years ended December 31, 2024, 2023 and 2022:

(Dollars in thousands)	Investment Securities	Derivatives	Defined Benefit Plans	AOCI
<b>Year ended December 31, 2024</b>				
Balance at beginning of period .....	\$ (127,922)	\$ 5,029	\$ 297	\$ (122,596)
Other comprehensive (loss) income before reclassifications	(6,140)	1,465	280	(4,395)
Amounts reclassified from AOCI .....	12,571	—	(2)	12,569
Net other comprehensive income .....	6,431	1,465	278	8,174
Balance at end of period .....	<u>\$ (121,491)</u>	<u>\$ 6,494</u>	<u>\$ 575</u>	<u>\$ (114,422)</u>

(Dollars in thousands)	Investment Securities	Derivatives	Defined Benefit Plans	AOCI
<b>Year ended December 31, 2023</b>				
Balance at beginning of period .....	\$ (149,109)	\$ 4,645	\$ 480	\$ (143,984)
Other comprehensive income (loss) before reclassifications	14,325	384	(134)	14,575
Amounts reclassified from AOCI .....	6,862	—	(49)	6,813
Net other comprehensive income (loss) .....	21,187	384	(183)	21,388
Balance at end of period .....	<u>\$ (127,922)</u>	<u>\$ 5,029</u>	<u>\$ 297</u>	<u>\$ (122,596)</u>

(Dollars in thousands)	Investment Securities	Derivatives	Defined Benefit Plans	AOCI
<b>Year ended December 31, 2022</b>				
Balance at beginning of period .....	\$ (3,666)	\$ —	\$ (4,294)	\$ (7,960)
Other comprehensive (loss) income before reclassifications	(150,141)	4,645	1,470	(144,026)
Amounts reclassified from AOCI .....	4,698	—	3,304	8,002
Net other comprehensive (loss) income .....	(145,443)	4,645	4,774	(136,024)
Balance at end of period .....	<u>\$ (149,109)</u>	<u>\$ 4,645</u>	<u>\$ 480</u>	<u>\$ (143,984)</u>

The following table presents the amounts reclassified out of each component of AOCI for the years ended December 31, 2024, 2023 and 2022:

Details about AOCI Components	Amount Reclassified from AOCI			Affected Line Item in the Statement Where Net Income is Presented
	Year ended December 31,			
	2024	2023	2022	
(Dollars in thousands)				
Sale of available-for-sale investment securities:				
Realized loss on sale of available-for-sale investment securities .....	\$ 9,934	\$ 2,074	\$ —	Net loss on sales of investment securities
Tax effect .....	(2,620)	(547)	—	Income tax benefit
Net of tax .....	\$ 7,314	\$ 1,527	\$ —	
Amortization of unrealized losses on investment securities transferred to HTM .....				
Tax effect .....	(1,902)	(2,105)	(1,520)	Interest and dividends on investment securities
Net of tax .....	\$ 5,257	\$ 5,335	\$ 4,698	Income tax benefit
Defined benefit plan items:				
Amortization of net actuarial (gains) losses .....	\$ (2)	\$ (74)	\$ 304	Other operating expense - other <sup>(1)</sup>
Amortization of net transition obligation .....	—	7	18	Other operating expense - other <sup>(1)</sup>
Settlement .....	—	—	4,884	Other operating expense - other <sup>(1)</sup>
Total before tax .....	(2)	(67)	5,206	
Tax effect .....	1	18	(1,902)	Income tax expense (benefit)
Net of tax .....	\$ (1)	\$ (49)	\$ 3,304	
Total reclassifications, net of tax .....	\$ 12,570	\$ 6,813	\$ 8,002	

<sup>(1)</sup> These accumulated other comprehensive income components are included in the computation of net periodic benefit cost (see Note 14 - Retirement Benefits for additional details).

## 18. EARNINGS PER SHARE

The table below presents the information used to compute basic and diluted earnings per share for the years ended December 31, 2024, 2023 and 2022:

(In thousands, except per share data)	Year Ended December 31,		
	2024	2023	2022
Net income .....	\$ 53,412	\$ 58,669	\$ 73,928
Weighted-average shares outstanding for basic earnings per share .....	27,057,329	27,027,681	27,398,445
Add: Dilutive effect of employee stock options and awards .....	99,791	52,837	169,335
Weighted-average shares outstanding for diluted earnings per share .....	27,157,120	27,080,518	27,567,780
Basic earnings per share .....	\$ 1.97	\$ 2.17	\$ 2.70
Diluted earnings per share .....	\$ 1.97	\$ 2.17	\$ 2.68
Anti-dilutive employee stock options and awards .....	58	19,030	—

## **19. CONTINGENT LIABILITIES AND OTHER COMMITMENTS**

The Company and its subsidiaries are involved in legal actions arising in the ordinary course of business. Management, after consultation with legal counsel, believes the ultimate disposition of those matters will not have a material adverse effect on our consolidated financial statements.

In the normal course of business there are outstanding contingent liabilities and other commitments such as unused letters of credit and items held for collections, which are not reflected in the accompanying consolidated financial statements. Management does not anticipate any material losses as a result of these transactions.

## **20. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees written, forward foreign exchange contracts, interest rate contracts, risk participation agreements, and back-to-back swap agreements. Those instruments involve, to varying degrees, elements of credit, interest rate and foreign exchange risk in excess of the amounts recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement we have in particular classes of financial instruments.

