



 First Hawaiian, Inc.

# 4<sup>th</sup> QUARTER 2019 EARNINGS CALL

January 28, 2020

Corrected January 29, 2020:  
Revised footnote 3 on slide 2 to  
provide correct record date of  
February 24, 2020 for next  
quarterly dividend.

# FORWARD-LOOKING STATEMENTS

*This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements relating to guidance described herein, are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, and any such forward-looking statements are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. Factors that could cause our actual results to differ materially from those described in the forward-looking statements can be found in our SEC filings, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2018, and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, which are available on our website ([www.fhb.com](http://www.fhb.com)) and the SEC's website ([www.sec.gov](http://www.sec.gov)). Statements about the estimated impact of the application of Accounting Standard Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326), referred to as “CECL,” including any anticipated increase in the allowance for credit losses as a result thereof, are subject to the risk that the actual impact may differ, possibly materially, from that currently expected due to, among other things, further process refinement, as well as the loan portfolio composition quality at the adoption date, macroeconomic conditions and forecasts at that time and additional accounting or supervisory guidance that may be issued prior to the effective date which could impact our practices for the sound application of the new standard. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law.*

# Q4 2019 HIGHLIGHTS

- **Good loan and deposit growth**
- **Moderated decline in NIM**

- **Continued expense management**
- **Excellent credit quality**

	Reported	Core <sup>1</sup>
Net Income (\$mm)	\$67.8	\$71.3
Diluted Earnings Per Share	\$0.52	\$0.54
Net Interest Margin	3.15%	3.15%
Efficiency Ratio	48.9%	47.7%
ROA / ROATA <sup>2</sup>	1.34% / 1.41%	1.41% / 1.48%
ROE / ROATCE <sup>2</sup>	10.21% / 16.40%	10.72% / 17.22 %
Tier 1 Leverage Ratio		8.79%
CET 1 Capital Ratio		11.88%
Total Capital ratio		12.81%
Dividend <sup>3</sup>	\$0.26 / share	

- 2.9% loan growth
- Improved deposit mix
- Disciplined expense management
- Continued excellent credit quality
- Repurchased 1.3 million shares, returning \$37 million in capital to shareholders

(1) Core measurements are non-GAAP financial measurements. Core excludes certain gains, expenses and one-time items. See non-GAAP reconciliations of core net income, core diluted EPS, and core efficiency ratio to the comparable GAAP measurements in the appendix of this slide presentation.

(2) ROATA and ROATCE are non GAAP financial measures. A reconciliation of average tangible assets and average tangible stockholders' equity to the comparable GAAP measurements is provided in the appendix of this slide presentation.

(3) Declared on January 22, 2020. Payable March 6, 2020 to shareholders of record at close of business on February 24, 2020.

# SUCCESSFUL TRANSITION TO INDEPENDENCE

## Successful Transition to Independence

- Completed separation from BNPP
- Absorbed transition costs, maintained efficiency ratio
- Improved quality of the balance sheet
- Delivered outstanding performance measures

