



First Hawaiian, Inc.

# 1<sup>st</sup> QUARTER 2018 EARNINGS CALL

APRIL 26, 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.*

## ► Q1 2018 HIGHLIGHTS

**Net Income: \$68.0 mm**  
**Core Net Income<sup>(1)</sup>: \$68.3mm**

**ROA: 1.35%**  
**Core ROATA<sup>(1)</sup>: 1.43%**

**ROE: 11.02%**  
**Core ROATCE<sup>(1)</sup>: 18.40%**

**\$0.24/Share Dividend<sup>(2)</sup>**

**Tier 1 Capital Ratio: 12.73%**  
**Total Capital Ratio: 13.77%**  
**Leverage Ratio: 8.71%**

• Good loan growth in line with guidance

• Improved deposit mix

• NIM expansion

• Efficiency ratio better than expected, at low end of guidance

• Excellent asset quality

• Effective tax rate in line with expectations

• Strong local economy

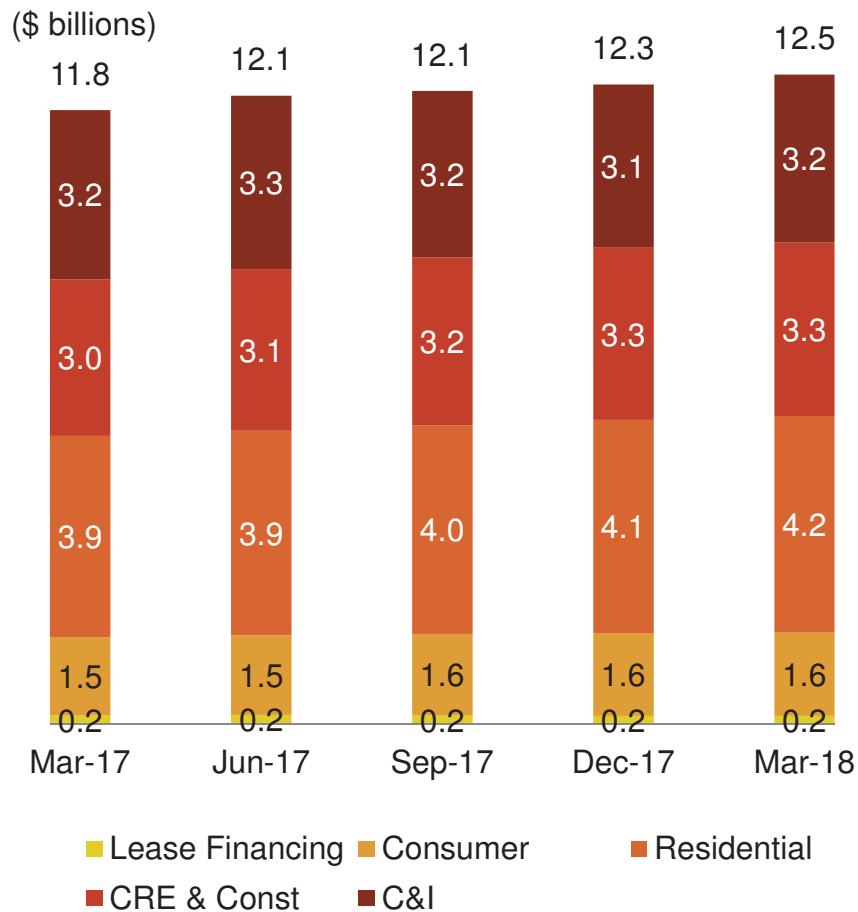
(1) Non-GAAP financial measure. A reconciliation to the comparable GAAP measurement is provided in the appendix of this slide presentation

(2) Declared on April 25, 2018. Payable on June 8, 2018 to shareholders of record at close of business on May 29, 2018