Exposure to credit loss in the event of nonperformance by the counter-party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual amount of those instruments. For forward foreign exchange contracts and interest rate contracts, the contract amounts do not represent exposure to credit loss. The Company controls the credit risk of these contracts through credit approvals, limits and monitoring procedures. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counter-party. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit and financial guarantees written are conditional commitments issued by us to guarantee the performance of a customer to a third-party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral for those commitments in which collateral is deemed necessary.

Interest rate options issued on residential mortgage loans expose us to interest rate risk, which is economically hedged with forward interest rate contracts. These derivatives are carried at fair value with changes in fair value recorded as a component of mortgage banking income in other operating income in the consolidated statements of income. The amount of interest rate options fluctuates based on residential mortgage volume.

Forward interest rate contracts represent commitments to purchase or sell loans at a future date at a specified price. The Company enters into forward interest rate contracts on our residential mortgage held for sale loans. These derivatives are carried at fair value with changes in fair value recorded as a component of mortgage banking income in other operating income in the consolidated statements of income. Risks arise from the possible inability of counter-parties to meet the terms of their contracts and from movements in market rates. Management reviews and approves the creditworthiness of the counter-parties to its forward interest rate contracts.

Risk participation agreements represent agreements with a financial institution counterparty for interest rate swaps related to loans in which we participate. These derivatives are carried at fair value with changes in fair value recorded as a component of other service charges and fees. The risk participation agreements entered into by us as a participant bank provide credit protection to the financial institution counterparty should the borrowers fail to perform on their interest rate derivative contracts with that financial institution.

The Company established a program whereby it originates a variable rate loan and enters into a variable-to-fixed interest rate swap with the customer. The Company also enters into an equal and offsetting swap with a highly rated third-party financial

institution. These "back-to-back swap agreements" are intended to offset each other and allows the Company to originate a variable rate loan, while providing a contract for fixed interest payments for the customer. The net cash flow for the Company is equal to the interest income received from a variable rate loan originated with the customer. These back-to-back swap agreements are free-standing derivatives and are recorded at fair value on the Company's consolidated balance sheet in other assets or other liabilities, and changes to the fair value recorded in other service charges and fees on the consolidated statement of income.

Forward foreign exchange contracts represent commitments to purchase or sell foreign currencies at a future date at a specified price. These derivatives are carried at fair value with changes in fair value recorded as a component of other operating income in the consolidated statements of income. Risks arise from the possible inability of counter-parties to meet the terms of their contracts and from movements in foreign currency exchange rates. Management reviews and approves the creditworthiness of its forward foreign exchange counter-parties. At December 31, 2024 and 2023, the Company did not have any forward foreign exchange contracts.

During the first quarter of 2022, the Company entered into a forward starting interest rate swap, with an effective date of March 31, 2024. This transaction had a notional amount totaling \$115.5 million as of December 31, 2024 and 2023, and was designated as a fair value hedge of certain municipal debt securities. The Company pays the counterparty a fixed rate of 2.095% and receives a floating rate based on the Federal Funds effective rate. The fair value hedge has a maturity date of March 31, 2029. The interest rate swap is carried on the Company's consolidated balance sheet at its fair value in other assets (when the fair value is positive) or in other liabilities (when the fair value is negative). The changes in the fair value of the interest rate swap are recorded in interest income. The unrealized gains or losses due to changes in fair value of the hedged debt securities due to changes in benchmark interest rates are recorded as an adjustment to the hedged debt securities and offset in the same interest income line item.

At December 31, 2024 and 2023, financial instruments with off-balance sheet risk were as follows:

<b>(Dollars in thousands)</b>	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Notional amount of:</b>		
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit:		
Fixed rate .....	\$ 30,212	\$ 30,660
Variable rate .....	1,189,325	1,244,671
Total .....	\$ 1,219,537	\$ 1,275,331
Standby letters of credit and financial guarantees written .....	\$ 2,702	\$ 3,301
<b>Notional amount of:</b>		
Financial instruments whose contract amounts exceed the amount of credit risk:		
Back-to-back swap agreements:		
Assets .....	\$ 50,202	\$ 51,059
Liabilities .....	50,202	51,059
Interest rate lock commitments .....	469	1,807
Forward interest rate contracts .....	4,909	—
Risk participation agreements .....	35,183	36,022
Interest rate swap agreements .....	115,545	115,545

## 21. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### Disclosures about Fair Value of Financial Instruments

Fair value estimates, methods and assumptions are set forth below for our financial instruments.

#### Short-Term Financial Instruments

The carrying values of short-term financial instruments are deemed to approximate fair values. Such instruments are considered readily convertible to cash and include cash and due from financial institutions, interest-bearing deposits in other financial institutions, accrued interest receivable, the majority of FHLB advances and other short-term borrowings, and accrued interest payable.

#### Investment Securities

The fair value of investment securities is based on market price quotations received from third-party pricing services. The third-party pricing services utilize pricing models supported with timely market data information. Where quoted market prices are not available, fair values are based on quoted market prices of comparable securities.

#### Loans

Fair values of loans are estimated based on discounted cash flows of portfolios of loans with similar financial characteristics including the type of loan, interest terms and repayment history. Fair values are calculated by discounting scheduled cash flows through estimated maturities using estimated market discount rates. Estimated market discount rates are reflective of credit and interest rate risks inherent in the Company's various loan types and are derived from available market information, as well as specific borrower information. The weighted-average discount rate used in the valuation of loans was 7.07% and 6.86% as of December 31, 2024 and 2023, respectively. In accordance with ASU 2016-01, the fair value of loans are based on the notion of exit price as of December 31, 2024 and 2023.

