



 First Hawaiian, Inc.

# 3<sup>rd</sup> QUARTER 2018 EARNINGS CALL

October 25, 2018

**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 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](http://www.fhb.com)) and the SEC's website ([www.sec.gov](http://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.*

# ▶ Q3 2018 HIGHLIGHTS

- **Strong core performance**
- **BNP Paribas reduced ownership from 48.8% to 18.4%**
- **First Hawaiian repurchased 1.8mm shares at a cost of \$50mm**

**Net Income: \$67.4 mm**  
**Diluted EPS: \$0.50**  
**Core Net Income<sup>(1)</sup>: \$70.8 mm**  
**Core Diluted EPS<sup>(1)</sup>: \$0.52**

**Efficiency Ratio: 49.4%**  
**Core Efficiency Ratio<sup>(1)</sup>: 46.9%**

<b>ROA: 1.31%</b> <b>Core ROATA<sup>(1)(2)</sup>: 1.45%</b>	<b>ROE: 11.01%</b> <b>Core ROATCE<sup>(1)(2)</sup>: 19.61%</b>
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**\$0.24/Share Dividend<sup>(3)</sup>**

**Tier 1 Capital Ratio: 12.09%**  
**Tier 1 Leverage Ratio: 8.42%**

- Strong loan production
- Significant reduction in rate sensitive public time deposits
- On track to achieve full year guidance on core efficiency ratio of ~48%
- Excellent asset quality
- Continued strong core profitability
- Strong capital levels, consistent capital distribution through dividends and opportunistic repurchases

(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 core efficiency ratio, and average tangible assets and average tangible stockholders' equity use to calculate core ratios in the appendix  
(2) ROATA and ROATCE are non GAAP financial measures. A reconciliation to the comparable GAAP measurement is provided in the appendix of this slide presentation  
(3) Declared on October 24, 2018. Payable December 7, 2018 to shareholders of record at close of business on November 26, 2018