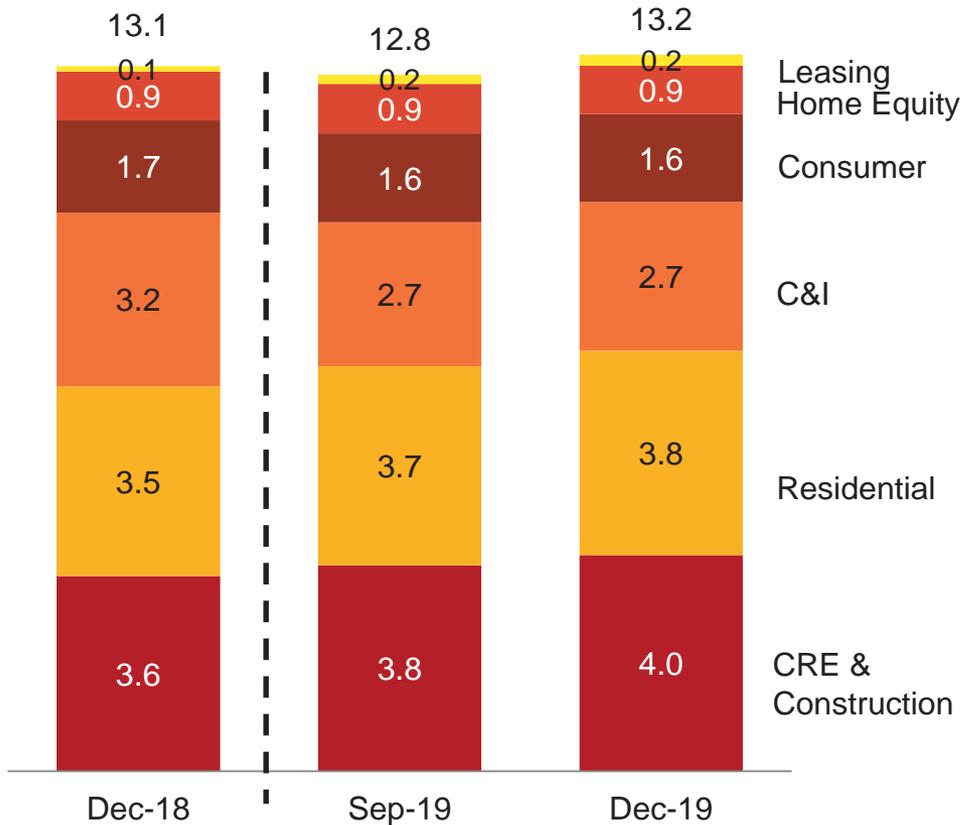
## Investing In The Customer Experience

- Continuing to invest in technology projects that will enhance customer experience and increase automation
- Digital architecture will provide modularity and flexibility
- Finalized plans for core system replacement. Implementation ongoing.

# 2.9% GROWTH IN LOANS AND LEASES

## Total Loans and Leases

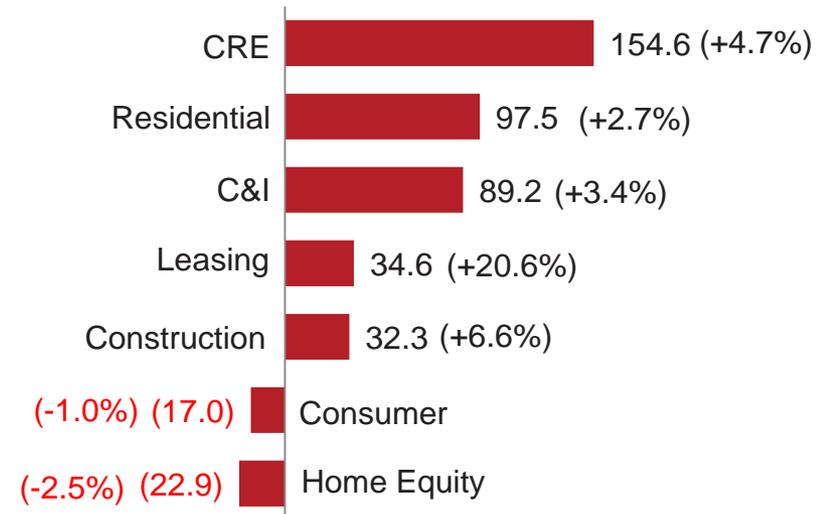
(\$ billions)



Note: Segments may not sum to total due to rounding

## Q4 '19 vs Q3 '19 Net Change

(\$ millions)



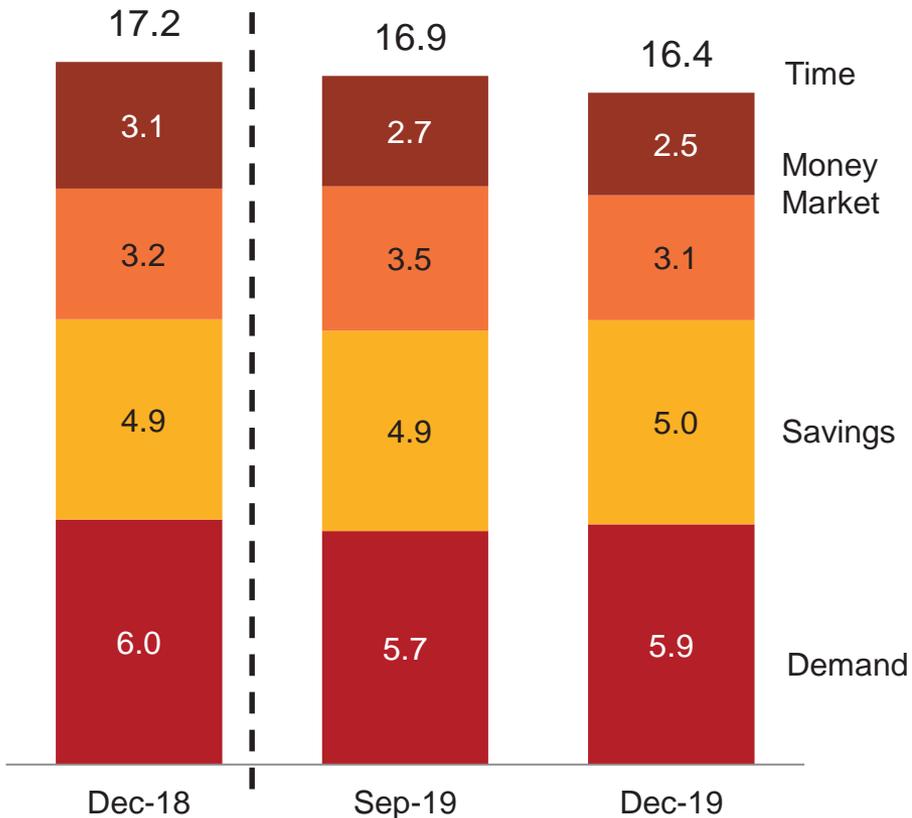
## 2020 Outlook – Total Loans and Leases