# ▶ LOANS

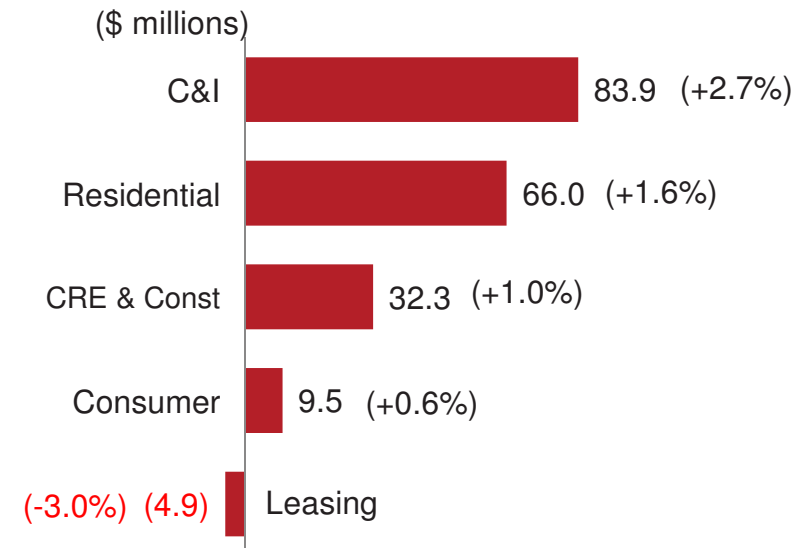
➤ 6% annualized loan growth in Q1, in line with guidance