#### Loans Held for Sale

The fair value of loans classified as held for sale are generally based upon quoted prices for similar assets in active markets, acceptance of firm offer letters with agreed upon purchase prices, discounted cash flow models that take into account market observable assumptions, or independent appraisals of the underlying collateral securing the loans. The fair values of Hawaii and U.S. Mainland construction and commercial real estate loans, if any, are reported net of applicable selling costs on the Company's consolidated balance sheets.

#### Deposit Liabilities

The fair values of deposits with no stated maturity, such as noninterest-bearing demand deposits and interest-bearing demand and savings accounts, are equal to the amount payable on demand. The fair value of time deposits is estimated using discounted cash flow analyses. The fair value of time deposits is estimated by discounting future cash flows using rates currently offered for FHLB advances of similar remaining maturities. The weighted-average discount rate used in the valuation of time deposits was 4.50% and 5.48% as of December 31, 2024 and 2023, respectively.

#### Long-Term Debt

The fair value of our long-term debt is estimated by discounting scheduled cash flows over the contractual borrowing period at the estimated market rate for similar borrowing arrangements. The weighted-average discount rate used in the valuation of long-term debt was 6.68% and 6.83% as of December 31, 2024 and 2023, respectively.

#### Derivatives

The fair values of derivative financial instruments are based upon current market values, if available. If there are no relevant comparables, fair values are based on pricing models using current assumptions for interest rate swaps and options.

## Off-Balance Sheet Financial Instruments

The fair values of off-balance sheet financial instruments are estimated based on the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties, current settlement values or quoted market prices of comparable instruments.

### Limitations

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time our entire holdings of a particular financial instrument. Because no market exists for a significant portion of our financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of future business and the value of assets and liabilities that are not considered financial instruments. For example, significant assets and liabilities that are not considered financial assets or liabilities include deferred tax assets and liabilities and premises and equipment.

(Dollars in thousands)	Carrying Amount	Estimated Fair Value	Fair Value Measurement Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2024</b>					
Financial assets:					
Cash and due from financial institutions .....	\$ 77,774	\$ 77,774	\$ 77,774	\$ —	\$ —
Interest-bearing deposits in other financial institutions .....	303,167	303,167	303,167	—	—
Investment securities .....	1,334,588	1,244,339	59,498	1,177,994	6,847
Loans held for sale .....	5,662	5,662	—	5,662	—
Loans .....	5,332,852	4,916,765	—	—	4,916,765
Accrued interest receivable .....	23,378	23,378	462	4,607	18,309
Financial liabilities:					
Deposits:					
Noninterest-bearing deposits .....	1,888,937	1,888,937	1,888,937	—	—
Interest-bearing demand and savings deposits .....	3,667,889	3,667,889	3,667,889	—	—
Time deposits .....	1,087,185	1,079,275	—	—	1,079,275
Long-term debt .....	156,345	153,760	—	—	153,760
Accrued interest payable .....	10,051	10,051	113	—	9,938

(Dollars in thousands)	Notional Amount	Carrying Amount	Estimated Fair Value	Fair Value Measurement Using		
				Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2024</b>						
Off-balance sheet financial instruments:						
Commitments to extend credit .....	\$ 1,219,537	\$ —	\$ 1,167	\$ —	\$ 1,167	\$ —
Standby letters of credit and financial guarantees written .....	2,702	—	41	—	41	—
Derivatives:						
Back-to-back swap agreements:						
Assets .....	50,202	3,840	3,840	—	—	3,840
Liabilities .....	(50,202)	(3,840)	(3,840)	—	—	(3,840)
Interest rate lock commitments .....	469	(4)	(4)	—	(4)	—
Forward sale commitments .....	4,909	46	46	—	46	—
Risk participation agreements .....	35,183	—	—	—	—	—
Interest rate swap agreements .....	115,545	8,382	8,382	—	8,382	—

(Dollars in thousands)	Carrying Amount	Estimated Fair Value	Fair Value Measurement Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2023</b>					
Financial assets:					
Cash and due from financial institutions .....	\$ 116,181	\$ 116,181	\$ 116,181	\$ —	\$ —
Interest-bearing deposits in other financial institutions .....	406,256	406,256	406,256	—	—
Investment securities .....	1,279,548	1,212,388	—	1,205,238	7,150
Loans held for sale .....	1,778	1,778	—	1,778	—
Loans .....	5,438,982	5,089,292	—	—	5,089,292
Accrued interest receivable .....	21,511	21,511	342	4,043	17,126
Financial liabilities:					
Deposits:					
Noninterest-bearing deposits .....	1,913,379	1,913,379	1,913,379	—	—
Interest-bearing demand and savings deposits .....	3,538,922	3,538,922	3,538,922	—	—
Time deposits .....	1,395,291	1,385,473	—	—	1,385,473
Long-term debt .....	156,102	153,073	—	—	153,073
Accrued interest payable .....	18,948	18,948	85	—	18,863

(Dollars in thousands)	Notional Amount	Carrying Amount	Estimated Fair Value	Fair Value Measurement Using		
				Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2023</b>						
Off-balance sheet financial instruments:						
Commitments to extend credit .....	\$ 1,275,331	\$ —	\$ 1,210	\$ —	\$ 1,210	\$ —
Standby letters of credit and financial guarantees written .....	3,301	—	50	—	50	—
Derivatives:						
Back-to-back swap agreements:						
Assets .....	51,059	3,547	3,547	—	—	3,547
Liabilities .....	(51,059)	(3,547)	(3,547)	—	—	(3,547)
Interest rate lock commitments .....	1,807	(34)	(34)	—	(34)	—
Risk participation agreements .....	36,022	—	—	—	—	—
Interest rate swap agreements .....	115,545	6,440	6,440	—	—	6,440

## Fair Value Measurements

Financial assets and liabilities are grouped at fair value into three levels based on the markets in which the financial assets and liabilities are traded and the reliability of the assumptions used to determine fair value as follows:

- Level 1 — Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities traded in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.
- Level 2 — Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 — Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of discounted cash flow models and similar techniques that require the use of significant judgment or estimation.