3% – 4% range

# 10 BASIS POINT DECREASE IN DEPOSIT COSTS

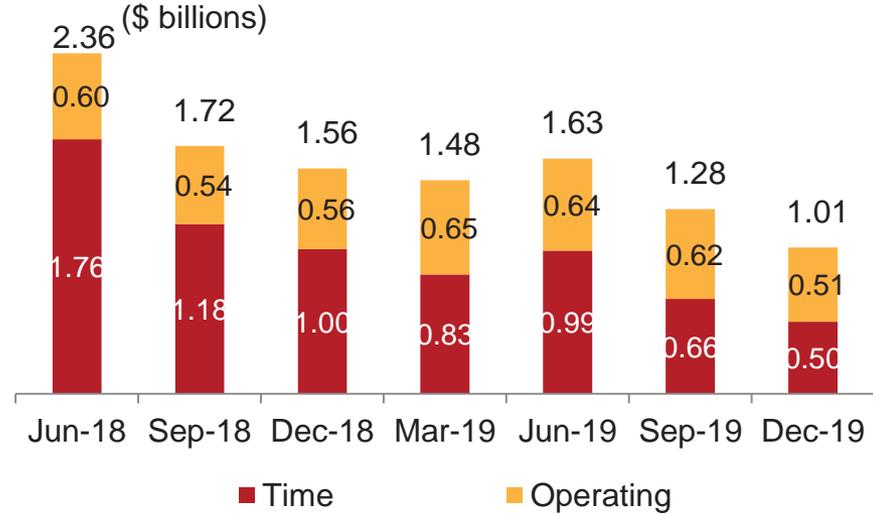
## Total Deposits

(\$ billions)



## Public Deposits

(\$ billions)



- Consumer and commercial deposits increased \$253mm excluding the withdrawal of a \$400mm temporary deposit
- \$266mm decrease in public deposits also contributed to decline in total deposit balances

Quarterly Cost of Deposits

48 bps

54 bps

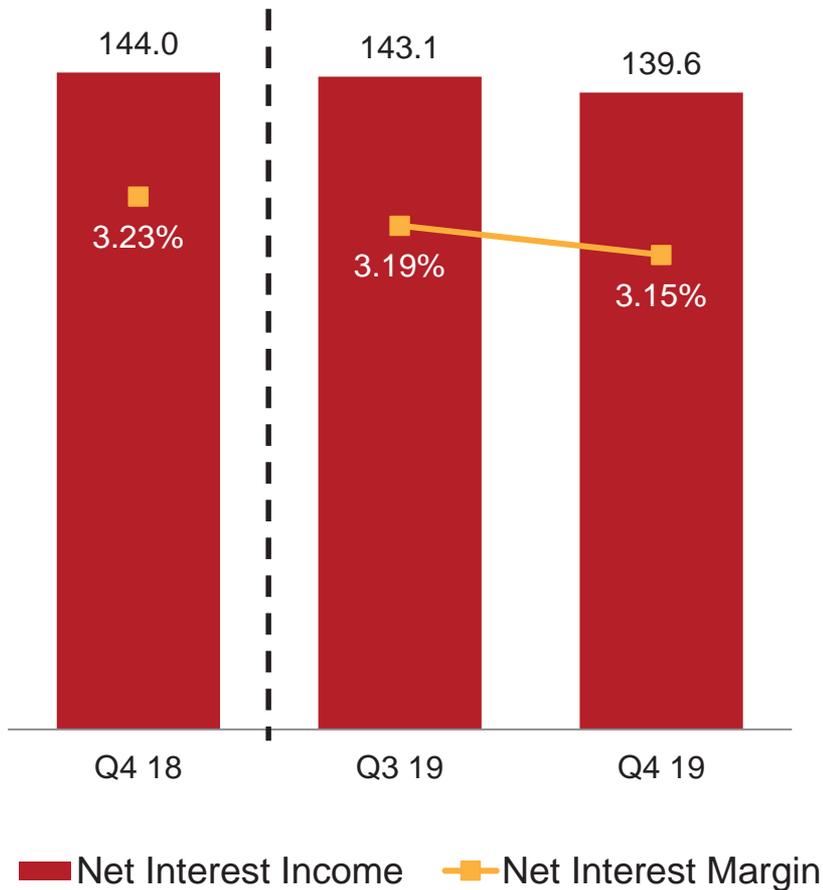
44 bps

Note: Segments in chart may not sum to total due to rounding

# 4 BP DECLINE IN NET INTEREST MARGIN

## Net Interest Income and Net Interest Margin

(\$ millions)