## Total Loans and Leases



Note: Segments may not sum to total due to rounding

## Q1 '18 vs Q4 '17 Net Loan Change



## 2018 Outlook

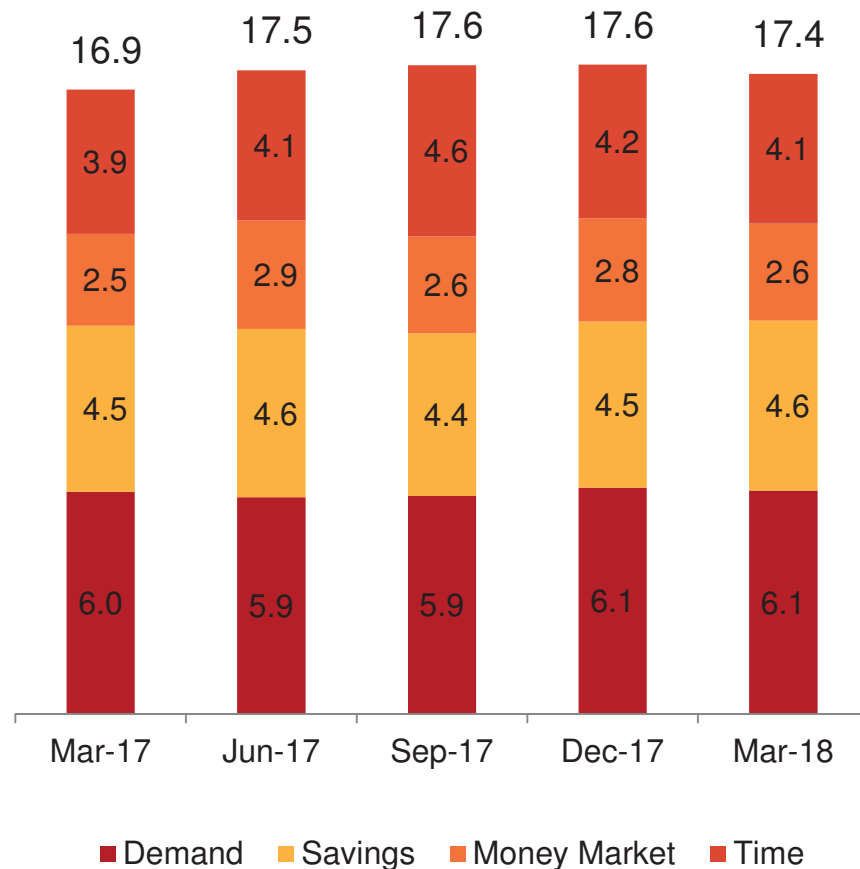
*Mid-single digit growth*

# DEPOSITS

## ➤ Improved deposit mix

### Total Deposits

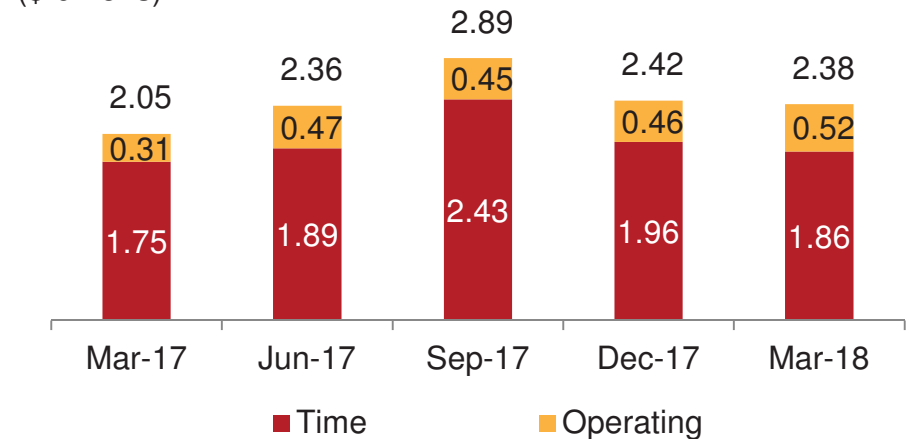
(\$ billions)



Note: Segments may not sum to total due to rounding

### Public Deposits

(\$ billions)

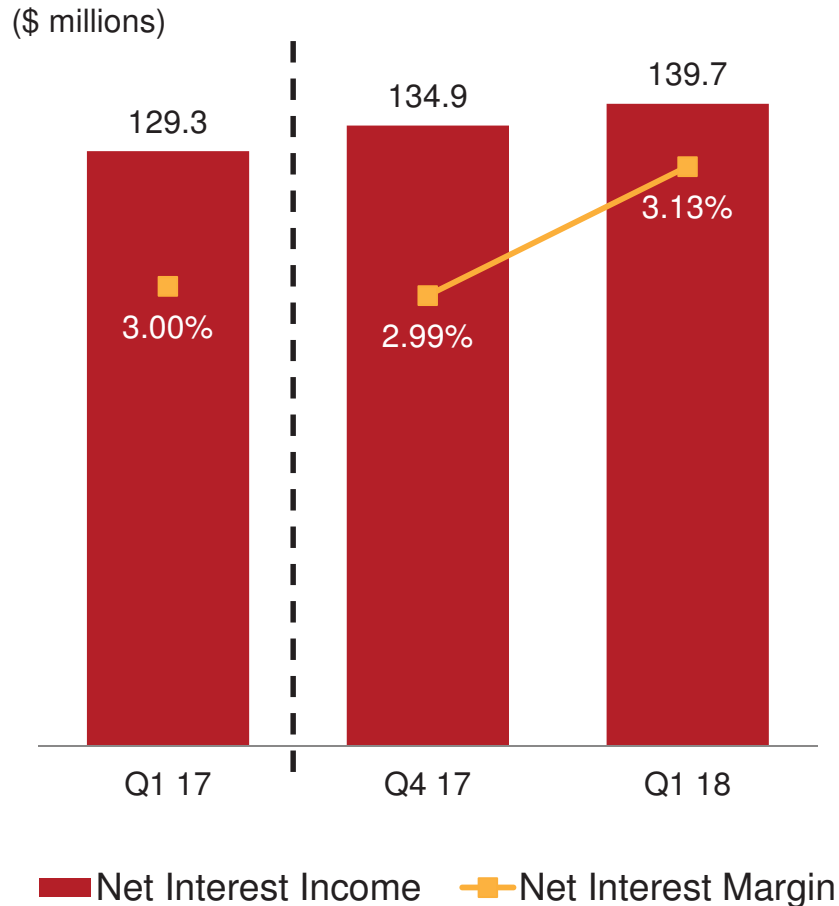


- Mix improvement primarily due to:
  - Growth in core, consumer deposit products
  - \$105 mm reduction in public time deposits
  - Decrease in volatile commercial deposits

## ► NET INTEREST INCOME AND NIM



### ➤ *NIM Expansion, in line with guidance*



### ➤ NIM: 3.13%

- \$1.9 mm premium amortization adjustment: +4 bps
- Short quarter annualization: +6 bps
- 3.03% NIM after adjusting for the above, in line with expectations

