



 First Hawaiian, Inc.

# **4<sup>th</sup> QUARTER 2021 EARNINGS CALL**

January 21, 2022



# 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 reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as “may”, “might”, “should”, “could”, “predict”, “potential”, “believe”, “expect”, “continue”, “will”, “anticipate”, “seek”, “estimate”, “intend”, “plan”, “projection”, “would”, “annualized” and “outlook”, or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. 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, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Further, statements about the potential effects of the COVID-19 pandemic on our businesses and financial results and conditions may constitute forward-looking statements and are subject to the risk that the actual effects may differ, possibly materially, from what is reflected in those forward-looking statements due to factors and future developments that are uncertain, unpredictable and in many cases beyond our control, including the scope and duration of the pandemic, actions taken by governmental authorities in response to the pandemic, and the direct and indirect impact of the pandemic on our customers, third parties and us. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, there can be no assurance that actual results will not prove to be materially different from the results expressed or implied by the forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the domestic and global economic environment and capital market conditions and other risk factors. For a discussion of some of these risks and important factors that could affect our future results and financial condition, see our U.S. Securities and Exchange Commission (“SEC”) filings, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2020 and our Quarterly Report on Form 10-Q for the quarters ended March 31, June 30, and September 30, 2021.*

# STATE OF HAWAII UPDATE

## STATE OF HAWAII VACCINATION PROGRESS<sup>1</sup>



PERCENT OF  
POPULATION  
FULLY  
VACCINATED  
**75.4%**



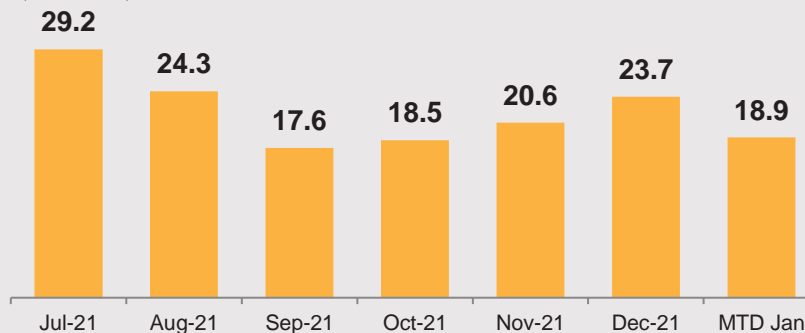
3<sup>RD</sup> DOSES  
ADMINISTERED  
**442,143**

Source: <https://health.hawaii.gov/coronavirusdisease2019/current-situation-in-hawaii/> as of 1/20/22

(1) Totals include Jurisdiction (state), Federal Agency, and Federal Pharmacy doses

## DAILY AVERAGE VISITOR ARRIVALS<sup>1</sup>

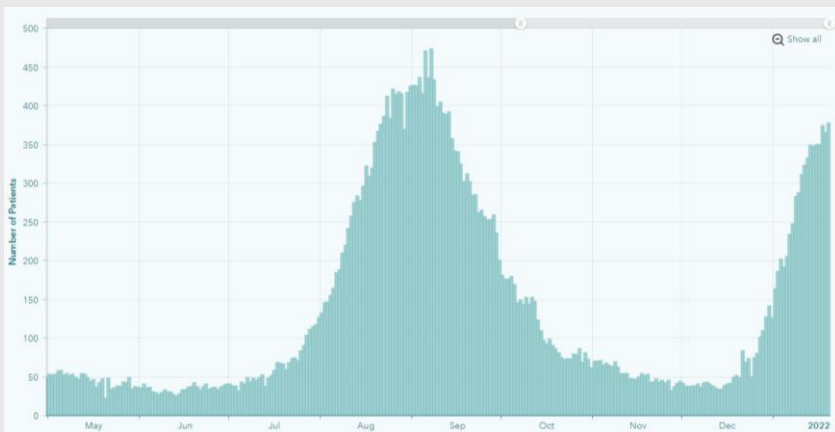
(thousands)



Source: <https://hawaiiicovid19.com/travel/data/>

(1) MTD through 1/19/22

## CONFIRMED COVID-19 + HOSPITAL PATIENTS



Source: <https://hiema-hub.hawaii.gov/pages/covid-dash-board> as of 1/20/22

## HIGHLIGHTS

- In spite of the significant increase in new cases, covid hospitalizations remain below September peak
- Only new restriction on Oahu is on events >1,000 people
- State unemployment rate continues to drop: Nov 2021 unemployment rate 6%
- Residential real estate market remains strong

