



 First Hawaiian, Inc.

4th QUARTER 2018 EARNINGS CALL

January 24, 2019

160
YEARS
OF
YES

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 the estimated 2019 earnings accretion and payback period of the loss in connection with the restructuring transactions described herein and the expense 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, 2017, which is available on our website (www.fhb.com) and the SEC's website (www.sec.gov). 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 2018 HIGHLIGHTS

- **Solid core earnings¹, strong loan and deposit growth, 12 bp NIM expansion**
- **8.3% dividend increase**
- **Balance sheet restructuring will enhance future profitability**

	Reported	Core ¹
Net income (\$mm)	\$60.0	\$77.9
Earnings per diluted share	\$0.44	\$0.58
Net interest margin	3.23%	3.23%
Efficiency Ratio	50.5%	44.2%
ROA / ROATA ²	1.19% / 1.25%	1.54% / 1.62%
ROE / ROATCE ²	9.77% / 16.51%	12.68% / 21.44%
Tier 1 Leverage Ratio		8.72%
CET 1 Capital Ratio		11.97%
Total Capital ratio		12.99%
Dividend ³		\$0.26 / share

- 11.5% increase in core EPS¹
- 3.8% loan growth
- 2.8% deposit growth, or 3.8% excluding \$174 million reduction in public time deposits
- 12 bp NIM expansion
- ~44% core efficiency ratio¹
- 8.3% dividend increase to \$0.26 / share
- Continued balance sheet optimization with investment portfolio restructuring

(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

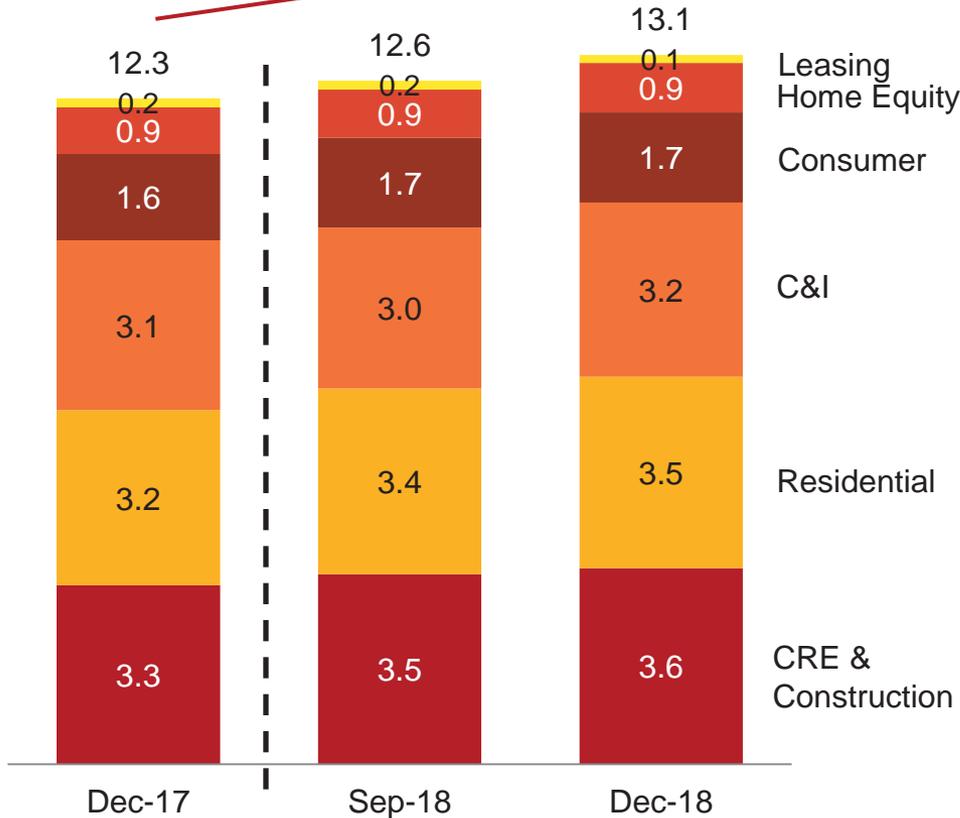
(3) Declared on January 23, 2019. Payable March 8, 2019 to shareholders of record at close of business on February 25, 2019