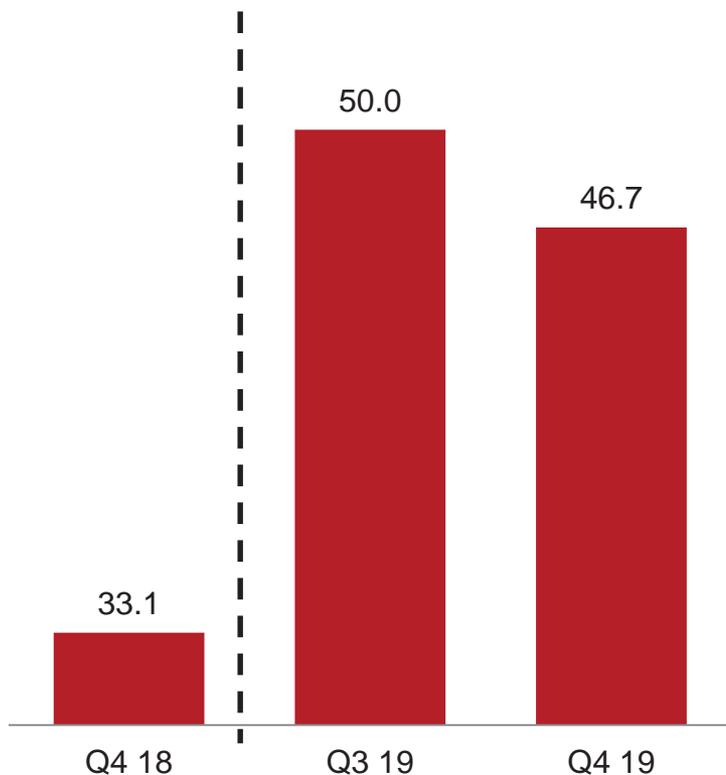
	Q4 2019	Q3 2019
Reported NIM	3.15%	3.19%
Premium adjustment	.03	.04
NIM after adjustment	3.18%	3.23%

- Improved deposit pricing helped limit NIM decline to only 4 bps

# KEY NONINTEREST INCOME ITEMS STABLE, PRUDENT EXPENSE MANAGEMENT

## Noninterest Income

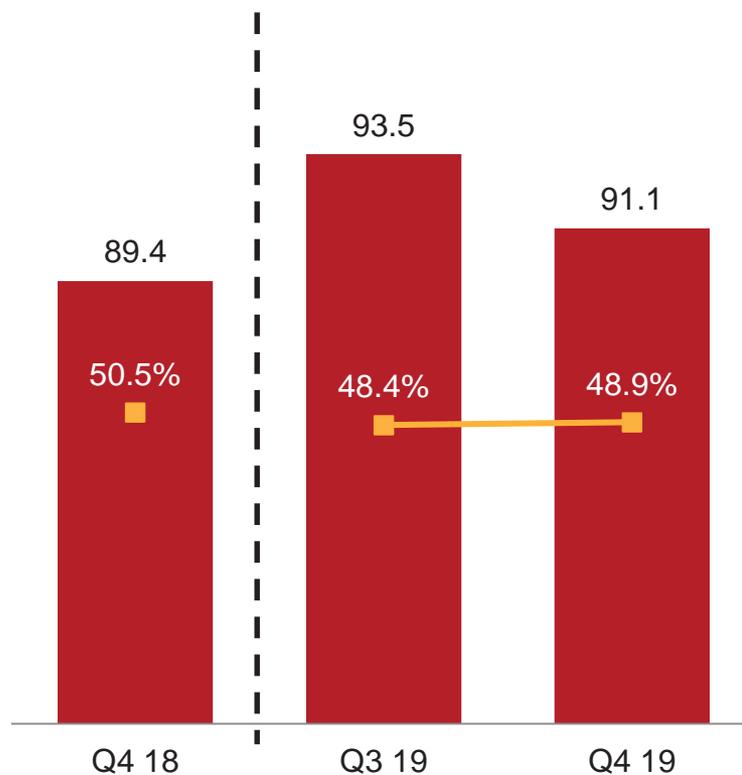
(\$ millions)



■ Nonint Income

## Noninterest Expense

(\$ millions)