# Q4 2021 FINANCIAL HIGHLIGHTS<sup>1</sup>

	Q4 2021	Q3 2021
Net Income (\$mm)	\$57.0	\$64.3
Diluted EPS	\$0.44	\$0.50
Net Interest Margin	2.38%	2.36%
Efficiency Ratio	60.5%	55.1%
ROA / ROATA <sup>2</sup>	0.88% / 0.92%	1.02% / 1.06%
ROE / ROATCE <sup>2</sup>	8.46% / 13.47%	9.31% / 14.63%
Tier 1 Leverage Ratio	7.24%	7.39%
CET 1 Capital Ratio	12.24%	12.63%
Total Capital ratio	13.49%	13.88%
Dividend <sup>3</sup>	\$0.26 / share	\$0.26 / share

- Net income \$57.0 mm
- Grew loans \$414 mm (ex PPP)
- Grew consumer and commercial deposits \$675 mm, reduced public deposits \$978 mm
- Terminated \$200 mm of FHLB advances w/ wtd avg rate of 2.73%. \$9 mm prepay charge
- Excellent credit quality. No provision expense taken
- Well capitalized: 12.24% CET1 ratio
- Declared \$0.26 / share dividend
- Repurchased \$21.5 mm of common stock
- Board approved \$75 mm stock repurchase program for 2022

(1) Comparisons to Q3 2021

(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 19, 2022. Payable March 4, 2022 to shareholders of record at close of business on February 18, 2022.

# PROACTIVELY MANAGING THE BALANCE SHEET

\$ thousands	12/31/21	9/30/21
<b>Assets</b>		
Int-bearing Deposits in Other Banks	\$ 1,011.8	\$ 2,130.6
Investment Securities	8,428.0	7,953.7
Loans and Leases	12,962.0	12,834.3
Total Assets	24,992.4	25,548.3
<b>Liabilities</b>		
Deposits	21,816.1	22,120.0
Long-Term Borrowings	---	200.0

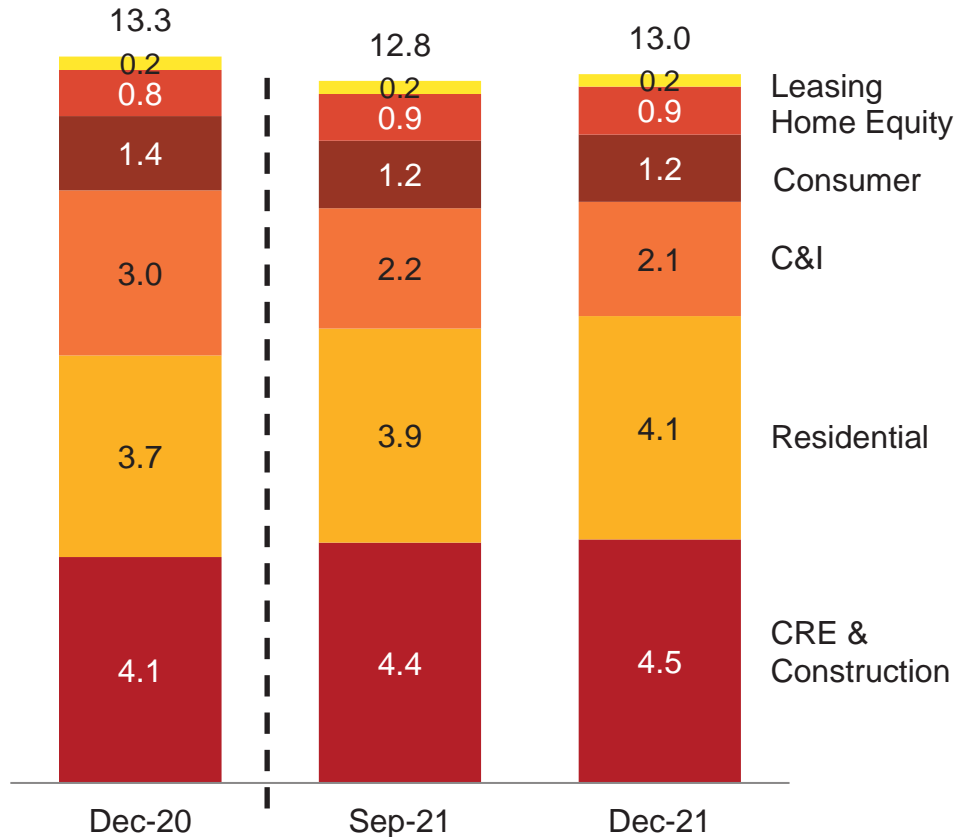


Comments
<ul style="list-style-type: none"> <li>• Reduced excess liquidity                             <ul style="list-style-type: none"> <li>○ Moved almost \$1 bn in public deposits off the balance sheet</li> <li>○ Funded loan growth</li> <li>○ Deployed into investment securities</li> </ul> </li> <li>• Prepaid \$200 mm FHLB advances                             <ul style="list-style-type: none"> <li>○ Total interest savings of \$12 million, includes \$5.5 mm in 2022</li> <li>○ Reduces FDIC insurance expense</li> <li>○ Strengthens capital position</li> </ul> </li> </ul>