STRONG, 3.8% LOAN GROWTH IN 4Q, 6.5% LOAN GROWTH IN 2018

Total Loans and Leases

(\$ billions)

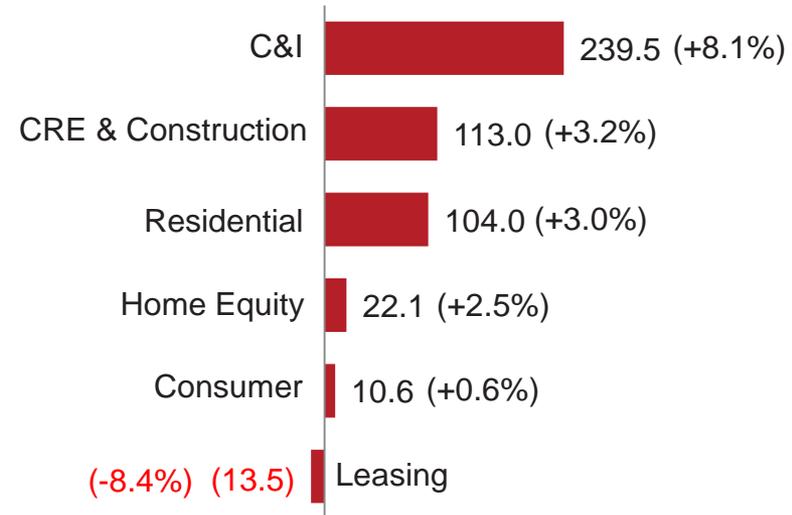
YOY growth: \$799 mm (6.5%)



Note: Segments may not sum to total due to rounding

Q4 '18 vs Q3 '18 Net Loan Change (+3.8%)

(\$ millions)



2019 Outlook – Total Loans and Leases

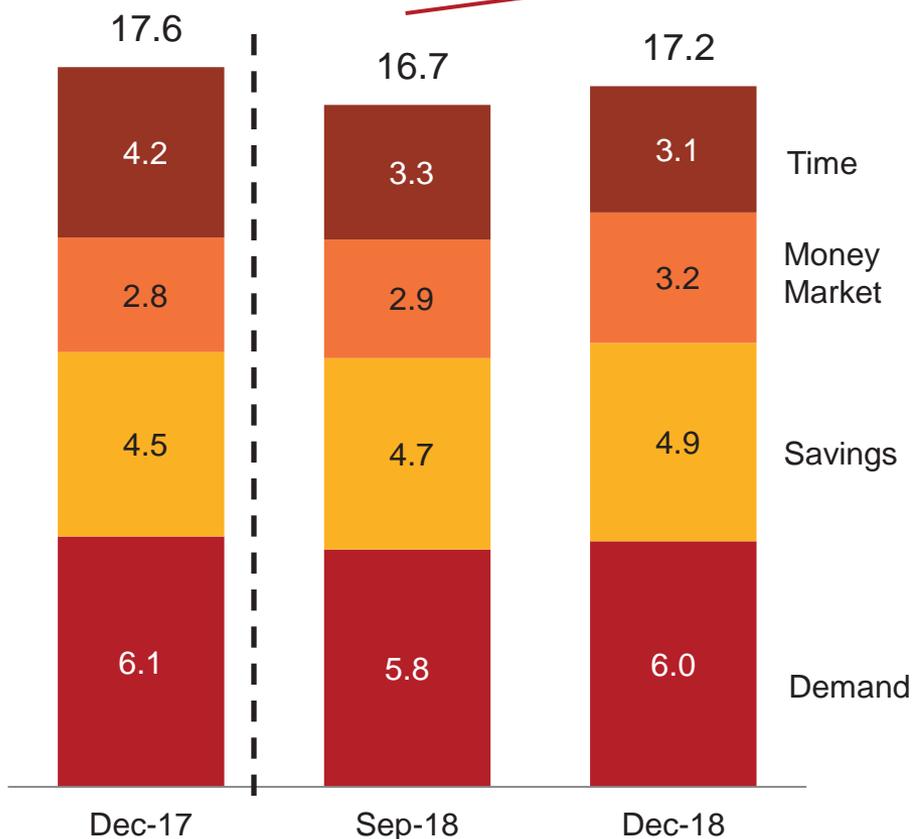
Mid-single digit range

2.8% DEPOSIT GROWTH IN 4Q, CONTINUED REDUCING PUBLIC TIME DEPOSITS

Total Deposits

(\$ billions)