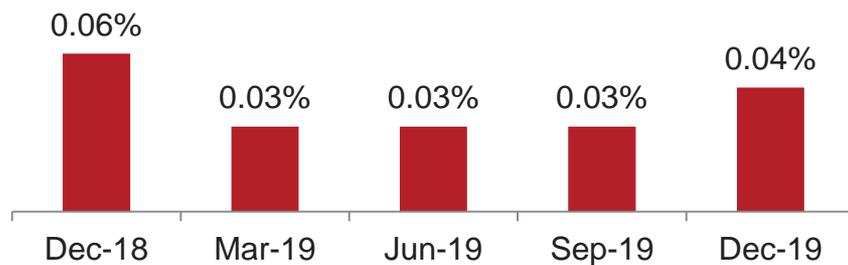


■ Nonint Expense

■ Efficiency Ratio

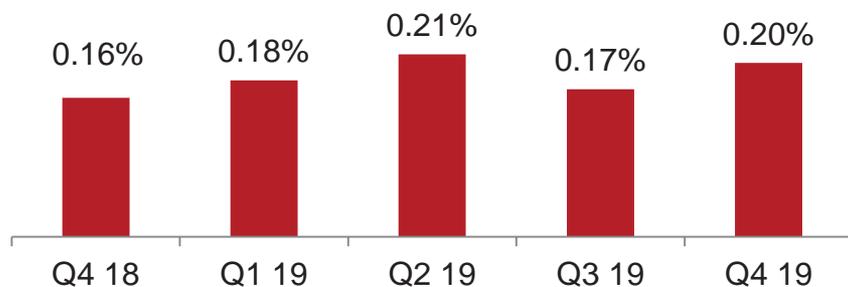
# CONTINUED EXCELLENT ASSET QUALITY

## NPAs / Total Loans and Leases + OREO



➤ NPAs steady at 4 bps of total loans and leases and OREO

## NCOs / Ave Loans and Leases



➤ Net charge-offs of \$6.7 mm, or 20 bps on average loans and leases on an annualized basis

# STATE ECONOMIC OUTLOOK REMAINS POSITIVE

## Healthy Labor Market

- December statewide seasonally-adjusted state unemployment rate was 2.6%, compared to 3.5% nationally

## Strong Visitor Industry (YTD through 11/30/19)

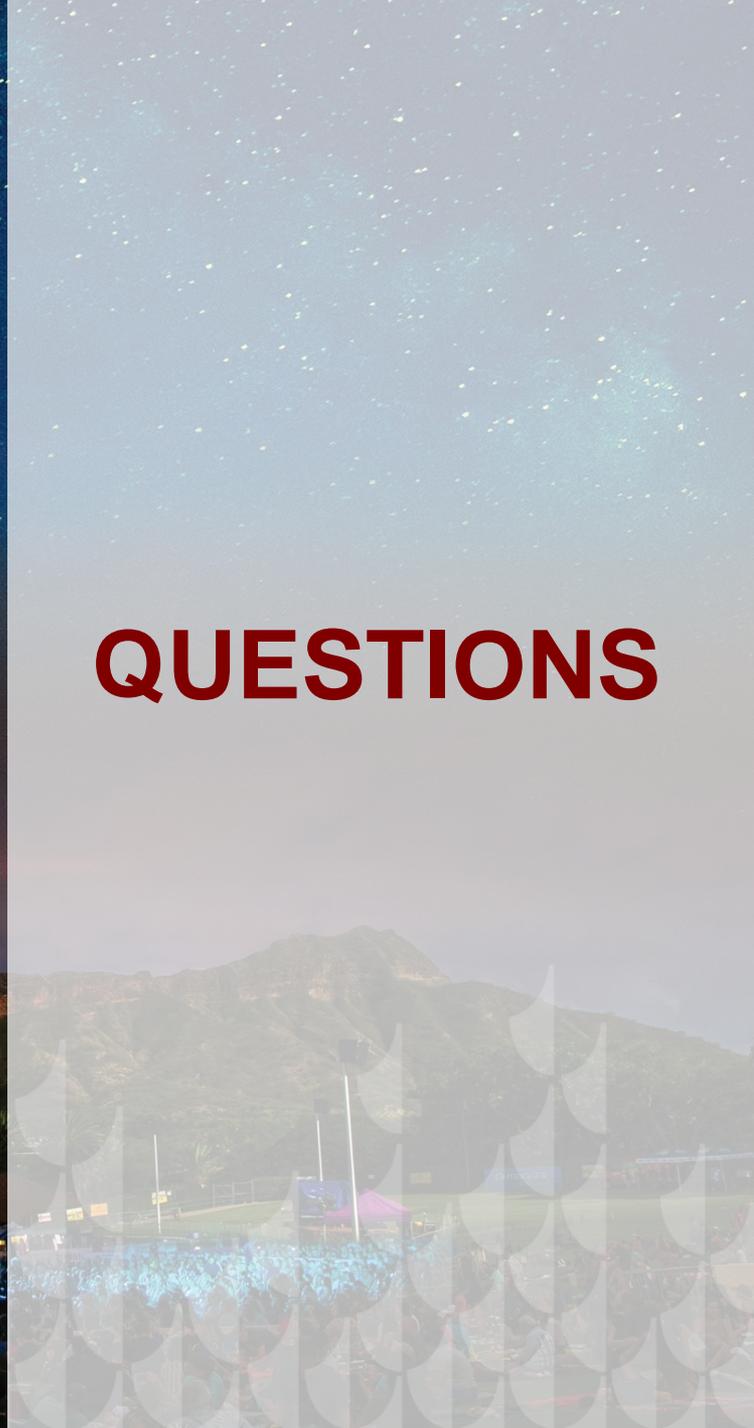
- Visitor arrivals: 9.5 million, up 5.4% vs prior year
- Visitor spending: \$16.0 billion, up 0.5% vs prior year