# 3.4% LOAN GROWTH (EX PPP) IN Q4, 2.1% LOAN GROWTH (EX PPP) IN 2021

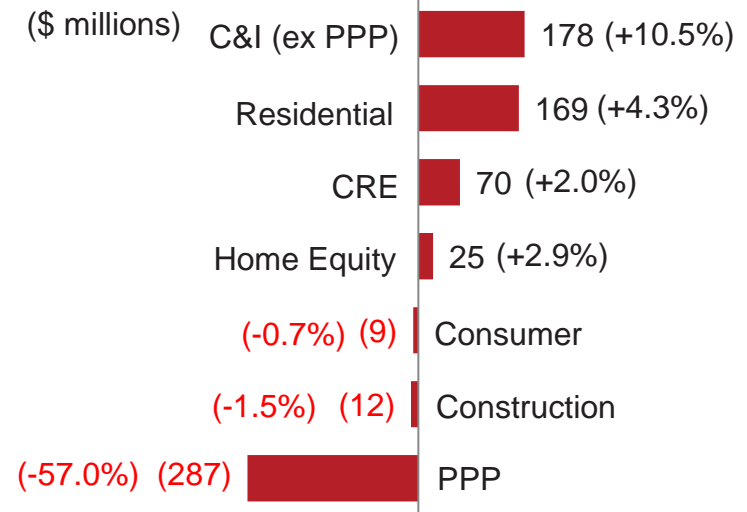
## Total Loans and Leases

(\$ billions)



Note: Segments may not sum to total due to rounding

## Q4 '21 vs Q3 '21 Net Changes



## Q4 Highlights

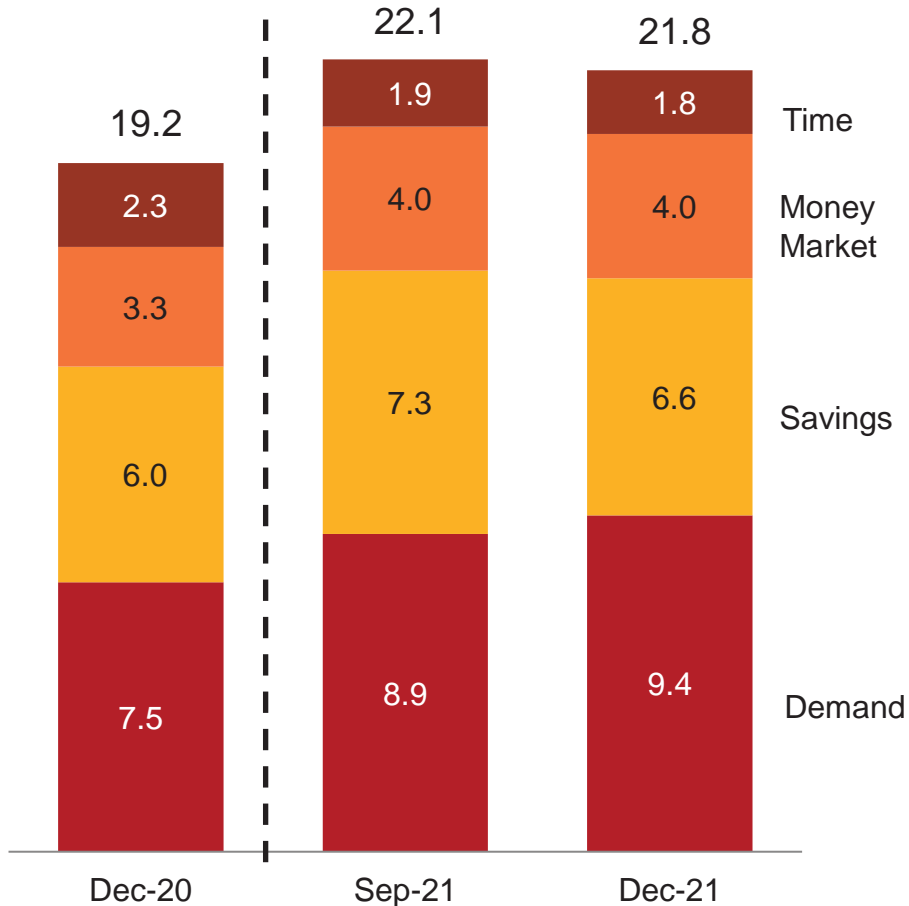
- Total Loans: +\$128 mm
  - PPP loans: (\$287 mm)
  - C&I - Dealer Flooring: +\$51 mm
- Remaining PPP loans at 12/31/21: \$216 mm

# \$520 MM INCREASE IN DEMAND DEPOSITS, \$978 MM REDUCTION IN PUBLIC DEPOSITS



## Total Deposits

(\$ billions)