Fair values are based on the price that the Company would expect to receive if an asset were sold or pay to transfer a liability in an orderly transaction between market participants at the measurement date. When developing fair value measurements, the use of observable inputs are maximized and the use of unobservable inputs are minimized.

Fair value measurements are used to record adjustments to certain financial assets and liabilities and to determine fair value disclosures. Available-for-sale investment securities and derivatives are recorded at fair value on a recurring basis. From time to time, the Company may be required to record other financial assets at fair value on a nonrecurring basis such as loans held for sale, collateral dependent loans and mortgage servicing rights. These nonrecurring fair value adjustments typically involve application of the lower of cost or fair value accounting or write-downs of individual assets.

During the year ended December 31, 2024, the Company transferred an interest rate swap from Level 3 to Level 2 of the fair value hierarchy. The transfer was due to a change in the methodology used. There were no other transfers of financial assets and liabilities into and out of Level 3 of the fair value hierarchy during the year ended December 31, 2024.

The following tables below present the fair value of assets and liabilities measured on a recurring basis:

(Dollars in thousands)	Fair Value at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2024</b>				
Available-for-sale investment securities:				
Debt securities:				
States and political subdivisions .....	\$ 116,833	\$ —	\$ 110,668	\$ 6,165
Corporate securities .....	—	—	—	—
U.S. Treasury obligations and direct obligations of U.S. Government agencies .....	81,200	59,498	21,702	—
Collateralized loan obligations .....	31,140	—	31,140	—
Mortgage-backed securities:				
Residential - U.S. Government-sponsored enterprises .....	414,471	—	414,471	—
Residential - Non-government agencies .....	16,926	—	16,244	682
Commercial - U.S. Government-sponsored enterprises .....	67,161	—	67,161	—
Commercial - Non-government agencies .....	9,927	—	9,927	—
<b>Total investment securities .....</b>	<b>737,658</b>	<b>59,498</b>	<b>671,313</b>	<b>6,847</b>
Derivatives:				
Interest rate lock commitments .....	(4)	—	(4)	—
Forward sale commitments .....	46	—	46	—
Interest rate swap agreements .....	8,382	—	8,382	—
<b>Total derivatives .....</b>	<b>8,424</b>	<b>—</b>	<b>8,424</b>	<b>—</b>
<b>Total .....</b>	<b>\$ 746,082</b>	<b>\$ 59,498</b>	<b>\$ 679,737</b>	<b>\$ 6,847</b>

(Dollars in thousands)	Fair Value at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2023</b>				
Available-for-sale investment securities:				
Debt securities:				
States and political subdivisions .....	\$ 126,635	\$ —	\$ 120,199	\$ 6,436
Corporate securities .....	31,414	—	31,414	—
U.S. Treasury obligations and direct obligations of U.S. Government agencies .....	26,197	—	26,197	—
Mortgage-backed securities:				
Residential - U.S. Government-sponsored enterprises .....	378,386	—	378,386	—
Residential - Non-government agencies .....	18,708	—	17,994	714
Commercial - U.S. Government-sponsored enterprises .....	50,914	—	50,914	—
Commercial - Non-government agencies .....	14,956	—	14,956	—
Total investment securities .....	647,210	—	640,060	7,150
Derivatives:				
Interest rate lock commitments .....	(34)	—	(34)	—
Interest rate swap agreements .....	6,440	—	—	6,440
Total derivatives .....	6,406	—	(34)	6,440
Total .....	\$ 653,616	\$ —	\$ 640,026	\$ 13,590

The following table presents changes in Level 3 financial assets and liabilities measured at fair value on a recurring basis for the periods presented:

(Dollars in thousands)	Available-For-Sale Debt Securities:		
	States and Political Subdivisions	Residential - Non-Government Agencies	Total
<b>Balance as of December 31, 2022</b> .....	\$ 6,584	\$ 684	\$ 7,268
Principal payments received .....	(232)	(23)	(255)
Unrealized net gain included in other comprehensive income .....	84	53	137
<b>Balance as of December 31, 2023</b> .....	6,436	714	7,150
Principal payments received .....	(241)	(24)	(265)
Unrealized net (loss) gain included in other comprehensive income .....	(30)	(8)	(38)
<b>Balance as of December 31, 2024</b> .....	\$ 6,165	\$ 682	\$ 6,847

Based on a discounted cash flow model that calculates the present value of estimated future principal and interest payments, the estimated aggregate fair value of Level 3 financial assets and liabilities measured at fair value on a recurring basis was \$6.8 million and \$7.2 million as of December 31, 2024 and 2023, respectively.

Within the state and political subdivisions available-for-sale debt securities category, the Company holds two mortgage revenue bonds issued by the City and County of Honolulu with an aggregate fair value of \$6.2 million and \$6.4 million at December 31, 2024 and 2023, respectively. Within the residential non-government agency available-for-sale debt securities category, the Company holds two mortgage backed bonds issued by Habitat for Humanity with an aggregate fair value of \$0.7 million and \$0.7 million at December 31, 2024 and 2023, respectively. The Company estimates the aggregate fair value of these available-for-sale investment securities by using a discounted cash flow model to calculate the present value of estimated future principal and interest payments.