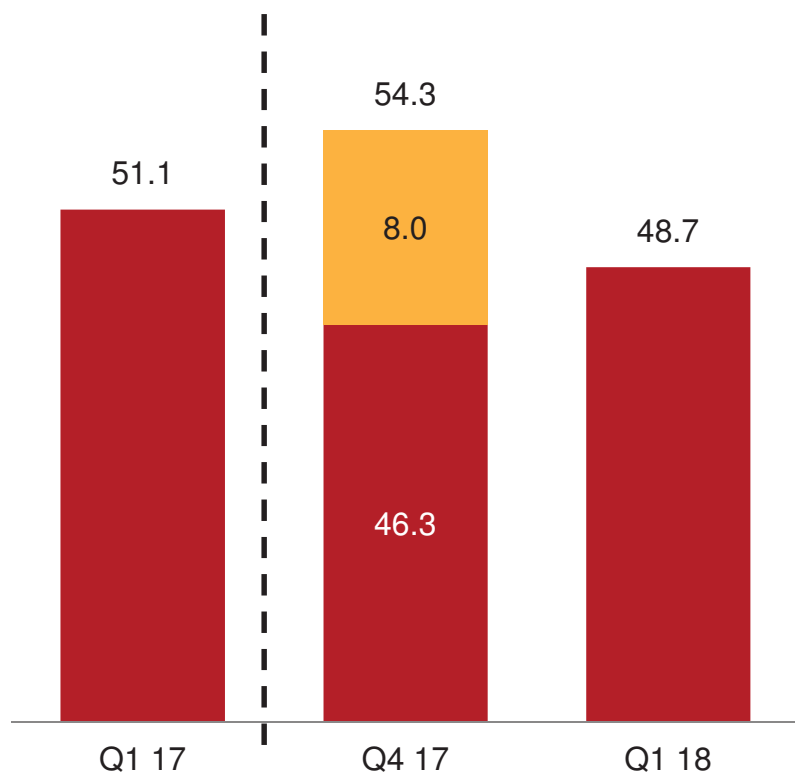
### 2Q NIM Outlook

*Few basis point increase*

## ► NONINTEREST INCOME

- *\$2.4mm increase, or 5.1%, after adjusting for 1x items in Q4 2017*

(\$ millions)



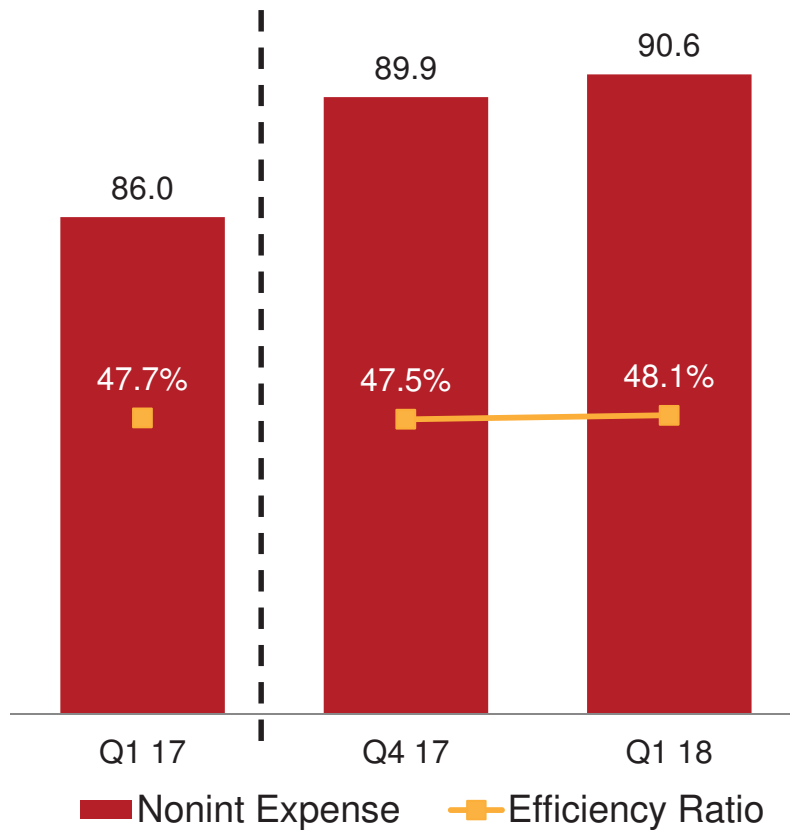
- Q4 2017 noninterest income included:
  - \$4.3 mm gain on sale of real estate
  - \$3.7 mm intercompany tax adjustment
- Q1 2018 included higher swap fee income versus Q4 2017