2.8% growth



Cost of Deposits
31 bps

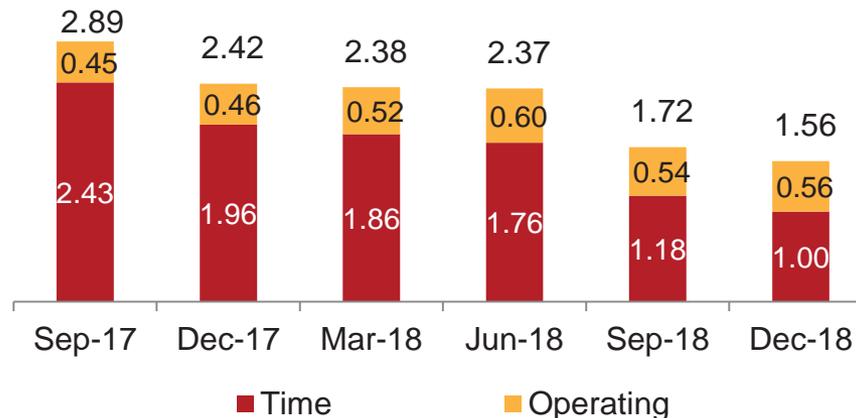
47 bps

48 bps

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

Public Deposits

(\$ billions)

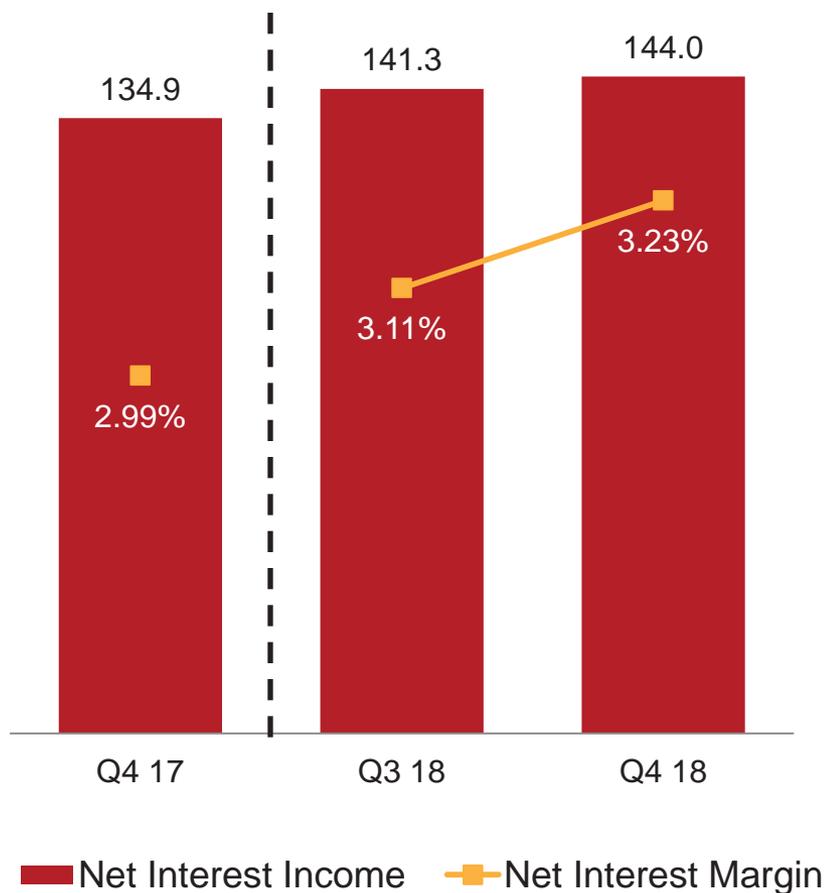


- 3.8% deposit growth excluding \$174 mm reduction in public time deposits
- 1 bp increase in cost of deposits
- Continued progress diversifying funding sources
 - Additional \$200 mm of fixed-rate term borrowings