## ▶ BNP PARIBAS OWNERSHIP REDUCED TO 18.4%, FIRST HAWAIIAN REPURCHASED SHARES

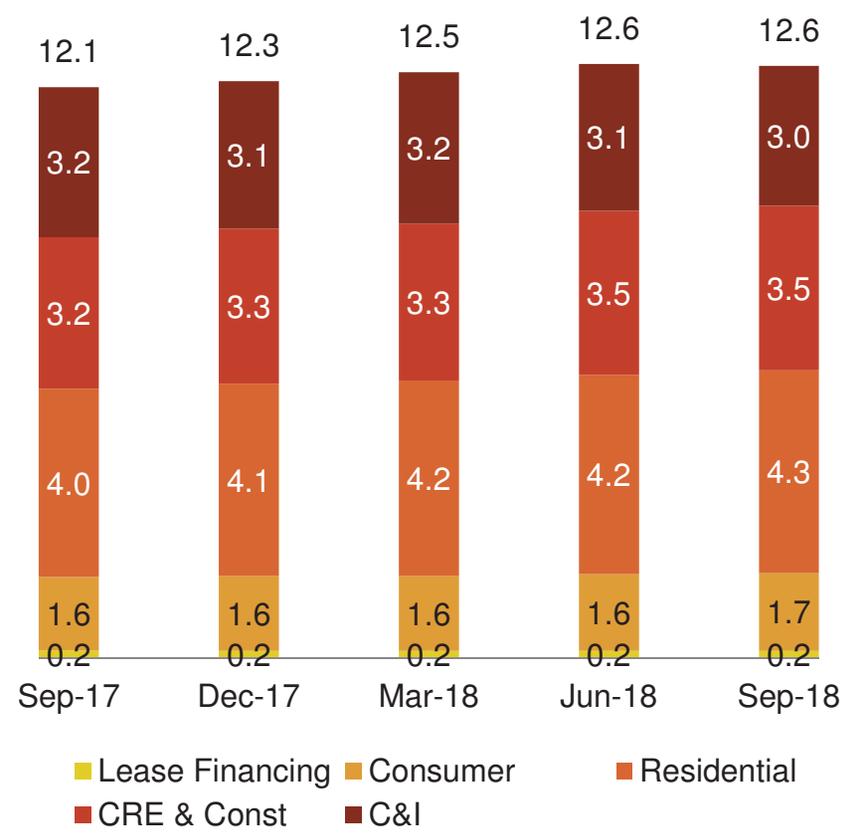


- During the quarter, BNP Paribas (“BNPP”) sold a total of 40mm common shares of First Hawaiian in two underwritten public offerings, and First Hawaiian (FHI) repurchased approximately 1.8mm shares of FHI from BNPP concurrently with one of the offerings
- As a result of these offerings and the share repurchase,
  - BNPP’s stake in FHI decreased from 48.8% to 18.4%
  - The number of BNPP-nominated directors was reduced from five to two; as a result, independent directors comprise a majority of the board
  - As of August 1, 2018, BNPP ceased consolidating FHI’s financial statements with BNPP’s and BNPP USA’s financial statements
- Since the IPO, FHI has returned \$381mm, or 86% of earnings to FHI shareholders
- FHI remains “well capitalized” as of September 30, 2018

# STRONG LOAN PRODUCTION OFFSET BY UNEXPECTED PREPAYMENTS

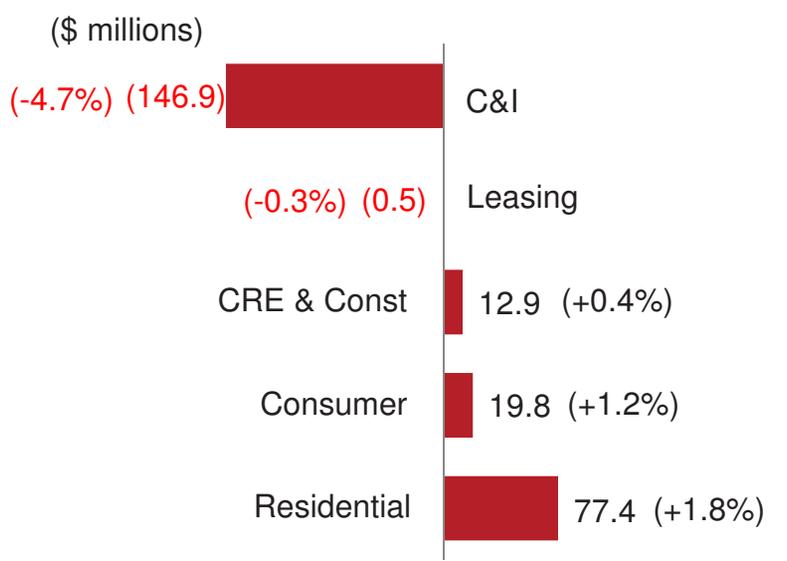
## Total Loans and Leases

(\$ billions) YTD growth: \$323mm (3.5% annualized)