## ► NONINTEREST EXPENSE

- 48.1% efficiency ratio in-line with low end of guidance

(\$ millions)



- 48.1% efficiency ratio at low end of guidance range

### Outlook

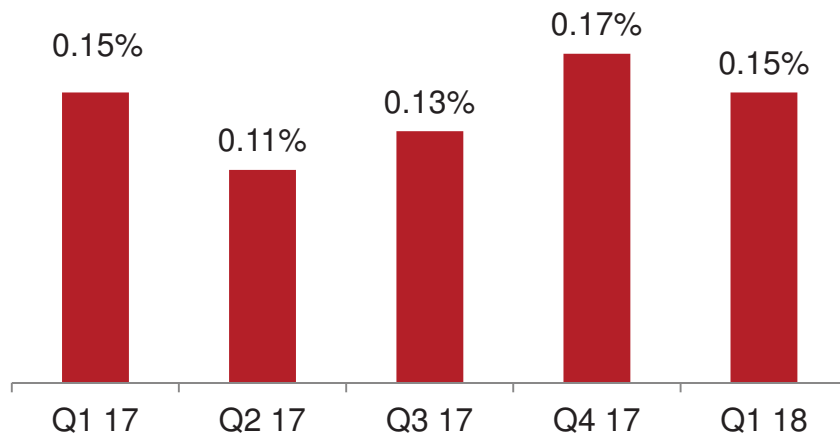
- Expect full year efficiency ratio ~48%



## ▶ ASSET QUALITY

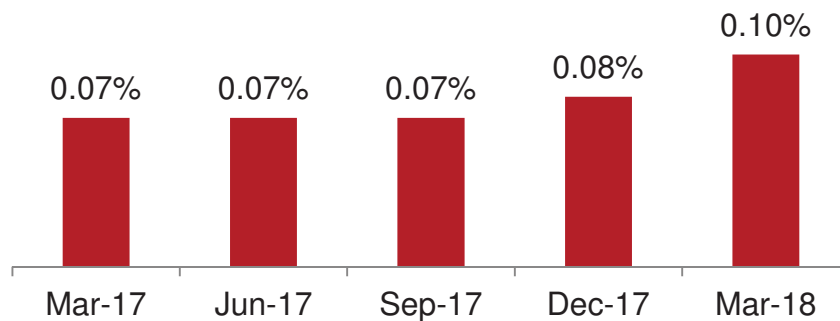
➤ *Continued excellent asset quality*

**NCOs / Ave Loans and Leases**



- Net charge-offs of \$4.6MM million, 15 bps, up 1 bp compared to full year 2017
- NPAs up \$ 2.0 million versus prior quarter to \$12.1 million, or 10 bps of total loans and leases and OREO

**NPAs / Total Loans and Leases + OREO**



# ▶ HAWAII'S ECONOMY



## ➤ *Economic outlook remains positive*

### **Healthy Labor Market**

- March statewide seasonally-adjusted state unemployment rate was 2.1%, compared to 4.1% nationally

### **Strong Visitor Industry** (data through 2/28/18)

- YTD visitor arrivals: 1.6 million, up 7.7% vs prior year
- YTD visitor spending: \$3.2 billion, up 8.5% vs prior year