The weighted-average discount rate was used as the significant unobservable input in the fair value measurement of the Company's available-for-sale debt securities. As of December 31, 2024 and 2023, the weighted-average discount rate utilized was 6.22% and 6.12%, respectively, which was derived by incorporating a credit spread over the FHLB Fixed-Rate Advance curve. Significant increases (decreases) in the weighted-average discount rate could result in a significantly lower (higher) fair value measurement.

There were no financial assets or liabilities measured on a nonrecurring basis as of December 31, 2024 and 2023.

## **22. SEGMENT INFORMATION**

The Company evaluated its operating segments in accordance with ASC 280, "*Segment Reporting*" and determined it operates as one reportable segment, banking operations. The Company provides a comprehensive range of financial services, such as construction and real estate development lending, commercial lending, residential mortgage lending, consumer lending, trust services, retail brokerage services and our retail branch offices, which are then aggregated as there is no material difference in the products and services offered based on customer type or geographic location. All activities are closely aligned with the core business of providing financial services and are subject to similar risks and rewards. No single customer accounts for more than 10% of total revenue. All operations are domestic and located in the State of Hawaii.

The Company's Executive Committee, who is the designated chief operating decision maker ("CODM"), evaluates performance and makes decisions based on consolidated financial information. The CODM does not separately evaluate distinct groups of products or services, nor are resources allocated differently based on individual product lines or geographic regions. Rather, performance is assessed on an overall basis, considering consolidated metrics such as total revenues, profit, and risk management of the Company as a whole, and resources are allocated to support the Company's overall business plan.

Loans, investments, and deposits provide the revenues in banking operations and are presented in the Company's consolidated balance sheets. Interest expense, provisions for credit losses, and salaries and employee benefits provide the significant expenses in banking operations and are presented in the Company's consolidated statements of income. Segment performance is evaluated using consolidated net income with the majority of the Company's net income derived from net interest income. Accordingly, management focuses primarily on net interest income, rather than gross interest income and expense amounts, in evaluating segment profitability.

The accounting policies of the segment is consistent with those described in Note 1 - Summary of Significant Accounting Policies.

## **23. PARENT COMPANY AND REGULATORY RESTRICTIONS**

The retained earnings of the parent company, Central Pacific Financial Corp., included \$288.4 million and \$316.0 million of equity in undistributed losses of Central Pacific Bank as of December 31, 2024 and 2023.

The Company and the Bank are subject to various regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective action regulations provide five classifications: well-capitalized, adequately capitalized, under-capitalized, significantly under-capitalized, and critically under-capitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If under-capitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. The Bank was categorized as "well-capitalized" and maintained the required capital conservation buffer under the regulatory framework for prompt corrective action as of December 31, 2024 and 2023. There are no conditions or events since then that management believes have changed the institution's category.

The following table sets forth actual and required capital and capital ratios for the Company and the Bank, as well as the minimum capital adequacy requirements applicable generally to all financial institutions as of the dates indicated.

(Dollars in thousands)	Actual		Minimum required for capital adequacy purposes		Minimum required to be well-capitalized	
	Amount	Ratio	Amount	Ratio <sup>(1)</sup>	Amount	Ratio
<b>Central Pacific Financial Corp.</b>						
As of December 31, 2024						
Tier 1 capital to avg. assets (leverage ratio) ..	\$ 704,045	9.3 %	\$ 301,967	4.0 %	N/A	N/A
Common equity tier 1 ("CET1") capital to risk-weighted assets .....	654,045	12.3	239,366	4.5	N/A	N/A
Tier 1 capital to risk-weighted assets .....	704,045	13.2	319,155	6.0	N/A	N/A
Total capital to risk-weighted assets .....	820,796	15.4	425,540	8.0	N/A	N/A
As of December 31, 2023						
Tier 1 capital to avg. assets (leverage ratio) ..	676,536	8.8	305,843	4.0	N/A	N/A
CET1 capital to risk-weighted assets .....	626,536	11.4	246,457	4.5	N/A	N/A
Tier 1 capital to risk-weighted assets .....	676,536	12.4	328,609	6.0	N/A	N/A
Total capital to risk-weighted assets .....	799,175	14.6	438,146	8.0	N/A	N/A
<b>Central Pacific Bank</b>						
As of December 31, 2024						
Tier 1 capital to avg. assets (leverage ratio) ..	\$ 731,155	9.7 %	\$ 301,410	4.0 %	\$ 376,763	5.0 %
CET1 capital to risk-weighted assets .....	731,155	13.8	238,814	4.5	344,953	6.5
Tier 1 capital to risk-weighted assets .....	731,155	13.8	318,419	6.0	424,558	8.0
Total capital to risk-weighted assets .....	792,906	14.9	424,558	8.0	530,698	10.0
As of December 31, 2023						
Tier 1 capital to avg. assets (leverage ratio) ..	704,512	9.2	305,375	4.0	381,719	5.0
CET1 capital to risk-weighted assets .....	704,512	12.9	245,926	4.5	355,227	6.5
Tier 1 capital to risk-weighted assets .....	704,512	12.9	327,902	6.0	437,203	8.0
Total capital to risk-weighted assets .....	772,151	14.1	437,203	8.0	546,503	10.0

<sup>(1)</sup> Under the Basel III Capital Rules, the Company and the Bank must also maintain a 2.5% Capital Conservation Buffer ("CCB") to avoid becoming subject to restrictions on capital distributions and certain discretionary bonus payments to management. The CCB is calculated as a ratio of CET1 capital to risk-weighted assets, and effectively increases the required minimum risk-based capital ratios.