12 BP INCREASE IN NIM IN 4Q

Net Interest Income and Net Interest Margin

(\$ millions)



	Q4 2018	Q3 2018
Reported NIM	3.23%	3.11%
Premium amortization	.03	-
NIM after adjustment	3.20%	3.11%

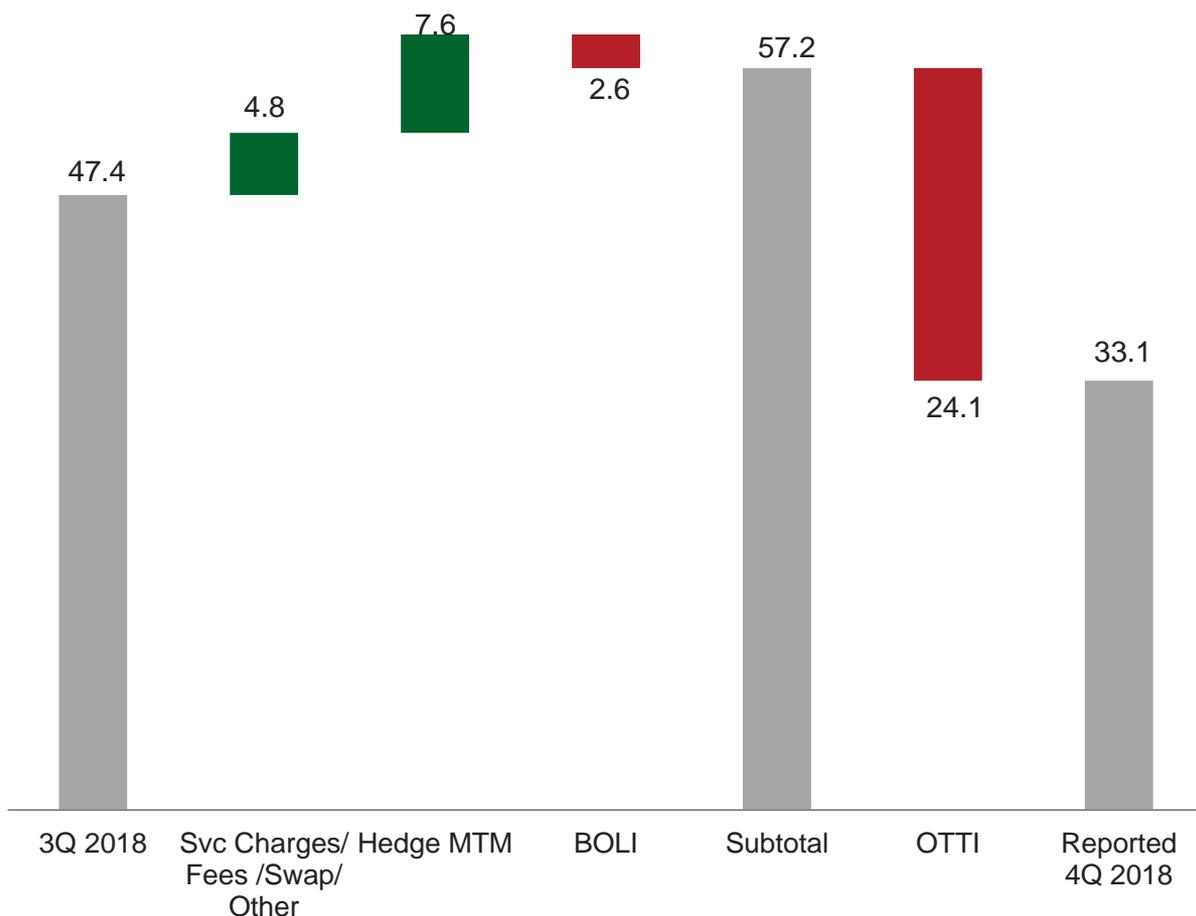
- 9 bp increase NIM after adjustment for premium amortization driven by
 - Reduction in excess liquidity
 - Shift in mix from investments to loans
 - Balance sheet repricing