## Oahu Residential Real Estate (YTD through 12/31/19)

- Volume of single family home sales: +3.9% vs prior year
- Volume of condominium sales: (4.8%) vs prior year
- Median single-family home sale price: \$789k, (0.1%) vs prior year
- Median condominium sale price: \$425k, +1.2% vs prior year



# QUESTIONS





# GAAP TO NON-GAAP RECONCILIATIONS



*We present net interest income, noninterest income, noninterest expense, efficiency ratio, net income, basic and diluted earnings per share and the related ratios described below, on an adjusted, or “core,” basis, each a non-GAAP financial measure. These core measures exclude from the corresponding GAAP measure the impact of certain items that we do not believe are representative of our financial results. We believe that the presentation of these non-GAAP financial measures helps identify underlying trends in our business from period to period that could otherwise be distorted by the effect of certain expenses, gains and other items included in our operating results. We believe that these core measures provide useful information about our operating results and enhance the overall understanding of our past performance and future performance. Investors should consider our performance and financial condition as reported under GAAP and all other relevant information when assessing our performance or financial condition.*

*Core net interest margin, core efficiency ratio, core return on average total assets and core return on average total stockholders’ equity are non-GAAP financial measures. We compute our core net interest margin as the ratio of core net interest income to average earning assets. We compute our core efficiency ratio as the ratio of core noninterest expense to the sum of core net interest income and core noninterest income. We compute our core return on average total assets as the ratio of core net income to average total assets. We compute our core return on average total stockholders’ equity as the ratio of core net income to average total stockholders’ equity.*

*Return on average tangible stockholders’ equity, core return on average tangible stockholders’ equity, return on average tangible assets, core return on average tangible assets and tangible stockholders’ equity to tangible assets are non-GAAP financial measures. We compute our return on average tangible stockholders’ equity as the ratio of net income to average tangible stockholders’ equity, which is calculated by subtracting (and thereby effectively excluding) amounts related to the effect of goodwill from our average total stockholders’ equity. We compute our core return on average tangible stockholders’ equity as the ratio of core net income to average tangible stockholders’ equity, which is calculated by subtracting (and thereby effectively excluding) amounts related to the effect of goodwill from our average total stockholders’ equity. We compute our return on average tangible assets as the ratio of net income to average tangible assets, which is calculated by subtracting (and thereby effectively excluding) amounts related to the effect of goodwill from our average total assets. We compute our core return on average tangible assets as the ratio of core net income to average tangible assets. We compute our average tangible stockholders’ equity to average tangible assets as the ratio of average tangible stockholders’ equity to average tangible assets, each of which we calculate by subtracting (and thereby effectively excluding) the value of our goodwill. We compute our tangible book value per share as the ratio of tangible stockholders’ equity to outstanding shares. We believe that these measurements are useful for investors, regulators, management and others to evaluate financial performance and capital adequacy relative to other financial institutions. Although these non-GAAP financial measures are frequently used by stakeholders in the evaluation of a company, they have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results or financial condition as reported under GAAP.*

*The following tables provide a reconciliation of these non-GAAP financial measures with their most directly comparable GAAP measures.*