Quarterly  
Cost of  
Deposits

11 bps

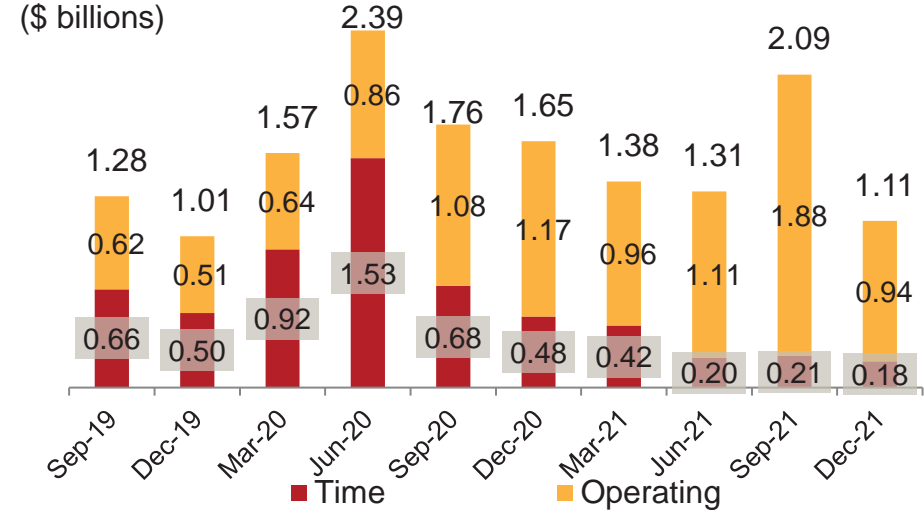
6 bps

6 bps

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

## Public Deposits

(\$ billions)



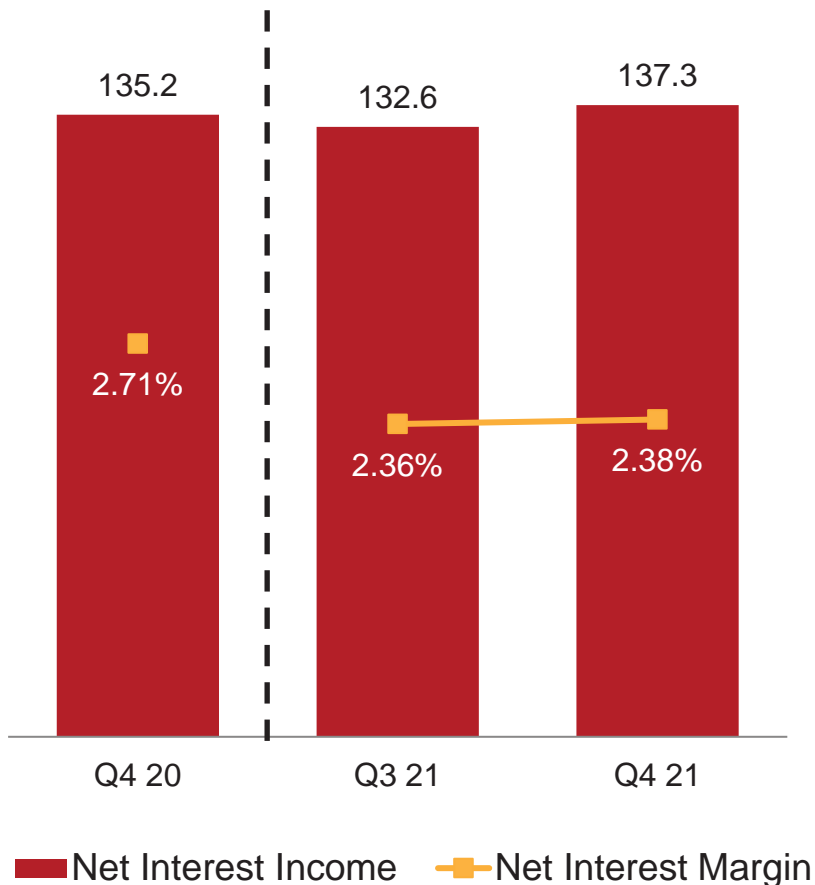
## Q4 Highlights

- \$304 mm decline in total deposits
  - \$675 mm increase in consumer and commercial deposits
  - \$978 mm decrease in public deposits
- Cost of deposits unchanged at 6 bps

# INCREASE IN NET INTEREST INCOME DRIVEN BY EARNING ASSET GROWTH

## Net Interest Income and Net Interest Margin

(\$ millions)