Note: Segments may not sum to total due to rounding

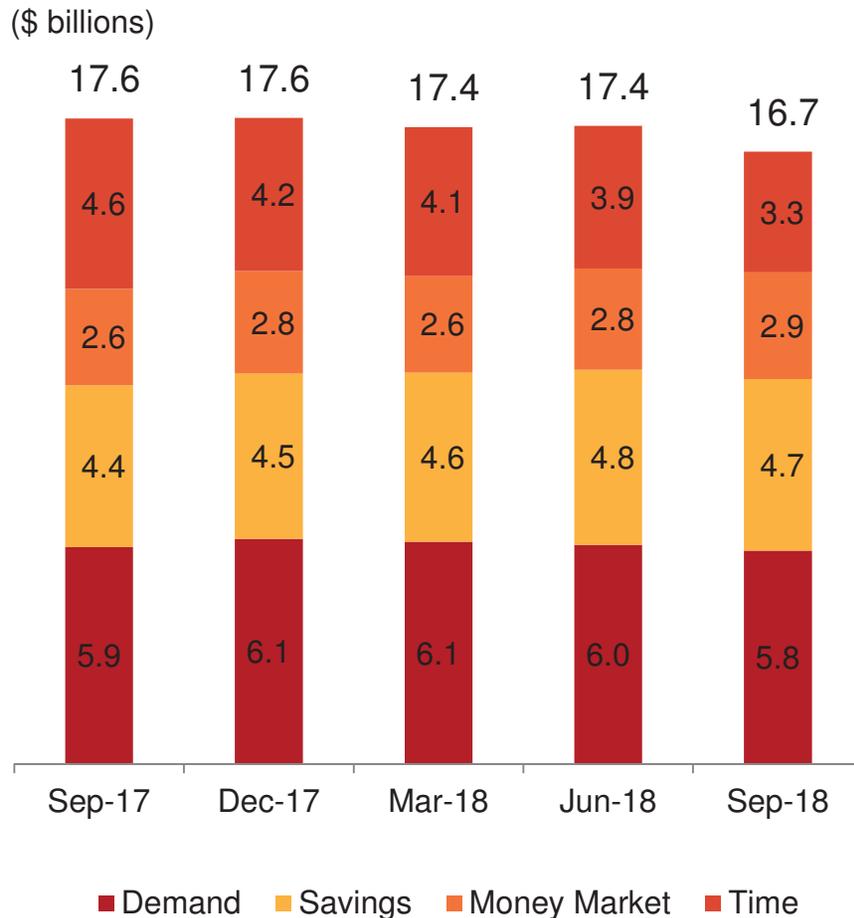
## Q3 '18 vs Q2 '18 Net Loan Change (-0.3%)