# GAAP TO NON-GAAP RECONCILIATION



(dollars in thousands, except per share amounts)	For the Three Months Ended			For the Year Ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
<b>Income Statement Data:</b>					
Net income	\$ 67,836	\$ 74,199	\$ 59,995	\$ 284,392	\$ 264,394
Core net income	\$ 71,250	\$ 75,871	\$ 77,914	\$ 291,785	\$ 286,711
Average total stockholders' equity	\$ 2,636,651	\$ 2,648,428	\$ 2,437,504	\$ 2,609,432	\$ 2,457,771
Less: average goodwill	995,492	995,492	995,492	995,492	995,492
Average tangible stockholders' equity	\$ 1,641,159	\$ 1,652,936	\$ 1,442,012	\$ 1,613,940	\$ 1,462,279
Average total assets	\$ 20,089,601	\$ 20,332,457	\$ 20,069,988	\$ 20,325,697	\$ 20,247,135
Less: average goodwill	995,492	995,492	995,492	995,492	995,492
Average tangible assets	\$ 19,094,109	\$ 19,336,965	\$ 19,074,496	\$ 19,330,205	\$ 19,251,643
Return on average total stockholders' equity <sup>(1)</sup>	10.21 %	11.12 %	9.77 %	10.90 %	10.76 %
Core return on average total stockholders' equity (non-GAAP) <sup>(1)</sup>	10.72 %	11.37 %	12.68 %	11.18 %	11.67 %
Return on average tangible stockholders' equity (non-GAAP) <sup>(1)</sup>	16.40 %	17.81 %	16.51 %	17.62 %	18.08 %
Core return on average tangible stockholders' equity (non-GAAP) <sup>(1)</sup>	17.22 %	18.21 %	21.44 %	18.08 %	19.61 %
Return on average total assets <sup>(1)</sup>	1.34 %	1.45 %	1.19 %	1.40 %	1.31 %
Core return on average total assets (non-GAAP) <sup>(1)</sup>	1.41 %	1.48 %	1.54 %	1.44 %	1.42 %
Return on average tangible assets (non-GAAP) <sup>(1)</sup>	1.41 %	1.52 %	1.25 %	1.47 %	1.37 %
Core return on average tangible assets (non-GAAP) <sup>(1)</sup>	1.48 %	1.56 %	1.62 %	1.51 %	1.49 %

<sup>(1)</sup> Annualized for the three and nine months ended December 13, 2019, September 30, 2019 and December 31, 2018.

	As of December 31, 2019	As of September 30, 2019	As of December 31, 2018
<b>Balance Sheet Data:</b>			
Total stockholders' equity	\$ 2,640,258	\$ 2,654,558	\$ 2,524,839
Less: goodwill	995,492	995,492	995,492
Tangible stockholders' equity	\$ 1,644,766	\$ 1,659,066	\$ 1,529,347
Total assets	\$ 20,166,734	\$ 20,598,220	\$ 20,695,678
Less: goodwill	995,492	995,492	995,492
Tangible assets	\$ 19,171,242	\$ 19,602,728	\$ 19,700,186
Shares outstanding	129,928,479	131,260,900	134,874,302
Total stockholders' equity to total assets	13.09 %	12.89 %	12.20 %
Tangible stockholders' equity to tangible assets (non-GAAP)	8.58 %	8.46 %	7.76 %
Book value per share	\$ 20.32	\$ 20.22	\$ 18.72
Tangible book value per share (non-GAAP)	\$ 12.66	\$ 12.64	\$ 11.34

# GAAP TO NON-GAAP RECONCILIATION



	For the Three Months Ended			For the Year Ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
(dollars in thousands, except per share amounts)					
Net interest income	\$ 139,619	\$ 143,081	\$ 143,985	\$ 573,402	\$ 566,318
Core net interest income (non-GAAP)	\$ 139,619	\$ 143,081	\$ 143,985	\$ 573,402	\$ 566,318
Noninterest income	\$ 46,708	\$ 49,980	\$ 33,091	\$ 192,533	\$ 178,993
Loss on sale of securities	123	—	—	2,715	—
Costs associated with the sale of stock	4,500	—	—	4,500	—
OTTI losses on available-for-sale debt securities	—	—	24,085	—	24,085
Core noninterest income (non-GAAP)	\$ 51,331	\$ 49,980	\$ 57,176	\$ 199,748	\$ 203,078
Noninterest expense	\$ 91,058	\$ 93,466	\$ 89,354	\$ 370,437	\$ 364,953
Loss on litigation settlement <sup>(1)</sup>	—	—	—	—	(4,125)
One-time items <sup>(2)</sup>	(48)	(2,244)	(435)	(2,814)	(2,267)
Core noninterest expense (non-GAAP)	\$ 91,010	\$ 91,222	\$ 88,919	\$ 367,623	\$ 358,561
Net income	\$ 67,836	\$ 74,199	\$ 59,995	\$ 284,392	\$ 264,394
Loss on sale of securities	123	—	—	2,715	—
Costs associated with the sale of stock	4,500	—	—	4,500	—
OTTI losses on available-for-sale debt securities	—	—	24,085	—	24,085
Loss on litigation settlement <sup>(1)</sup>	—	—	—	—	4,125
One-time noninterest expense items <sup>(2)</sup>	48	2,244	435	2,814	2,267
Tax adjustments <sup>(3)</sup>	(1,257)	(572)	(6,601)	(2,636)	(8,160)
Total core adjustments	3,414	1,672	17,919	7,393	22,317
Core net income (non-GAAP)	\$ 71,250	\$ 75,871	\$ 77,914	\$ 291,785	\$ 286,711
Basic earnings per share	\$ 0.52	\$ 0.56	\$ 0.44	\$ 2.14	\$ 1.93
Diluted earnings per share	\$ 0.52	\$ 0.56	\$ 0.44	\$ 2.13	\$ 1.93
Efficiency ratio	48.86 %	48.41 %	50.45 %	48.36 %	48.96 %
Core basic earnings per share (non-GAAP)	\$ 0.55	\$ 0.57	\$ 0.58	\$ 2.19	\$ 2.09
Core diluted earnings per share (non-GAAP)	\$ 0.54	\$ 0.57	\$ 0.58	\$ 2.19	\$ 2.09
Core efficiency ratio (non-GAAP)	47.65 %	47.25 %	44.19 %	47.55 %	46.59 %