## Comments

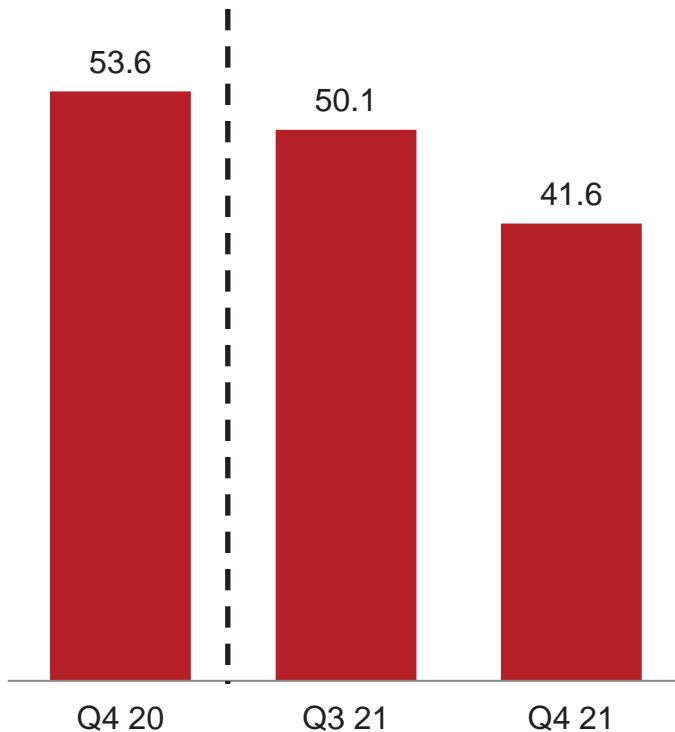
- \$4.7 mm increase in net interest income driven by higher securities balances and higher PPP fees
- 2 basis point increase in NIM primarily due to higher PPP loan fees offset by lower yields on earning assets
  - +6 bps due to higher PPP fees
- PPP contributions in Q4
  - \$9.3 mm in fees due to forgiveness/amortization
  - \$0.9 mm interest income
- Remaining unamortized PPP fees: \$5.1 mm
- Net interest income to benefit from rising interest rates due to asset-sensitive position of the balance sheet



# NONINTEREST INCOME AND EXPENSE IMPACTED BY NON-RECURRING ITEMS

## Noninterest Income

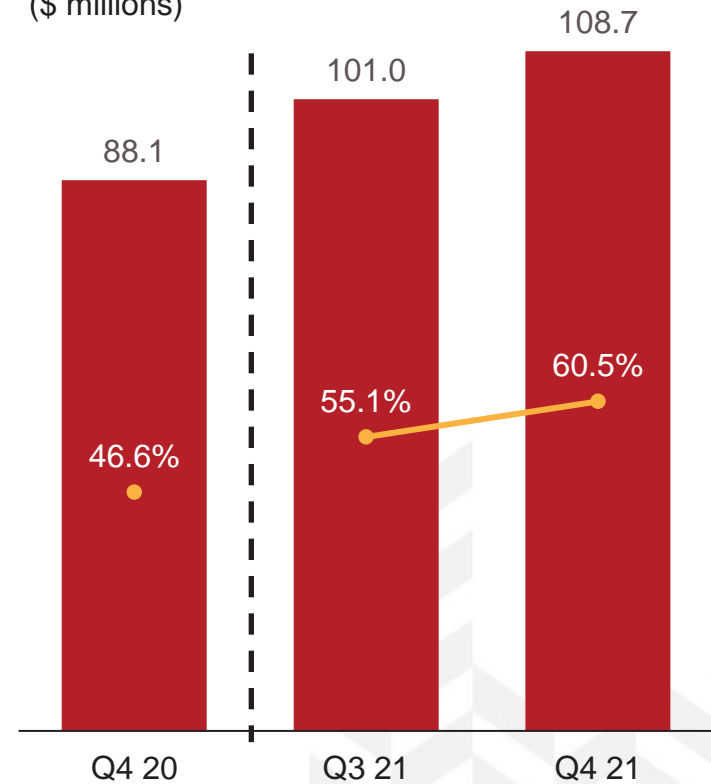
(\$ millions)



- \$8.5 mm decline versus Q3 primarily due to
  - \$6 mm charge on funding swap for Visa B shares sold in 2016
  - \$2 mm lower BOLI income due to lower death benefits and lower yields

## Noninterest Expense

(\$ millions)



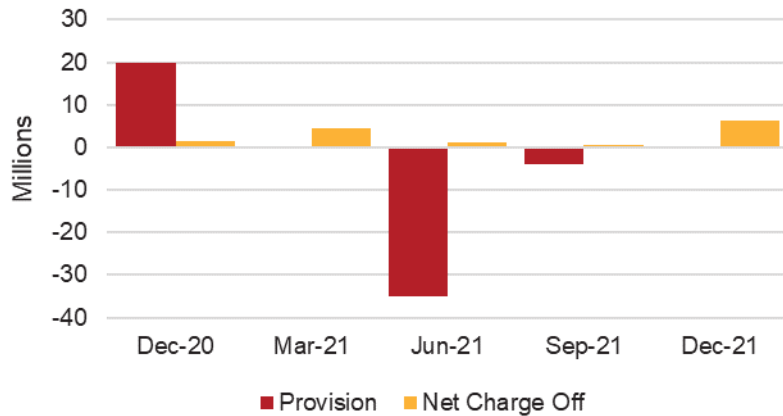
■ Nonint Expense    —●— Efficiency Ratio