1Q 2019 NIM Outlook

+ 5 – 7 bps

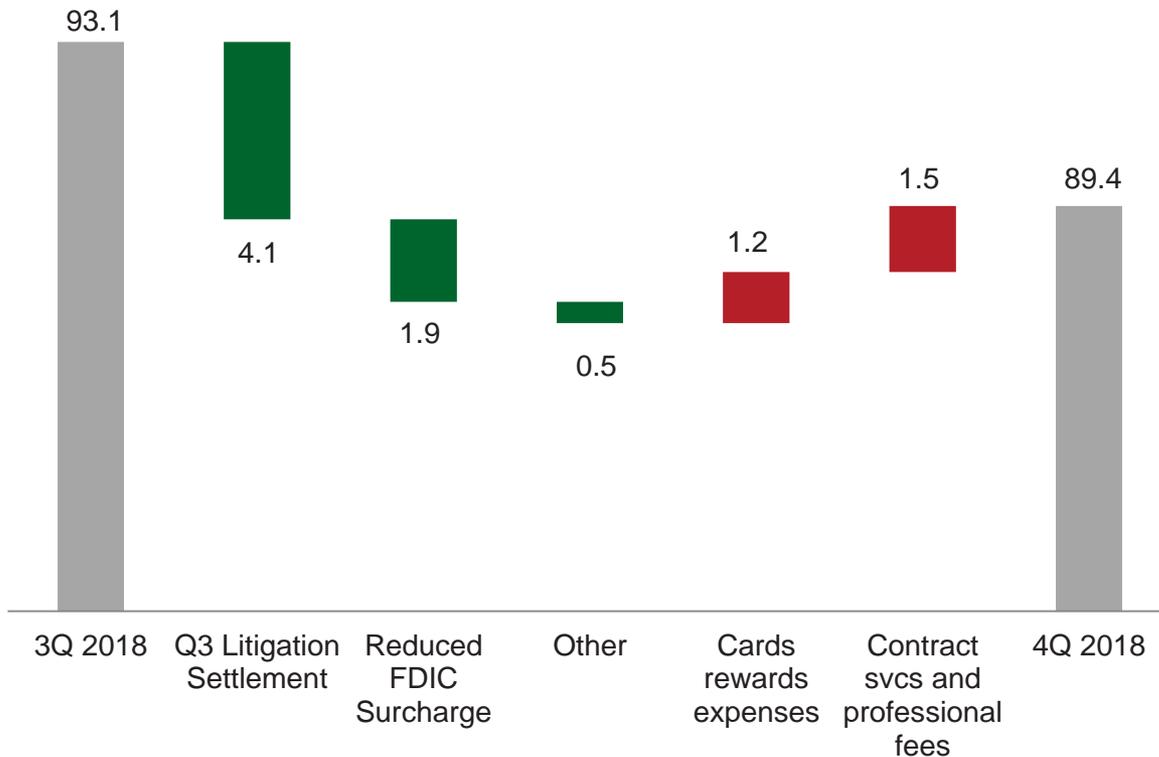
- Estimate investment portfolio restructuring will add ~6 bps to NIM, with impact in Q1 about ~4bp due to partial quarter benefit

SOLID NONINTEREST INCOME, EX OTTI



- Modest increases across most fee income categories
- Other noninterest income includes:
 - \$7.6 mm MTM adjustment due to balance sheet hedges
 - \$1.5 mm related to intercompany taxes, offset by tax provision expense
- Other than temporary impairment (OTTI) charge of \$24.1 mm due to investment portfolio restructuring

CORE EFFICIENCY RATIO¹ BETTER THAN GUIDANCE



2019 Outlook

- *Annualized 4Q expenses + ~6%*
 - Inflation & volume growth: ~3%
 - TSA costs: ~1%
 - Lower BNPP reimbursements: ~2%
- *Efficiency ratio between 47.5 – 48.0%*