2018 Outlook – Total Loans and Leases  
4% - 5% range

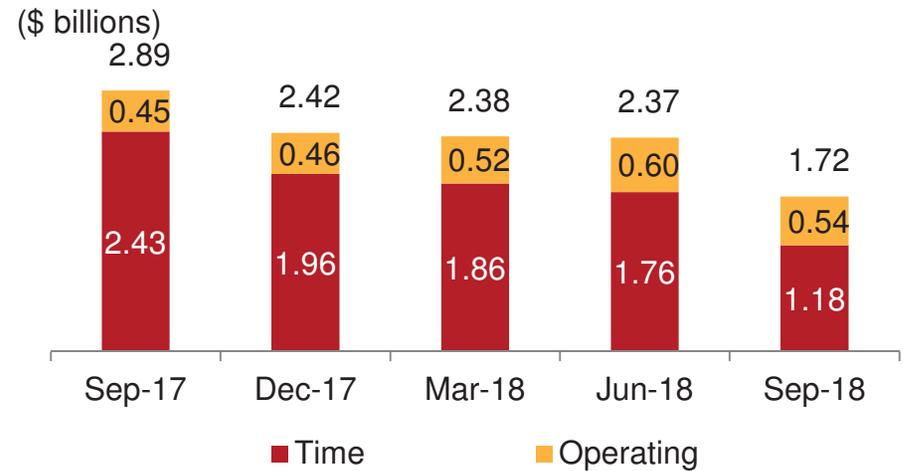
# ► SIGNIFICANT PROGRESS REDUCING PUBLIC TIME DEPOSITS

## Total Deposits



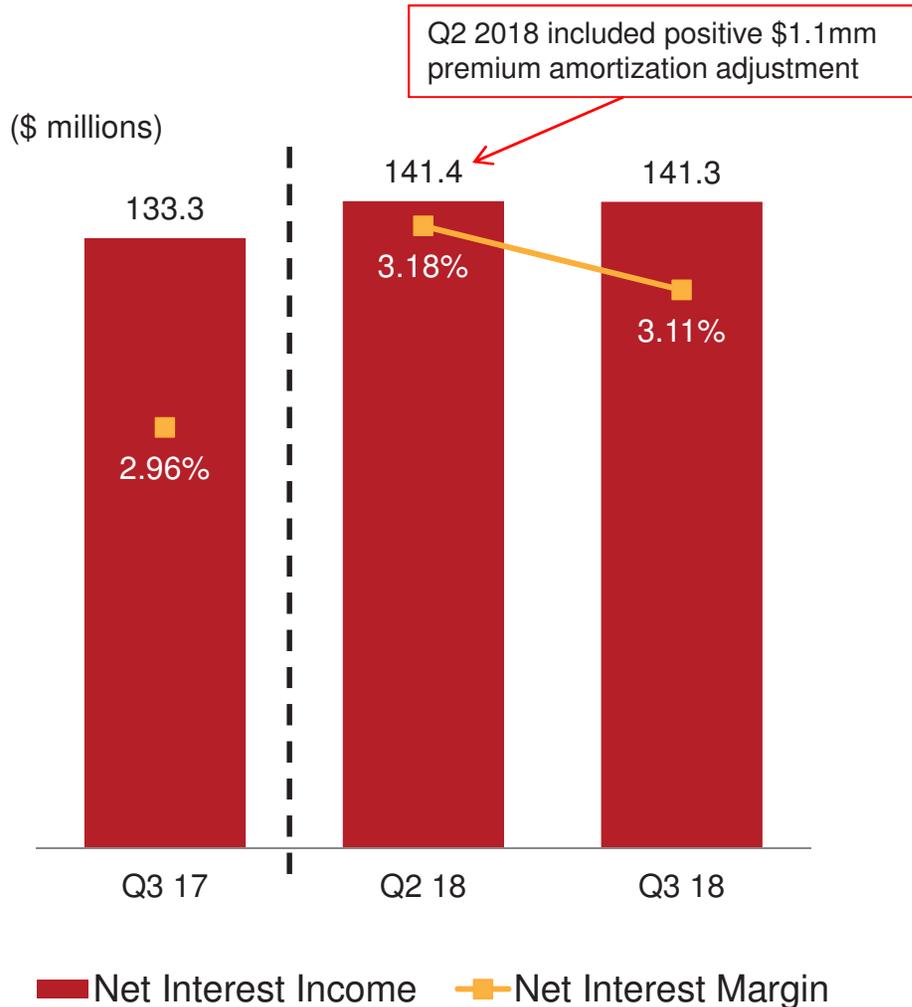
Note: Segments may not sum to total due to rounding

## Public Deposits



- Significant progress reducing exposure to public time deposits:
  - \$590 mm reduction in public time deposits
- Continued progress diversifying funding sources
  - Replaced a portion of public time deposits with additional \$200 mm of fixed-rate term borrowings