- Q4 expenses included \$9 mm FHLB advance termination fee

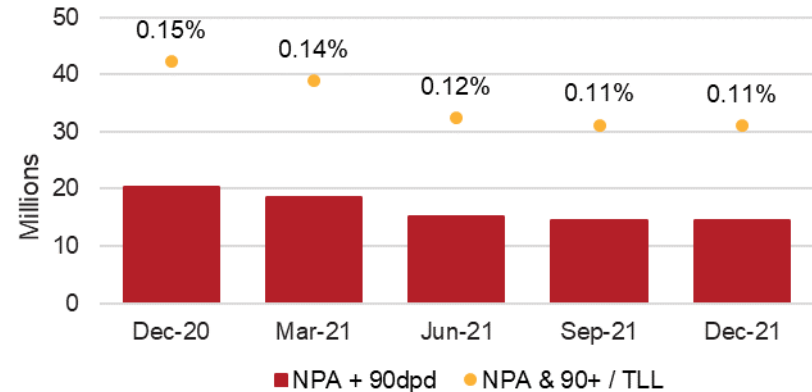
# ASSET QUALITY

## CONTINUED STRONG CREDIT PERFORMANCE

### Provision and NCO

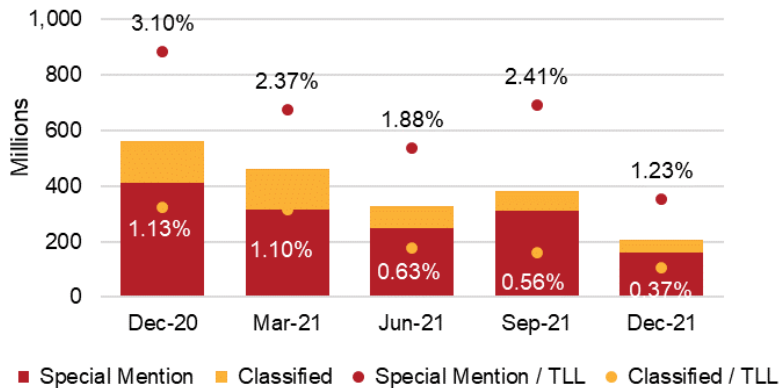


### NPA and 90 Past Due

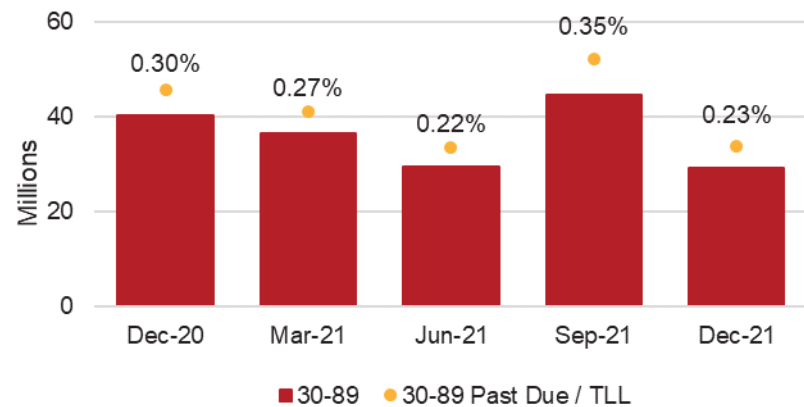


- 90 past due comprised of accruing loans
- Includes OREO

### Commercial Criticized Assets



### 30-89 Past Due



- 30-89 past due comprised of accruing and non-accruing loans

Note: TLL - Total Loans and Leases

# ALLOWANCE FOR CREDIT LOSS

RESERVE LEVELS CONTINUE TO PROVIDE FOR UNCERTAINTY



The economic outlook remained unchanged from Q3 due to the surge in Omicron cases.

Q4 Asset ACL decreased by 2.5% or \$4.0 million to \$157.3 million with Q4 NCO at \$6.2. The reserve for unfunded commitments decreased by \$2.2 million to \$30.3 million.

The ACL decrease is primarily the result of commercial upgrades.

Q4 ACL / Total Loans and Leases is 1.21% of all loans and 1.23% net of PPP loans.