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

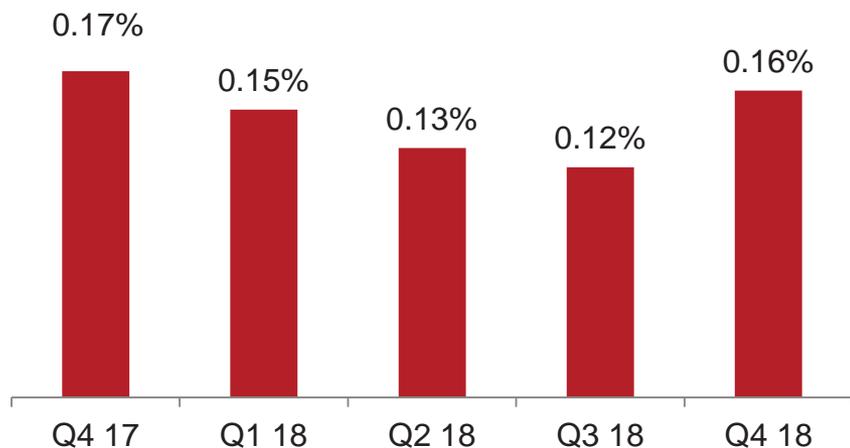
Transaction Summary

	Securities Sold	Securities Purchased
BV:	\$898 mm	\$900 mm
Yield:	1.72%	3.03%
Duration:	2.8 yrs	2.2 yrs
Loss on Sale (after tax)	4Q 2018: \$17.6 mm 1Q 2019: \$2.1 mm	
Estimated NIM Impact	~ +4 bps in Q1 due to timing ~ +6 bps in future quarters	
Estimated 2019 Net Income Impact	~\$6.1 mm	
Estimated Impact on Capital Ratios	10 bps decline on CET1, mostly in 4Q 2018.	

- Helps unlock earning potential of the balance sheet
- Improves overall yield on investment portfolio by ~ 25 bps
- Improves asset/liability profile
 - New securities barbelled with mix of fixed and floating securities
 - Shorter duration provides protection against uncertain rate environment
- Efficient use of capital: Estimated payback period of 2.6 years

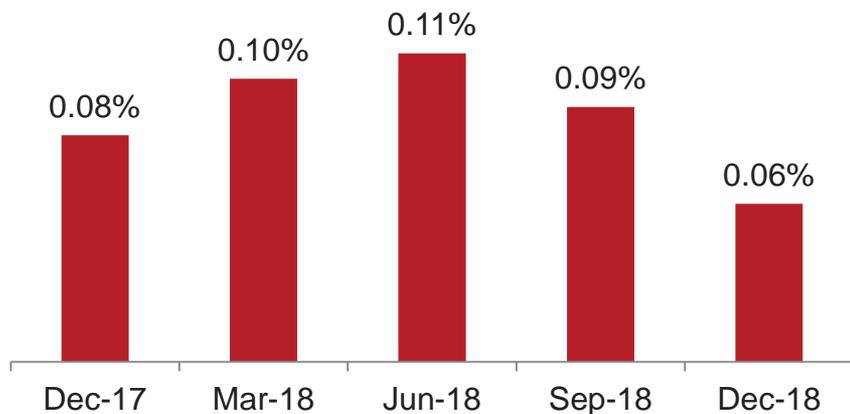
CONTINUED EXCELLENT ASSET QUALITY

NCOs / Ave Loans and Leases



➤ Net charge-offs of \$5.3 mm, or 16 bps on average loans and leases on an annualized basis

NPAs / Total Loans and Leases + OREO



➤ NPAs down \$4.0 mm versus prior quarter to \$7.3 mm, or 6 bps of total loans and leases and OREO

STATE ECONOMIC OUTLOOK REMAINS POSITIVE

Healthy Labor Market

- December statewide seasonally-adjusted state unemployment rate was 2.5%, compared to 3.9% nationally

Strong Visitor Industry

(data through 11/30/18)

- YTD visitor arrivals: 9.0 million, up 6.1% vs prior year
- YTD visitor spending: \$16.2 billion, up 8.0% vs prior year

Oahu Residential Real Estate

(YTD through 12/31/18)

- Volume of single family home sales: (7.7%) vs prior year
- Volume of condominium sales: (2.5%) vs prior year
- Median single-family home sale price: \$790k, +4.6% vs prior year
- Median condominium sale price: \$420k, +3.7% vs prior year



QUESTIONS

160
YEARS
OF
YES



First Hawaiian, Inc.