# DECREASE IN NIM DUE TO TEMPORARY EXCESS LIQUIDITY



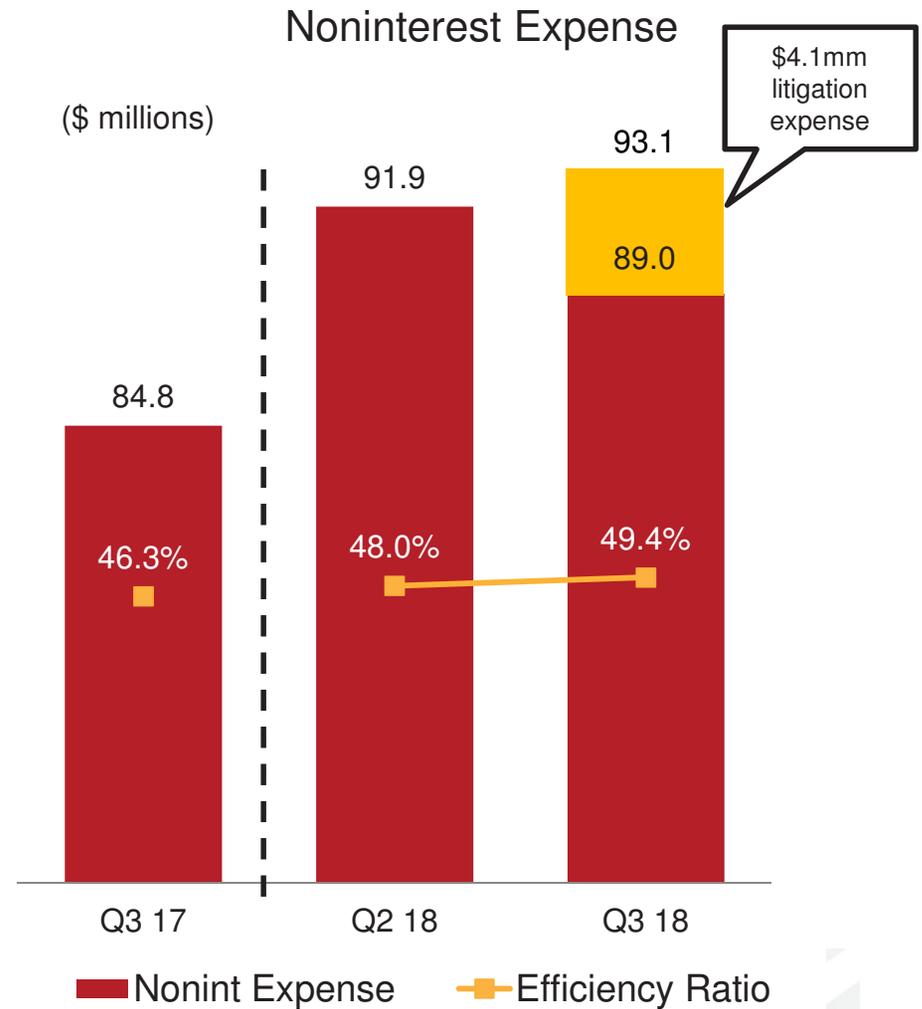
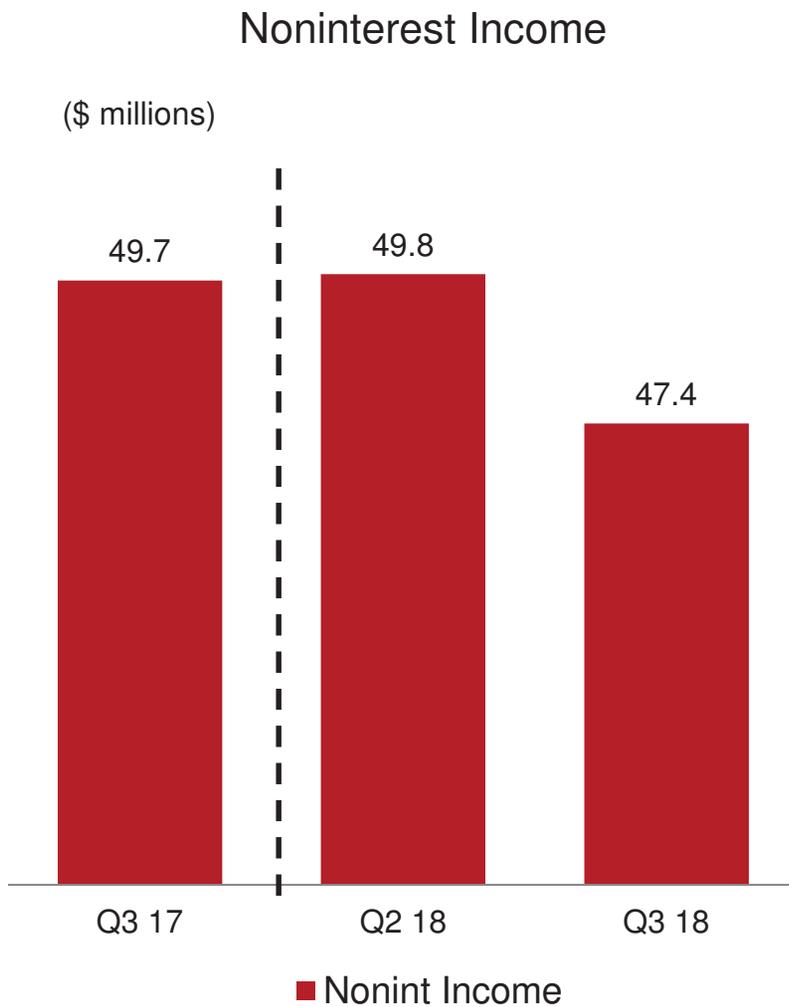
	Q3 2018	Q2 2018
Reported NIM	3.11%	3.18%
Day count adjustment	-	(0.03%)
Premium amortization adjustment	-	(0.02%)
NIM after adjustments	3.11%	3.13%