## Rollforward of the On-Balance Sheet Allowance for Credit Losses

(\$ in 000's)	C&I	CRE	Const	Lease	Mortgage	Home Equity	Consumer	Total
09/30/2021 ACL	23,756	43,599	9,754	2,234	33,768	5,717	42,418	161,246
Charge-offs	-4,432	-	-	-	-534	-107	-3,250	-8,323
Recoveries	244	9	100	-	15	28	1,743	2,139
Provision	512	-657	-81	-575	1,115	4	1,882	2,200
12/31/2021 ACL	20,080	42,951	9,773	1,659	34,364	5,642	42,793	157,262
% of Total ACL	12.8%	27.3%	6.2%	1.1%	21.9%	3.6%	27.2%	100.0%
Total Loan Balance	2,087,099	3,639,623	813,969	231,394	4,083,367	876,608	1,229,939	12,961,999
ACL/Total LL (w/ PPP)	0.96%	1.18%	1.20%	0.72%	0.84%	0.64%	3.48%	1.21%
ACL/Total LL (no PPP)	1.07%	1.18%	1.20%	0.72%	0.84%	0.64%	3.48%	1.23%

# QUESTIONS



First Hawaiian, Inc.



# SUMMARY INCOME STATEMENT



(\$ in millions except per share data)	Quarter ended		
	12/31/21	9/30/21	12/31/20
Net interest income	\$ 137.3	\$ 132.6	\$ 135.2
Provision for credit losses	-	(4.0)	20.0
Noninterest income	41.6	50.1	53.6
Noninterest expense	108.7	101.0	88.1
<b>Pre-tax income</b>	<b>70.2</b>	<b>85.7</b>	<b>80.7</b>
Tax expense	13.1	21.4	19.0
<b>Net Income</b>	<b>\$ 57.0</b>	<b>\$ 64.3</b>	<b>\$ 61.7</b>
Core adjustments <sup>(1)</sup>	15.0	2.1	4.8
Tax adjustments	(4.0)	(0.6)	(1.3)
<b>Core Net Income <sup>(1)</sup></b>	<b>\$ 68.0</b>	<b>\$ 65.8</b>	<b>\$ 65.3</b>
Diluted earnings per share	\$ 0.44	\$ 0.50	\$ 0.47
Core diluted earnings per share <sup>(1)</sup>	\$ 0.53	\$ 0.51	\$ 0.50

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		
	12/31/21	9/30/21	12/31/20
<b>Selected Assets</b>			
Investment securities	\$ 8,428.0	\$ 7,953.7	\$ 6,071.4
Loans and leases	12,962.0	12,834.3	13,279.1
Total assets	24,992.4	25,548.3	22,662.8
<b>Selected Liabilities and Stockholders' Equity</b>			
Total deposits	\$ 21,816.1	\$ 22,120.0	\$ 19,227.7
Total stockholders' equity	2,656.9	2,711.7	2,744.1
Shares Outstanding	127,502,472	128,255,570	129,912,272
Book value per share	\$ 20.84	\$ 21.14	\$ 21.12
Tangible book value per share <sup>(1)</sup>	13.03	13.38	13.46
Tier 1 Leverage Ratio	7.24 %	7.39 %	8.00 %
CET 1 / Tier 1	12.24 %	12.63 %	12.47 %
Total Capital Ratio	13.49 %	13.88 %	13.72 %

<sup>(1)</sup> Non-GAAP financial measure. A reconciliation to the directly comparable GAAP measure is provided in the appendix of this slide presentation. 14

# 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 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 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 and tangible book value per share 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, 2021	September 30, 2021	December 31, 2020	December 31, 2021 2020	
<b>Income Statement Data:</b>					
Net income	\$ 57,022	\$ 64,279	\$ 61,739	\$ 265,735	\$ 185,754
Core net income	\$ 68,013	\$ 65,819	\$ 65,288	\$ 279,229	\$ 189,378
Average total stockholders' equity	\$ 2,675,513	\$ 2,738,540	\$ 2,732,271	\$ 2,708,370	\$ 2,698,853
Less: average goodwill	995,492	995,492	995,492	995,492	995,492
Average tangible stockholders' equity	\$ 1,680,021	\$ 1,743,048	\$ 1,736,779	\$ 1,712,878	\$ 1,703,361
Average total assets	\$ 25,650,505	\$ 25,058,085	\$ 22,468,040	\$ 24,426,258	\$ 21,869,064
Less: average goodwill	995,492	995,492	995,492	995,492	995,492
Average tangible assets	\$ 24,655,013	\$ 24,062,593	\$ 21,472,548	\$ 23,430,766	\$ 20,873,572
Return on average total stockholders' equity <sup>(1)</sup>	8.46 %	9.31 %	8.99 %	9.81 %	6.88 %
Core return on average total stockholders' equity (non-GAAP) <sup>(1)</sup>	10.09 %	9.54 %	9.51 %	10.31 %	7.02 %
Return on average tangible stockholders' equity (non-GAAP) <sup>(1)</sup>	13.47 %	14.63 %	14.14 %	15.51 %	10.91 %
Core return on average tangible stockholders' equity (non-GAAP) <sup>(1)</sup>	16.06 %	14.98 %	14.95 %	16.30 %	11.12 %
Return on average total assets <sup>(1)</sup>	0.88 %	1.02 %	1.09 %	1.09 %	0.85 %
Core return on average total assets (non-GAAP) <sup>(1)</sup>	1.05 %	1.04 %	1.16 %	1.14 %	0.87 %
Return on average tangible assets (non-GAAP) <sup>(1)</sup>	0.92 %	1.06 %	1.14 %	1.13 %	0.89 %
Core return on average tangible assets (non-GAAP) <sup>(1)</sup>	1.09 %	1.09 %	1.21 %	1.19 %	0.91 %