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 tangible stockholders’ equity to tangible assets as the ratio of tangible stockholders’ equity to tangible assets, each of which we calculate by subtracting (and thereby effectively excluding) the value of our goodwill. 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, 2018	September 30, 2018	December 31, 2017	December 31, 2018 2017	
Income Statement Data:					
Net income	\$ 59,995	\$ 67,388	\$ 11,684	\$ 264,394	\$ 183,682
Average total stockholders' equity	\$ 2,437,504	\$ 2,427,907	\$ 2,570,704	\$ 2,457,771	\$ 2,538,341
Less: average goodwill	995,492	995,492	995,492	995,492	995,492
Average tangible stockholders' equity	\$ 1,442,012	\$ 1,432,415	\$ 1,575,212	\$ 1,462,279	\$ 1,542,849
Average total assets	\$ 20,069,988	\$ 20,391,456	\$ 20,193,919	\$ 20,247,135	\$ 19,942,807
Less: average goodwill	995,492	995,492	995,492	995,492	995,492
Average tangible assets	\$ 19,074,496	\$ 19,395,964	\$ 19,198,427	\$ 19,251,643	\$ 18,947,315
Return on average total stockholders' equity ⁽¹⁾	9.77 %	11.01 %	1.80 %	10.76 %	7.24 %
Return on average tangible stockholders' equity (non-GAAP) ⁽¹⁾	16.51 %	18.66 %	2.94 %	18.08 %	11.91 %
Return on average total assets ⁽¹⁾	1.19 %	1.31 %	0.23 %	1.31 %	0.92 %
Return on average tangible assets (non-GAAP) ⁽¹⁾	1.25 %	1.38 %	0.24 %	1.37 %	0.97 %
Average stockholders' equity to average assets	12.15 %	11.91 %	12.73 %	12.14 %	12.73 %
Tangible average stockholders' equity to tangible average assets (non-GAAP)	7.56 %	7.39 %	8.20 %	7.60 %	8.14 %

⁽¹⁾ Annualized for the three months and nine months ended December 31, 2018 and 2017 and three months ended September 30, 2018

	As of December 31, 2018	As of September 30, 2018	As of December 31, 2017
Balance Sheet Data:			
Total stockholders' equity	\$ 2,524,839	\$ 2,423,462	\$ 2,532,551
Less: goodwill	995,492	995,492	995,492
Tangible stockholders' equity	\$ 1,529,347	\$ 1,427,970	\$ 1,537,059
Total assets	\$ 20,695,678	\$ 19,983,838	\$ 20,549,461
Less: goodwill	995,492	995,492	995,492
Tangible assets	\$ 19,700,186	\$ 18,988,346	\$ 19,553,969
Shares outstanding	134,874,302	134,873,728	139,588,782
Total stockholders' equity to total assets	12.20 %	12.13 %	12.32 %
Tangible stockholders' equity to tangible assets (non-GAAP)	7.76 %	7.52 %	7.86 %
Book value per share	\$ 18.72	\$ 17.97	\$ 18.14
Tangible book value per share (non-GAAP)	\$ 11.34	\$ 10.59	\$ 11.01