### **Oahu Residential Real Estate** (YTD through 3/31/18)

- Volume of single family home sales: -0.4% vs prior year
- Volume of condominium sales: +0.7% vs prior year
- Median single-family home sale price: \$765k, +2.0% vs prior year
- Median condominium sale price: \$425k, +9.0% 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 |                               |                            |
|---|----------------------------|-------------------------------|----------------------------|
|   | March 31,<br>2018          | December 31,<br>2017          | March 31,<br>2017          |
| <b>Income Statement Data:</b>   |                            |                               |                            |
| Net income  | \$ 67,958                  | \$ 11,684                     | \$ 56,740                  |
| Average total stockholders' equity  | \$ 2,500,299               | \$ 2,570,704                  | \$ 2,488,519               |
| Less: average goodwill  | 995,492                    | 995,492                       | 995,492                    |
| Average tangible stockholders' equity                                       | \$ 1,504,807               | \$ 1,575,212                  | \$ 1,493,027               |
| Average total assets  | \$ 20,407,718              | \$ 20,193,919                 | \$ 19,769,508              |
| Less: average goodwill  | 995,492                    | 995,492                       | 995,492                    |
| Average tangible assets   | \$ 19,412,226              | \$ 19,198,427                 | \$ 18,774,016              |
| Return on average total stockholders' equity <sup>(1)</sup>                 | 11.02 %                    | 1.80 %                        | 9.25 %                     |
| Return on average tangible stockholders' equity (non-GAAP) <sup>(1)</sup>   | 18.32 %                    | 2.94 %                        | 15.41 %                    |
| Return on average total assets <sup>(1)</sup>                               | 1.35 %                     | 0.23 %                        | 1.16 %                     |
| Return on average tangible assets (non-GAAP) <sup>(1)</sup>                 | 1.42 %                     | 0.24 %                        | 1.23 %                     |
| Average stockholders' equity to average assets                              | 12.25 %                    | 12.73 %                       | 12.59 %                    |
| Tangible average stockholders' equity to tangible average assets (non-GAAP) | 7.75 %                     | 8.20 %                        | 7.95 %                     |
| (1) Annualized for the three months ended March 31, 2018 and 2017           |                            |                               |                            |
|   | As of<br>March 31,<br>2018 | As of<br>December 31,<br>2017 | As of<br>March 31,<br>2017 |
|   |                            |                               |                            |
| <b>Balance Sheet Data:</b>  |                            |                               |                            |
| Total stockholders' equity  | \$ 2,520,862               | \$ 2,532,551                  | \$ 2,505,994               |
| Less: goodwill  | 995,492                    | 995,492                       | 995,492                    |
| Tangible stockholders' equity   | \$ 1,525,370               | \$ 1,537,059                  | \$ 1,510,502               |
| Total assets  | \$ 20,242,942              | \$ 20,549,461                 | \$ 19,792,785              |
| Less: goodwill  | 995,492                    | 995,492                       | 995,492                    |
| Tangible assets   | \$ 19,247,450              | \$ 19,553,969                 | \$ 18,797,293              |
| Shares outstanding  | 139,601,123                | 139,588,782                   | 139,546,615                |
| Total stockholders' equity to total assets                                  | 12.45 %                    | 12.32 %                       | 12.66 %                    |
| Tangible stockholders' equity to tangible assets (non-GAAP)                 | 7.93 %                     | 7.86 %                        | 8.04 %                     |
| Book value per share  | \$ 18.06                   | \$ 18.14                      | \$ 17.96                   |
| Tangible book value per share (non-GAAP)                                    | \$ 10.93                   | \$ 11.01                      | \$ 10.82                   |