- 1) The Company reached an agreement in principle to resolve a putative class action lawsuit alleging that the Bank improperly charged certain overdraft fees. In connection with the settlement agreement, the Company recorded an expense of approximately \$4.1 million during the year ended December 31, 2019.
- 2) One-time items for all periods shown included nonrecurring offering costs. Additionally, one-time items for the three months ended September 30, 2019 and twelve months ended December 31, 2019 included costs related to a nonrecurring payment to a former executive of the Company pursuant to the Bank's Executive Change-in-Control Retention Plan and the loss on our funding swap as a result of a 2019 decrease in the conversion rate of our Visa Class B restricted shares sold in 2016. One-time items for the year ended December 31, 2018 included the loss on our funding swap as a result of a 2018 decrease in the conversion rate of our Visa Class B restricted shares sold in 2016.
- 3) Represents the adjustments to net income, tax effected at the Company's effective tax rate for the respective period.

# SUMMARY INCOME STATEMENT



(\$ in millions except per share data)	Quarter ended		
	12/31/19	9/30/19	12/31/18
Net interest income	\$ 139.6	\$ 143.1	\$ 144.0
Provision for loan and lease losses	4.3	0.0	5.8
Noninterest income	46.7	50.0	33.1
Noninterest expense	91.1	93.5	89.4
<b>Pre-tax income</b>	<b>91.0</b>	<b>99.6</b>	<b>82.0</b>
Tax expense	23.2	25.4	22.0
<b>Net Income</b>	<b>\$ 67.8</b>	<b>\$ 74.2</b>	<b>\$ 60.0</b>
Core adjustments <sup>(1)</sup>	4.7	2.2	24.5
Tax adjustments	(1.3)	(0.6)	(6.6)
<b>Core Net Income <sup>(1)</sup></b>	<b>\$ 71.3</b>	<b>\$ 75.9</b>	<b>\$ 77.9</b>
Diluted earnings per share	\$ 0.52	\$ 0.56	\$ 0.44
Core diluted earnings per share <sup>(1)</sup>	\$ 0.54	\$ 0.57	\$ 0.58

Note: Totals may not sum due to rounding.

<sup>(1)</sup> Non-GAAP financial measure. A reconciliation to the directly comparable GAAP measure is provided in the appendix of this slide presentation.

# SELECTED BALANCE SHEET ITEMS



(\$ in millions except per share data)	As of		
	12/31/19	9/30/19	12/31/18
<b>Selected Assets</b>			
Investment securities	\$ 4,075.6	\$ 4,157.1	\$ 4,498.3
Loans and leases	13,211.7	12,843.4	13,076.2
Total assets	20,166.7	20,598.2	20,695.7
<b>Selected Liabilities and Stockholders' Equity</b>			
Total deposits	\$ 16,445.0	\$ 16,857.2	\$ 17,150.1
Total stockholders' equity	2,640.3	2,654.6	2,524.8
Shares Outstanding	129,928,479	131,260,900	134,874,302
Book value per share	\$ 20.32	\$ 20.22	\$ 18.72
Tangible book value per share <sup>(1)</sup>	12.66	12.64	11.34
Tier 1 Leverage Ratio	8.79 %	8.68 %	8.72 %
CET 1 / Tier 1	11.88 %	12.15 %	11.97 %
Total Capital Ratio	12.81 %	13.11 %	12.99 %

<sup>(1)</sup> Non-GAAP financial measure. A reconciliation to the directly comparable GAAP measure is provided in the appendix of this slide presentation. 16