GAAP TO NON-GAAP RECONCILIATION



	For the Three Months Ended			For the Year Ended	
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(dollars in thousands, except per share amounts)					
Net interest income	\$ 143,985	\$ 141,258	\$ 134,886	\$ 566,318	\$ 528,804
Core net interest income (non-GAAP)	\$ 143,985	\$ 141,258	\$ 134,886	\$ 566,318	\$ 528,804
Noninterest income	\$ 33,091	\$ 47,405	\$ 54,324	\$ 178,993	\$ 205,605
OTTI losses on available-for-sale debt securities	24,085	—	—	24,085	—
Gains on sale of real estate	—	—	(4,255)	—	(6,922)
Core noninterest income (non-GAAP)	\$ 57,176	\$ 47,405	\$ 50,069	\$ 203,078	\$ 198,683
Noninterest expense	\$ 89,354	\$ 93,147	\$ 89,850	\$ 364,953	\$ 347,554
Loss on litigation settlement ⁽¹⁾	—	(4,125)	—	(4,125)	—
One-time items ⁽²⁾	(435)	(511)	(4,073)	(2,267)	(5,457)
Core noninterest expense (non-GAAP)	\$ 88,919	\$ 88,511	\$ 85,777	\$ 358,561	\$ 342,097
Net income	\$ 59,995	\$ 67,388	\$ 11,684	\$ 264,394	\$ 183,682
OTTI losses on available-for-sale debt securities	24,085	—	—	24,085	—
Gains on sale of real estate	—	—	(4,255)	—	(6,922)
Loss on litigation settlement ⁽¹⁾	—	4,125	—	4,125	—
One-time noninterest expense items ⁽²⁾	435	511	4,073	2,267	5,457
Tax reform bill	—	—	47,598	—	47,598
Tax adjustments ⁽³⁾	(6,601)	(1,206)	63	(8,160)	551
Total core adjustments	17,919	3,430	47,479	22,317	46,684
Core net income (non-GAAP)	\$ 77,914	\$ 70,818	\$ 59,163	\$ 286,711	\$ 230,366
Core basic earnings per share (non-GAAP)	\$ 0.58	\$ 0.52	\$ 0.42	\$ 2.09	\$ 1.65
Core diluted earnings per share (non-GAAP)	\$ 0.58	\$ 0.52	\$ 0.42	\$ 2.09	\$ 1.65
Basic earnings per share	\$ 0.44	\$ 0.50	\$ 0.08	\$ 1.93	\$ 1.32
Diluted earnings per share	\$ 0.44	\$ 0.50	\$ 0.08	\$ 1.93	\$ 1.32

- (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 anticipated settlement agreement, the Company recorded an expense of approximately \$4.1 million during the three months ended September 30, 2018 and during the year ended December 31, 2018.
- (2) One-time items for the year ended December 31, 2018 included the loss on our funding swap as a result of a decrease in the conversion rate of our Visa Class B restricted shares sold in 2016. One time items for all periods disclosed included public offering related costs.
- (3) Represents the adjustments to net income, tax effected at the Company's effective tax rate for the respective period, exclusive of one-time Tax Cuts and Jobs Act expense.

SUMMARY INCOME STATEMENT



(\$ in millions except per share data)	Quarter ended		
	12/31/18	9/30/18	12/31/17
Net interest income	\$ 144.0	\$ 141.3	\$ 134.9
Provision for loan and lease losses	5.8	4.5	5.1
Noninterest income	33.1	47.4	54.3
Noninterest expense	89.4	93.1	89.9
Pre-tax income	82.0	91.1	94.3
Tax expense	22.0	23.7	82.6
Net Income	\$ 60.0	\$ 67.4	\$ 11.7
Core adjustments ⁽¹⁾	24.5	4.6	47.4
Tax adjustments	(6.6)	(1.2)	0.1
Core Net Income ⁽¹⁾	\$ 77.9	\$ 70.8	\$ 59.2
Diluted earnings per share	\$ 0.44	\$ 0.50	\$ 0.08
Core diluted earnings per share ⁽¹⁾	0.58	0.52	0.42

⁽¹⁾ 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		
	12/31/18	9/30/18	12/31/17
Selected Assets			
Investment securities	\$ 4,498.3	\$ 4,595.3	\$ 5,234.7
Loans and leases	13,076.2	12,600.5	12,277.4
Total assets	20,695.7	19,983.8	20,549.5
Selected Liabilities and Stockholders' Equity			
Total deposits	\$ 17,150.1	\$ 16,689.3	\$ 17,612.1
Total stockholders' equity	2,524.8	2,423.5	2,532.6
Shares Outstanding	134,874,302	134,873,728	139,588,782
Book value per share	\$ 18.72	\$ 17.97	\$ 18.14
Tangible book value per share ⁽¹⁾	11.34	10.59	11.01
Tier 1 Leverage Ratio	8.72 %	8.42 %	8.52 %
CET 1 / Tier 1	11.97 %	12.09 %	12.45 %
Total Capital Ratio	12.99 %	13.14 %	13.50 %

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