- 2 bp decrease in NIM after adjustments primarily due to excess liquidity
- Expect recovery in NIM in 4Q due to fed rate increase and reduction in excess liquidity

## 4Q NIM Outlook

*4 – 6 basis point increase*

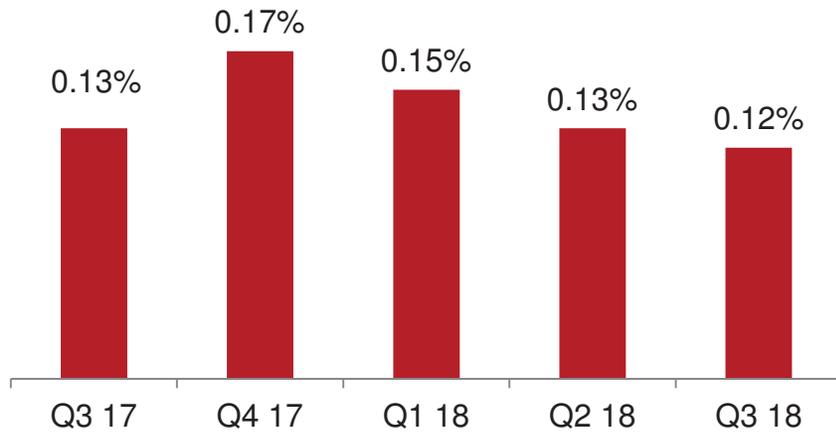
LOWER EXPENSES (excluding one-time litigation expense) OFFSET DECLINE IN NONINTEREST INCOME



# ▶ CONTINUED EXCELLENT ASSET QUALITY

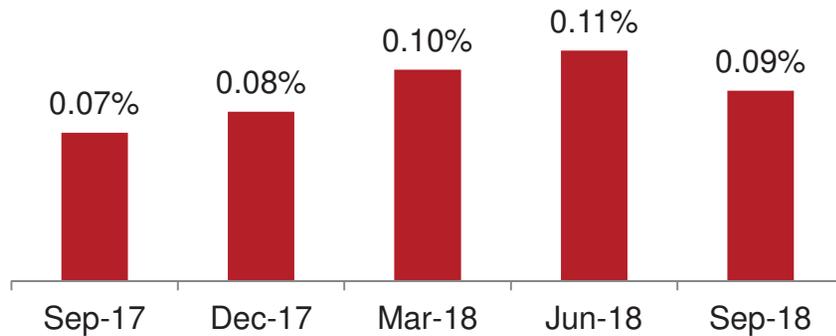


### NCOs / Ave Loans and Leases



➤ Net charge-offs of \$3.8 mm, or 12 bps on average loans and leases on an annualized basis, down 1 bp compared to prior quarter

### NPAs / Total Loans and Leases + OREO



➤ NPAs down \$2.5 mm versus prior quarter to 11.3mm, or 9 bps of total loans and leases and OREO



# ▶ STATE ECONOMIC OUTLOOK REMAINS POSITIVE



## Healthy Labor Market

- September statewide seasonally-adjusted state unemployment rate was 2.2%, compared to 3.7% nationally

## Strong Visitor Industry (data through 8/31/18)

- YTD visitor arrivals: 6.8 million, up 7.2% vs prior year
- YTD visitor spending: \$12.3 billion, up 8.8% vs prior year

## Oahu Residential Real Estate (YTD through 9/30/18)

- Volume of single family home sales: -3.7% vs prior year
- Volume of condominium sales: -0.1% vs prior year
- Median single-family home sale price: \$789k, +4.2% vs prior year
- Median condominium sale price: \$429k, +5.5% vs prior year

Sources: Hawaii Tourism Authority, State of Hawaii Department of Labor and Industrial Relations, Honolulu Board of Realtors.