Condensed financial statements of the parent company are as follows:

**CENTRAL PACIFIC FINANCIAL CORP.  
CONDENSED BALANCE SHEETS**

<b>(Dollars in thousands)</b>	<b>December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Cash and due from financial institutions .....	\$ 23,021	\$ 22,059
Investment in subsidiary bank .....	615,441	579,601
Other assets .....	13,425	14,805
Total assets .....	\$ 651,887	\$ 616,465
<b>Liabilities and Equity</b>		
Long-term debt .....	\$ 106,345	\$ 106,102
Other liabilities .....	7,157	6,548
Total liabilities .....	113,502	112,650
Equity:		
Preferred stock, no par value, authorized 1,000,000 shares; issued and outstanding: none at December 31, 2024 and 2023 .....	—	—
Common stock, no par value, authorized 185,000,000 shares; issued and outstanding: 27,065,570 and 27,045,033 shares at December 31, 2024 and 2023, respectively .....	404,494	405,439
Additional paid-in capital .....	105,054	102,982
Retained earnings .....	143,259	117,990
Accumulated other comprehensive loss .....	(114,422)	(122,596)
Total equity .....	538,385	503,815
Total liabilities and equity .....	\$ 651,887	\$ 616,465

**CENTRAL PACIFIC FINANCIAL CORP.  
CONDENSED STATEMENTS OF INCOME**

(Dollars in thousands)	Year Ended December 31,		
	2024	2023	2022
<b>Income:</b>			
Dividends from subsidiary bank .....	\$ 38,183	\$ 42,540	\$ 47,427
<b>Interest income:</b>			
Interest income from subsidiary bank .....	3	3	3
Other income .....	224	122	64
Total income .....	38,410	42,665	47,494
<b>Expense:</b>			
Interest expense on long-term debt .....	6,883	6,762	4,930
Other expenses .....	10,221	3,250	2,317
Total expenses .....	17,104	10,012	7,247
Income before income taxes and equity in undistributed income of subsidiaries .....	21,306	32,653	40,247
Income tax benefit .....	(4,440)	(2,620)	(1,917)
Income before equity in undistributed income of subsidiaries .....	25,746	35,273	42,164
Equity in undistributed income of subsidiary bank .....	27,666	23,396	31,764
Net income .....	\$ 53,412	\$ 58,669	\$ 73,928

**CENTRAL PACIFIC FINANCIAL CORP.  
CONDENSED STATEMENTS OF CASH FLOWS**

<b>(Dollars in thousands)</b>	<b>Year Ended December 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>			
Net income .....	\$ 53,412	\$ 58,669	\$ 73,928
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Deferred income tax expense (benefit) .....	155	32	(26)
Equity in undistributed income of subsidiary bank .....	(27,666)	(23,396)	(31,764)
Share-based compensation expense .....	2,072	1,636	3,273
Net change in other assets and liabilities .....	1,897	(1,543)	(20)
Net cash provided by operating activities .....	29,870	35,398	45,391
<b>Cash flows from investing activities:</b>			
Distributions from unconsolidated entities .....	—	495	—
Contributions to unconsolidated entities .....	180	—	—
Net cash provided by investing activities .....	180	495	—
<b>Cash flows from financing activities:</b>			
Net proceeds from issuance of common stock and stock option exercises .....	—	—	679
Repurchases of common stock .....	(945)	(2,632)	(20,740)
Cash dividends paid on common stock .....	(28,143)	(28,117)	(28,505)
Net cash used in financing activities .....	(29,088)	(30,749)	(48,566)
Net increase (decrease) in cash and cash equivalents .....	962	5,144	(3,175)
Cash and cash equivalents at beginning of year .....	22,059	16,915	20,090
Cash and cash equivalents at end of year .....	\$ 23,021	\$ 22,059	\$ 16,915

## **24. SUBSEQUENT EVENTS**

On January 10, 2025, the Bank received final approval from the Federal Reserve to become a member of the Federal Reserve System (the “Fed Membership”). As a FRB member bank, the Bank is required to subscribe to Federal Reserve capital stock in an amount equivalent to six percent (6%) of its capital and surplus. Although the par value of such stock is \$100 per share, banks pay only \$50 per share at the time of purchase with the understanding that the other half of the subscription amount is subject to call at any time. On January 24, 2025, the Bank purchased 371,359 shares of Federal Reserve Bank Stock for an aggregate purchase price of \$18.6 million and the Fed Membership became effective on that date. Accordingly, effective January 24, 2025, the Bank’s primary federal supervisor is the Board of Governors of the Federal Reserve System, acting through authority delegated to the Federal Reserve Bank of San Francisco.

In January 2025, the Board of Directors authorized the repurchase of up to \$30.0 million of its common stock from time to time in the open market or in privately negotiated transactions, pursuant to a newly authorized share repurchase program. The share repurchase program replaced and superseded in its entirety the 2024 Repurchase Plan.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**(a) Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of the Company's management, including our principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Exchange Act) as of December 31, 2024. Based on that evaluation, the principal executive officer and principal financial officer concluded that, as of December 31, 2024, the Company's disclosure controls and procedures are effective.

**(b) Management's Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act). The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2024, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2024 is effective.

The Company's internal control over financial reporting as of December 31, 2024 has been audited by Crowe LLP, an independent registered public accounting firm, as stated in their report appearing herein under the heading "Report of Independent Registered Public Accounting Firm."