# GAAP TO NON-GAAP RECONCILIATION



|  | For the Three Months Ended |                      |                   |
|--|----------------------------|----------------------|-------------------|
|  | March 31,<br>2018          | December 31,<br>2017 | March 31,<br>2017 |
| (dollars in thousands, except per share amounts) |                            |                      |                   |
| Net interest income                              | \$ 139,672                 | \$ 134,886           | \$ 129,345        |
| Core net interest income (non-GAAP)              | \$ 139,672                 | \$ 134,886           | \$ 129,345        |
| Noninterest income                               | \$ 48,700                  | \$ 54,324            | \$ 51,059         |
| Gains on sale of real estate                     | —                          | (4,255)              | —                 |
| Core noninterest income (non-GAAP)               | \$ 48,700                  | \$ 50,069            | \$ 51,059         |
| Noninterest expense                              | \$ 90,587                  | \$ 89,850            | \$ 85,991         |
| One-time items <sup>(1)</sup>                    | (407)                      | (4,073)              | (384)             |
| Core noninterest expense (non-GAAP)              | \$ 90,180                  | \$ 85,777            | \$ 85,607         |
| Net income                                       | \$ 67,958                  | \$ 11,684            | \$ 56,740         |
| Gains on sale of real estate                     | —                          | (4,255)              | —                 |
| One-time items <sup>(1)</sup>                    | 407                        | 4,073                | 384               |
| Tax reform bill                                  | —                          | 47,598               | —                 |
| Tax adjustments <sup>(2)</sup>                   | (106)                      | 63                   | (142)             |
| Total core adjustments                           | 301                        | 47,479               | 242               |
| Core net income (non-GAAP)                       | \$ 68,259                  | \$ 59,163            | \$ 56,982         |
| Core basic earnings per share (non-GAAP)         | \$ 0.49                    | \$ 0.42              | \$ 0.41           |
| Core diluted earnings per share (non-GAAP)       | \$ 0.49                    | \$ 0.42              | \$ 0.41           |

<sup>(1)</sup> One time items include salaries and benefits stemming from the 2017 Tax Cuts and Jobs Act and public offering related costs

<sup>(2)</sup> 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  |                |                |
|--|----------------|----------------|----------------|
|  | 3/31/18        | 12/31/17       | 3/31/17        |
| Net interest income                            | \$ 139.7       | \$ 134.9       | \$ 129.3       |
| Provision for loan and lease losses            | 6.0            | 5.1            | 4.5            |
| Noninterest income                             | 48.7           | 54.3           | 51.1           |
| Noninterest expense                            | 90.6           | 89.9           | 86.0           |
| <b>Pre-tax income</b>                          | <b>91.8</b>    | <b>94.3</b>    | <b>89.9</b>    |
| Tax expense                                    | 23.9           | 82.6           | 33.2           |
| <b>Net Income</b>                              | <b>\$ 68.0</b> | <b>\$ 11.7</b> | <b>\$ 56.7</b> |
| Core adjustments <sup>(1)</sup>                | 0.4            | (0.2)          | 0.4            |
| Tax adjustments                                | (0.1)          | 47.7           | (0.1)          |
| <b>Core Net Income <sup>(1)</sup></b>          | <b>\$ 68.3</b> | <b>\$ 59.2</b> | <b>\$ 57.0</b> |
| Diluted earnings per share                     | \$ 0.49        | \$ 0.08        | \$ 0.41        |
| Core diluted earnings per share <sup>(1)</sup> | 0.49           | 0.42           | 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       |             |             |
|--|-------------|-------------|-------------|
|  | 3/31/18     | 12/31/17    | 3/31/17     |
| <b>Selected Assets</b>                               |             |             |             |
| Investment securities                                | \$ 5,076.8  | \$ 5,234.7  | \$ 5,260.3  |
| Loans and leases                                     | 12,464.2    | 12,277.4    | 11,781.5    |
| Total assets   | 20,242.9    | 20,549.5    | 19,792.8    |
| <b>Selected Liabilities and Stockholders' Equity</b> |             |             |             |
| Total deposits                                       | \$ 17,362.4 | \$ 17,612.1 | \$ 16,938.2 |
| Total stockholders' equity                           | 2,520.9     | 2,532.6     | 2,506.0     |
| Shares Outstanding                                   | 139,601,123 | 139,588,782 | 139,546,615 |
| Book value per share                                 | \$ 18.06    | \$ 18.14    | \$ 17.96    |
| Tangible book value per share <sup>(1)</sup>         | 10.93       | 11.01       | 10.82       |
| Tier 1 Leverage Ratio                                | 8.71 %      | 8.52 %      | 8.52 %      |
| CET 1 / Tier 1                                       | 12.73 %     | 12.45 %     | 12.78 %     |
| Total Capital Ratio                                  | 13.77 %     | 13.50 %     | 13.87 %     |

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