# QUESTIONS

**160**  
YEARS  
OF  
YES

 First Hawaiian, Inc.

# ▶ APPENDIX



## ▶ GAAP TO NON-GAAP RECONCILIATIONS



*We present net interest income, noninterest income, noninterest expense, net income, 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 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 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 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 closely related GAAP measures.*

# GAAP TO NON-GAAP RECONCILIATION



(dollars in thousands, except per share amounts)	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
<b>Income Statement Data:</b>					
Net income	\$ 67,388	\$ 69,053	\$ 58,363	\$ 204,399	\$ 171,998
Average total stockholders' equity	\$ 2,427,907	\$ 2,466,392	\$ 2,564,563	\$ 2,464,601	\$ 2,527,435
Less: average goodwill	995,492	995,492	995,492	995,492	995,492
Average tangible stockholders' equity	\$ 1,432,415	\$ 1,470,900	\$ 1,569,071	\$ 1,469,109	\$ 1,531,943
Average total assets	\$ 20,391,456	\$ 20,121,504	\$ 20,109,090	\$ 20,306,833	\$ 19,858,184
Less: average goodwill	995,492	995,492	995,492	995,492	995,492
Average tangible assets	\$ 19,395,964	\$ 19,126,012	\$ 19,113,598	\$ 19,311,341	\$ 18,862,692
Return on average total stockholders' equity <sup>(1)</sup>	11.01 %	11.23 %	9.03 %	11.09 %	9.10 %
Return on average tangible stockholders' equity (non-GAAP) <sup>(1)</sup>	18.66 %	18.83 %	14.76 %	18.60 %	15.01 %
Return on average total assets <sup>(1)</sup>	1.31 %	1.38 %	1.15 %	1.35 %	1.16 %
Return on average tangible assets (non-GAAP) <sup>(1)</sup>	1.38 %	1.45 %	1.21 %	1.42 %	1.22 %
Average stockholders' equity to average assets	11.91 %	12.26 %	12.75 %	12.14 %	12.73 %
Tangible average stockholders' equity to tangible average assets (non-GAAP)	7.39 %	7.69 %	8.21 %	7.61 %	8.12 %

<sup>(1)</sup> Annualized for the three months and nine months ended September 30, 2018 and 2017 and three months ended June 30, 2018

	As of September 30, 2018	As of June 30, 2018	As of December 31, 2017	As of September 30, 2017
<b>Balance Sheet Data:</b>				
Total stockholders' equity	\$ 2,423,462	\$ 2,459,175	\$ 2,532,551	\$ 2,581,858
Less: goodwill	995,492	995,492	995,492	995,492
Tangible stockholders' equity	\$ 1,427,970	\$ 1,463,683	\$ 1,537,059	\$ 1,586,366
Total assets	\$ 19,983,838	\$ 20,479,719	\$ 20,549,461	\$ 20,565,627
Less: goodwill	995,492	995,492	995,492	995,492
Tangible assets	\$ 18,988,346	\$ 19,484,227	\$ 19,553,969	\$ 19,570,135
Shares outstanding	134,873,728	136,642,060	139,588,782	139,586,282
Total stockholders' equity to total assets	12.13 %	12.01 %	12.32 %	12.55 %
Tangible stockholders' equity to tangible assets (non-GAAP)	7.52 %	7.51 %	7.86 %	8.11 %
Book value per share	\$ 17.97	\$ 18.00	\$ 18.14	\$ 18.50
Tangible book value per share (non-GAAP)	\$ 10.59	\$ 10.71	\$ 11.01	\$ 11.36