<sup>(1)</sup> Annualized for the three months ended December 31, 2021, September 30, 2021 and December 31, 2020

	As of December 31, 2021	As of September 30, 2021	As of December 31, 2020
<b>Balance Sheet Data:</b>			
Total stockholders' equity	\$ 2,656,912	\$ 2,711,734	\$ 2,744,104
Less: goodwill	995,492	995,492	995,492
Tangible stockholders' equity	\$ 1,661,420	\$ 1,716,242	\$ 1,748,612
Total assets	\$ 24,992,410	\$ 25,548,322	\$ 22,662,831
Less: goodwill	995,492	995,492	995,492
Tangible assets	\$ 23,996,918	\$ 24,552,830	\$ 21,667,339
Shares outstanding	127,502,472	128,255,570	129,912,272
Total stockholders' equity to total assets	10.63 %	10.61 %	12.11 %
Tangible stockholders' equity to tangible assets (non-GAAP)	6.92 %	6.99 %	8.07 %
Book value per share	\$ 20.84	\$ 21.14	\$ 21.12
Tangible book value per share (non-GAAP)	\$ 13.03	\$ 13.38	\$ 13.46

# GAAP TO NON-GAAP RECONCILIATION



(dollars in thousands, except per share amounts)	For the Three Months Ended			For the Year Ended	
	December 31,	September 30,	December 31,	December 31,	
	2021	2021	2020	2021	2020
Net interest income	\$ 137,327	\$ 132,593	\$ 135,227	\$ 530,559	\$ 535,734
Core net interest income (non-GAAP)	\$ 137,327	\$ 132,593	\$ 135,227	\$ 530,559	\$ 535,734
Noninterest income	\$ 41,573	\$ 50,104	\$ 53,598	\$ 184,916	\$ 197,380
Losses (gains) on sale of securities	—	—	12	(102)	114
Costs associated with the sale of stock <sup>(1)</sup>	6,014	—	4,828	6,014	4,828
Core noninterest income (non-GAAP)	\$ 47,587	\$ 50,104	\$ 58,438	\$ 190,828	\$ 202,322
Noninterest expense	\$ 108,749	\$ 101,036	\$ 88,127	\$ 405,479	\$ 367,672
Loss on litigation	—	(2,100)	—	(2,100)	—
One-time items <sup>(2)</sup>	(8,974)	—	—	(10,134)	—
Core noninterest expense (non-GAAP)	\$ 99,775	\$ 98,936	\$ 88,127	\$ 393,245	\$ 367,672
Net income	\$ 57,022	\$ 64,279	\$ 61,739	\$ 265,735	\$ 185,754
Losses (gains) on sale of securities	—	—	12	(102)	114
Costs associated with the sale of stock <sup>(1)</sup>	6,014	—	4,828	6,014	4,828
Loss on litigation	—	2,100	—	2,100	—
One-time noninterest expense items <sup>(2)</sup>	8,974	—	—	10,134	—
Tax adjustments <sup>(3)</sup>	(3,997)	(560)	(1,291)	(4,652)	(1,318)
Total core adjustments	10,991	1,540	3,549	13,494	3,624
Core net income (non-GAAP)	\$ 68,013	\$ 65,819	\$ 65,288	\$ 279,229	\$ 189,378
Basic earnings per share	\$ 0.45	\$ 0.50	\$ 0.48	\$ 2.06	\$ 1.43
Diluted earnings per share	\$ 0.44	\$ 0.50	\$ 0.47	\$ 2.05	\$ 1.43
Efficiency ratio	60.50 %	55.07 %	46.59 %	56.45 %	50.10 %
Core basic earnings per share (non-GAAP)	\$ 0.53	\$ 0.51	\$ 0.50	\$ 2.17	\$ 1.46
Core diluted earnings per share (non-GAAP)	\$ 0.53	\$ 0.51	\$ 0.50	\$ 2.16	\$ 1.45
Core efficiency ratio (non-GAAP)	53.71 %	53.92 %	45.43 %	54.30 %	49.77 %

- Costs associated with the sale of stock for both the three and twelve months ended December 31, 2021 and 2020 related to changes in the valuation of the funding swap entered into with the buyer of our Visa Class B restricted sales in 2016.
- One-time items for the three and twelve months ended December 31, 2021 consisted of fees related to the prepayment of \$200.0 million of Federal Home Loan Bank advances. Additionally, one-time items for the twelve months ended December 31, 2021 consisted of severance costs.
- Represents the adjustments to net income, tax effected at the Company's effective tax rate for the respective period.