**(c) Changes in Internal Control Over Financial Reporting**

There have not been any changes in the Company's internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act during the Company's fiscal quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None of the Company's directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended December 31, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10 is incorporated herein by reference from the information contained in our Proxy Statement to be filed with the U.S. Securities and Exchange Commission within 120 days of December 31, 2024 in connection with the solicitation of proxies for our 2025 Annual Meeting of Stockholders ("2025 Proxy Statement").

#### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference from the information to be contained in our 2025 Proxy Statement.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Except as set forth below, the information required by this Item 12 is incorporated herein by reference from the information to be contained in our 2025 Proxy Statement.

The following table provides information as of December 31, 2024 regarding securities issued under our equity compensation plans that were in effect during fiscal year 2024.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(2) (3)</sup>	(b) Weighted-average exercise price of outstanding options, warrants and rights <sup>(4)</sup>	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(3)</sup>
Equity compensation plan(s) approved by security holders <sup>(1)</sup> .....	284,151	\$ —	950,328
Equity compensation plan(s) not approved by security holders .....	—	—	—
Total .....	<u>284,151</u>	<u>—</u>	<u>950,328</u>

<sup>(1)</sup> These plans are the Company's 2013 and 2023 Stock Compensation Plans ("2013 Plan" and "2023 Plan").

<sup>(2)</sup> Represents an aggregate of 224,579 restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs") under the 2013 and 2023 Plans.

<sup>(3)</sup> Represents shares available for issuance under the 2023 Plan. Assumes shares issued upon vesting of PSUs vest at 100% of target number of units. Actual number of shares issued on vesting of PSUs could be between zero to 200% of the target number of units.

<sup>(4)</sup> Represents the weighted average exercise price of outstanding stock options; excludes RSUs and PSUs. No stock options were outstanding at December 31, 2024.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference from the information to be contained in our 2025 Proxy Statement.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is incorporated herein by reference from the information to be contained in our 2025 Proxy Statement.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### (a) 1. Financial Statements

The following consolidated financial statements are included in Item 8 of this report:

Central Pacific Financial Corp. and Subsidiaries:

[Report of Independent Registered Public Accounting Firm](#)

[Consolidated Balance Sheets at December 31, 2024 and 2023](#)

[Consolidated Statements of Income for the Years ended December 31, 2024, 2023 and 2022](#)

[Consolidated Statements of Comprehensive Income \(Loss\) for the Years ended December 31, 2024, 2023 and 2022](#)

[Consolidated Statements of Changes in Equity for the Years ended December 31, 2024, 2023 and 2022](#)

[Consolidated Statements of Cash Flows for the Years ended December 31, 2024, 2023 and 2022](#)

[Notes to Consolidated Financial Statements](#)

(a) 2. All schedules required by this Item 15(a) 2 are omitted because they are not applicable, not material or because the information is included in the consolidated financial statements or the notes thereto.

(b) Exhibits

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">Restated Articles of Incorporation of the Registrant</a> <sup>(1)</sup>
3.2	<a href="#">Bylaws of the Registrant, as amended and restated through September 21, 2023</a> <sup>(2)</sup>
4.1	<a href="#">Description of Securities of the Registrant Registered Pursuant to Section 12 of the Exchange Act</a> <sup>(3)</sup>
4.2	<a href="#">Form of Registrant's Common Stock Certificate</a> <sup>(4)</sup>
4.3	Other long-term borrowing instruments are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Company undertakes to furnish copies of such instruments to the Commission upon request.
10.1	<a href="#">The Registrant's 2023 Annual Executive Incentive Plan</a> <sup>(†)(5)</sup>
10.2	<a href="#">The Registrant's Directors' Deferred Compensation Plan</a> <sup>(†)(6)</sup>
10.3	<a href="#">The Registrant's 2013 Stock Compensation Plan</a> <sup>(†)(7)</sup>
10.4	<a href="#">Form of Stock Option Grant Agreement for the Registrant's 2013 Stock Compensation Plan</a> <sup>(†)(8)</sup>
10.5	<a href="#">Form of Restricted Stock Grant Agreement for the Registrant's 2013 Stock Compensation Plan</a> <sup>(†)(9)</sup>
10.6	<a href="#">Form of Restricted Stock Unit Agreement for the Registrant's 2013 Stock Compensation Plan</a> <sup>(†)(10)</sup>
10.7	<a href="#">Form of Stock Appreciation Rights Grant Agreement for the Registrant's 2013 Stock Compensation Plan</a> <sup>(†)(11)</sup>
10.8	<a href="#">Form of Key Employee Restricted Stock Unit Grant Agreement for the Registrant's 2013 Stock Compensation Plan</a> <sup>(†)(12)</sup>
10.9	<a href="#">The Registrant's 2023 Stock Compensation Plan</a> <sup>(†)(13)</sup>
10.10	<a href="#">Form of Stock Option Grant Agreement for the Registrant's 2023 Stock Compensation Plan</a> <sup>(†)(14)</sup>
10.11	<a href="#">Form of Key Employee Restricted Stock Unit Agreement for the Registrant's 2023 Stock Compensation Plan</a> <sup>(†)(15)</sup>
10.12	<a href="#">Form of Notice of Restricted Stock Unit Grant for the Registrant's 2023 Stock Compensation Plan</a> <sup>(†)(16)</sup>
10.13	<a href="#">Form of Key Employee Performance-Based Restricted Stock Unit Grant for the Registrant's 2023 Stock Compensation Plan</a> <sup>(†)(17)</sup>
10.14	<a href="#">Form of Notice of Performance-Based Restricted Stock Unit Award Grant for the Registrant's 2023 Stock Compensation Plan</a> <sup>(†)(18)</sup>
14.1	<a href="#">The Registrant's Code of Conduct &amp; Ethics</a> <sup>(19)</sup>
14.2	<a href="#">The Registrant's Code of Conduct &amp; Ethics for Senior Financial Officers</a> <sup>(20)</sup>
19.1	<a href="#">Insider Trading Policies and Procedures</a> <sup>(*)</sup>
21	<a href="#">Subsidiaries of the Registrant</a> <sup>(*)</sup>
23.1	<a href="#">Consent of Independent Registered Public Accounting Firm (Crowe)</a> <sup>(*)</sup>
31.1	<a href="#">Rule 13a-14(a) Certification of Chief Executive Officer in accordance with Section 302 of the Sarbanes-Oxley Act of 2002</a> <sup>(*)</sup>
31.2	<a href="#">Rule 13a-14(a) Certification of Chief Financial Officer in accordance with Section 302 of the Sarbanes-Oxley Act of 2002</a> <sup>(*)</sup>
32.1	<a href="#">Section 1350 Certification of Chief Executive Officer in accordance with Section 906 of the Sarbanes-Oxley Act of 2002</a> <sup>(**)</sup>
32.2	<a href="#">Section 1350 Certification of Chief Financial Officer in accordance with Section 906 of the Sarbanes-Oxley Act of 2002</a> <sup>(**)</sup>
97.1	<a href="#">Compensation Recovery Policy</a> <sup>(21)</sup>