# GAAP TO NON-GAAP RECONCILIATION



	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
(dollars in thousands, except per share amounts)					
Net interest income	\$ 141,258	\$ 141,403	\$ 133,319	\$ 422,333	\$ 393,918
Core net interest income (non-GAAP)	\$ 141,258	\$ 141,403	\$ 133,319	\$ 422,333	\$ 393,918
Noninterest income	\$ 47,405	\$ 49,797	\$ 49,664	\$ 145,902	\$ 151,281
Gains on sale of real estate	—	—	(2,667)	—	(2,667)
Core noninterest income (non-GAAP)	\$ 47,405	\$ 49,797	\$ 46,997	\$ 145,902	\$ 148,614
Noninterest expense	\$ 93,147	\$ 91,865	\$ 84,784	\$ 275,599	\$ 257,704
Loss on litigation settlement <sup>(1)</sup>	(4,125)	—	—	(4,125)	—
One-time items <sup>(2)</sup>	(511)	(914)	(543)	(1,832)	(1,384)
Core noninterest expense (non-GAAP)	\$ 88,511	\$ 90,951	\$ 84,241	\$ 269,642	\$ 256,320
Net income	\$ 67,388	\$ 69,053	\$ 58,363	\$ 204,399	\$ 171,998
Gains on sale of real estate	—	—	(2,667)	—	(2,667)
Loss on litigation settlement <sup>(1)</sup>	4,125	—	—	4,125	—
One-time items <sup>(2)</sup>	511	914	543	1,832	1,384
Tax adjustments <sup>(3)</sup>	(1,206)	(247)	801	(1,559)	488
Total core adjustments	3,430	667	(1,323)	4,398	(795)
Core net income (non-GAAP)	\$ 70,818	\$ 69,720	\$ 57,040	\$ 208,797	\$ 171,203
Core basic earnings per share (non-GAAP)	\$ 0.52	\$ 0.51	\$ 0.41	\$ 1.52	\$ 1.23
Core diluted earnings per share (non-GAAP)	\$ 0.52	\$ 0.50	\$ 0.41	\$ 1.52	\$ 1.23
Basic earnings per share	\$ 0.50	\$ 0.50	\$ 0.42	\$ 1.48	\$ 1.23
Diluted earnings per share	\$ 0.50	\$ 0.50	\$ 0.42	\$ 1.48	\$ 1.23

(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 and nine months ended September 30, 2018

(2) One-time items include 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 as well as public offering related costs

(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		
	9/30/18	6/30/18	9/30/17
Net interest income	\$ 141.3	\$ 141.4	\$ 133.3
Provision for loan and lease losses	4.5	6.0	4.5
Noninterest income	47.4	49.8	49.7
Noninterest expense	93.1	91.9	84.8
<b>Pre-tax income</b>	<b>91.1</b>	<b>93.3</b>	<b>93.7</b>
Tax expense	23.7	24.3	35.3
<b>Net Income</b>	<b>\$ 67.4</b>	<b>\$ 69.1</b>	<b>\$ 58.4</b>
Core adjustments <sup>(1)</sup>	4.6	0.9	(2.1)
Tax adjustments	(1.2)	(0.3)	0.8
<b>Core Net Income <sup>(1)</sup></b>	<b>\$ 70.8</b>	<b>\$ 69.7</b>	<b>\$ 57.0</b>
Diluted earnings per share	\$ 0.50	\$ 0.50	\$ 0.42
Core diluted earnings per share <sup>(1)</sup>	0.52	0.50	0.41

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

# ▶ SELECTED BALANCE SHEET ITEMS



(\$ in millions except per share data)	As of		
	9/30/18	6/30/18	9/30/17
<b>Selected Assets</b>			
Investment securities	\$ 4,595.3	\$ 4,842.6	\$ 5,315.0
Loans and leases	12,600.5	12,637.7	12,149.7
Total assets	19,983.8	20,479.7	20,565.6
<b>Selected Liabilities and Stockholders' Equity</b>			
Total deposits	\$ 16,689.3	\$ 17,395.5	\$ 17,595.5
Total stockholders' equity	2,423.5	2,459.2	2,581.9
Shares Outstanding	134,873,728	136,642,060	139,586,282
Book value per share	\$ 17.97	\$ 18.00	\$ 18.50
Tangible book value per share <sup>(1)</sup>	10.59	10.71	11.36
Tier 1 Leverage Ratio	8.42 %	8.61 %	8.66 %
CET 1 / Tier 1	12.09 %	12.19 %	12.71 %
Total Capital Ratio	13.14 %	13.23 %	13.77 %

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