Exhibit Number	Description
101.INS	<a href="#">XBRL Instance Document</a> (*)
101.SCH	<a href="#">Inline XBRL Taxonomy Extension Schema Document</a> (*)
101.CAL	<a href="#">Inline XBRL Taxonomy Extension Calculation Linkbase Document</a> (*)
101.DEF	<a href="#">Inline XBRL Taxonomy Extension Definition Linkbase Document</a> (*)
101.LAB	<a href="#">Inline XBRL Taxonomy Extension Label Linkbase Document</a> (*)
101.PRE	<a href="#">Inline XBRL Taxonomy Extension Presentation Linkbase Document</a> (*)
104	Cover Page Interactive Data File (formatted as Inline XBRL and included within the Exhibit 101 attachments)

(\*) Filed herewith.

(\*\*) Furnished herewith.

(†) Denotes management contract or compensation plan or arrangement.

All of the references to Form 8-K, Form 10-K, Form 10-Q, and Form DEF 14A identified in the exhibit index have Securities and Exchange Commission file number **001-31567**.

Upon request of the Securities and Exchange Commission, we will furnish any agreements relating to our long-term debt not otherwise contained herein.

(1) Incorporated herein by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the Securities and Exchange Commission on February 27, 2015.

(2) Incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 22, 2023.

(3) Incorporated herein by reference to Exhibit 4.1 of the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2023.

(4) Incorporated herein by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the Securities and Exchange Commission on February 25, 2020.

(5) Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 15, 2023.

(6) Incorporated herein by reference to Exhibit 10.2 of the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2023.

(7) Incorporated herein by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the Securities and Exchange Commission on February 28, 2019.

(8) Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 1, 2013.

(9) Incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 1, 2013.

(10) Incorporated herein by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 1, 2013.

(11) Incorporated herein by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 1, 2013.

(12) Incorporated herein by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 1, 2013.

(13) Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 1, 2023.

(14) Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 1, 2023.

(15) Incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 1, 2023.

(16) Incorporated herein by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 1, 2023.

(17) Incorporated herein by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 1, 2023.

(18) Incorporated herein by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 1, 2023.

(19) Incorporated herein by reference to Exhibit 14.1 of the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 23, 2022.

(20) Incorporated herein by reference to Exhibit 14.2 of the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 23, 2022.

(21) Incorporated herein by reference to Exhibit 97.1 of the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 21, 2024.

**(c) Financial Statement Schedules**

All financial statement schedules have been omitted as the information is not required under the related instructions or is inapplicable.

**ITEM 16. FORM 10-K SUMMARY**

**Not applicable.**

## SIGNATURES

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

Dated: February 26, 2025

CENTRAL PACIFIC FINANCIAL CORP.  
(Registrant)

/s/ Arnold D. Martines

---

Arnold D. Martines

Chairman,

President and Chief Executive Officer

(Principal Executive Officer)

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Arnold D. Martines</u> Arnold D. Martines	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 26, 2025
<u>/s/ David S. Morimoto</u> David S. Morimoto	Senior Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 26, 2025
<u>/s/ Earl E. Fry</u> Earl E. Fry	Director	February 26, 2025
<u>/s/ Jason R. Fujimoto</u> Jason R. Fujimoto	Director	February 26, 2025
<u>/s/ Jonathan B. Kindred</u> Jonathan B. Kindred	Director	February 26, 2025
<u>/s/ Paul J. Kosasa</u> Paul J. Kosasa	Director	February 26, 2025
<u>/s/ Christopher T. Lutes</u> Christopher T. Lutes	Director	February 26, 2025
<u>/s/ A. Catherine Ngo</u> A. Catherine Ngo	Director	February 26, 2025
<u>/s/ Robert K.W.H. Nobriga</u> Robert K.W.H. Nobriga	Director	February 26, 2025
<u>/s/ Saedene K. Ota</u> Saedene K. Ota	Director	February 26, 2025
<u>/s/ Crystal K. Rose</u> Crystal K. Rose	Director	February 26, 2025
<u>/s/ Paul K. Yonamine</u> Paul K. Yonamine	Director	February 26, 2025