



 First Hawaiian, Inc.

# **3<sup>rd</sup> QUARTER 2021 EARNINGS CALL**

October 22, 2021



# 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 and June 30, 2021.*

# COVID 19 UPDATE

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



PERCENT OF  
POPULATION  
FULLY  
VACCINATED

**70.4%**



PERCENT OF  
POPULATION 12+  
FULLY  
VACCINATED

**82.5%**



PERCENT OF  
POPULATION 12+  
INITIATED

**92.3%**

Source: <https://health.hawaii.gov/coronavirusdisease2019/current-situation-in-hawaii/> as of 10/20/21

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

## STATE OF HAWAII – DAILY NEW CASES



AVERAGE DAILY  
NEW CASES  
(Last 7 days)

**119**

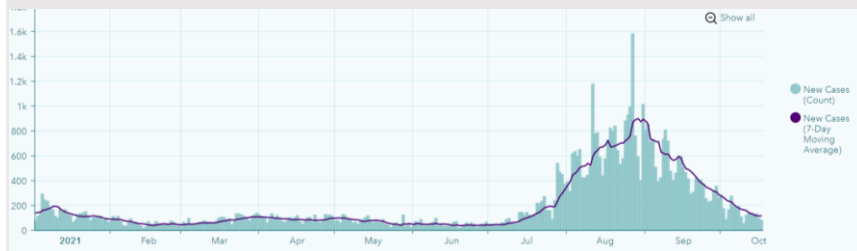


TEST POSITIVITY  
RATE  
(Last 7 days)

**1.7%**

Source: <https://health.hawaii.gov/coronavirusdisease2019/current-situation-in-hawaii/> as of 10/20/21

## STATE OF HAWAII DAILY NEW CASES - TREND



Source: <https://hiema-hub.hawaii.gov/pages/covid-dashboard> as of 10/20/21

## HIGHLIGHTS

- First state where over 90% of eligible residents have initiated vaccination process
- Governor announced fully vaccinated visitors are welcome back to Hawaii starting November 1
- State and local officials have begun relaxing restrictions put into place during the recent peak

# Q3 2021 HIGHLIGHTS<sup>1</sup>

	Q3 2021	Q2 2021
Net Income (\$mm)	\$64.3	\$86.7
Diluted EPS	\$0.50	\$0.67
Net Interest Margin	2.36%	2.46%
Efficiency Ratio	55.1%	54.7%
ROA / ROATA <sup>2</sup>	1.02% / 1.06%	1.45% / 1.51%
ROE / ROATCE <sup>2</sup>	9.31% / 14.63%	12.92% / 20.51%
Tier 1 Leverage Ratio	7.39%	7.68%
CET 1 Capital Ratio	12.63%	12.76%
Total Capital ratio	13.88%	14.01%
Dividend <sup>3</sup>	\$0.26 / share	\$0.26 / share

- Net income \$64.3 mm
- Grew loans \$38.6 mm (ex PPP)
- Deposits grew \$1.3 bn, 1 bp decrease in cost of deposits
- Excellent credit quality, \$4 mm negative provision expense
- Well capitalized: 12.63% CET1 ratio
- Declared \$0.26 / share dividend
- Repurchased \$21.6 mm of common stock

(1) Comparisons to Q2 2021

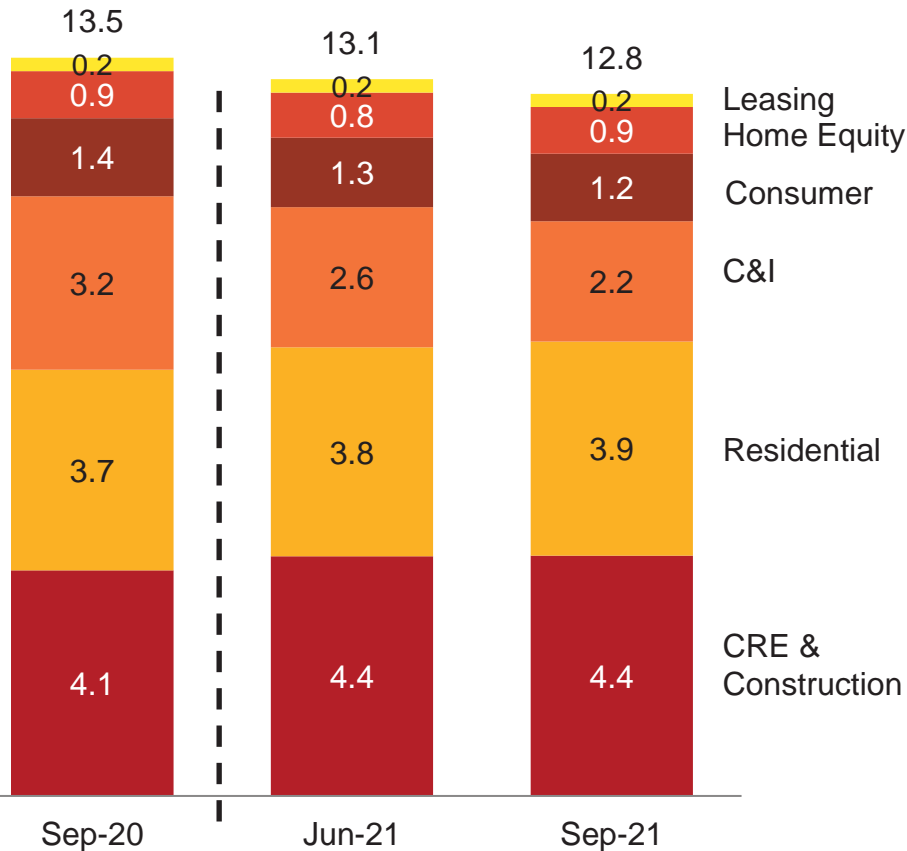
(2) ROATA and ROATCE are non-GAAP financial measures. A reconciliation of average tangible assets and average tangible stockholders' equity to the comparable GAAP measurements is provided in the appendix of this slide presentation.

(3) Declared on October 20, 2021. Payable December 3, 2021 to shareholders of record at close of business on November 22, 2021.

# GROWTH IN RESIDENTIAL, CRE, AND HELOC

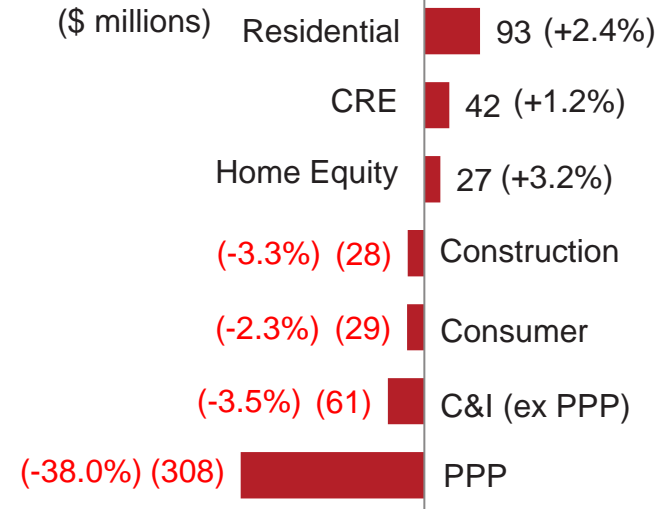
## Total Loans and Leases

(\$ billions)



Note: Segments may not sum to total due to rounding

## Q3 '21 vs Q2 '21 Net Changes



## Q3 Highlights

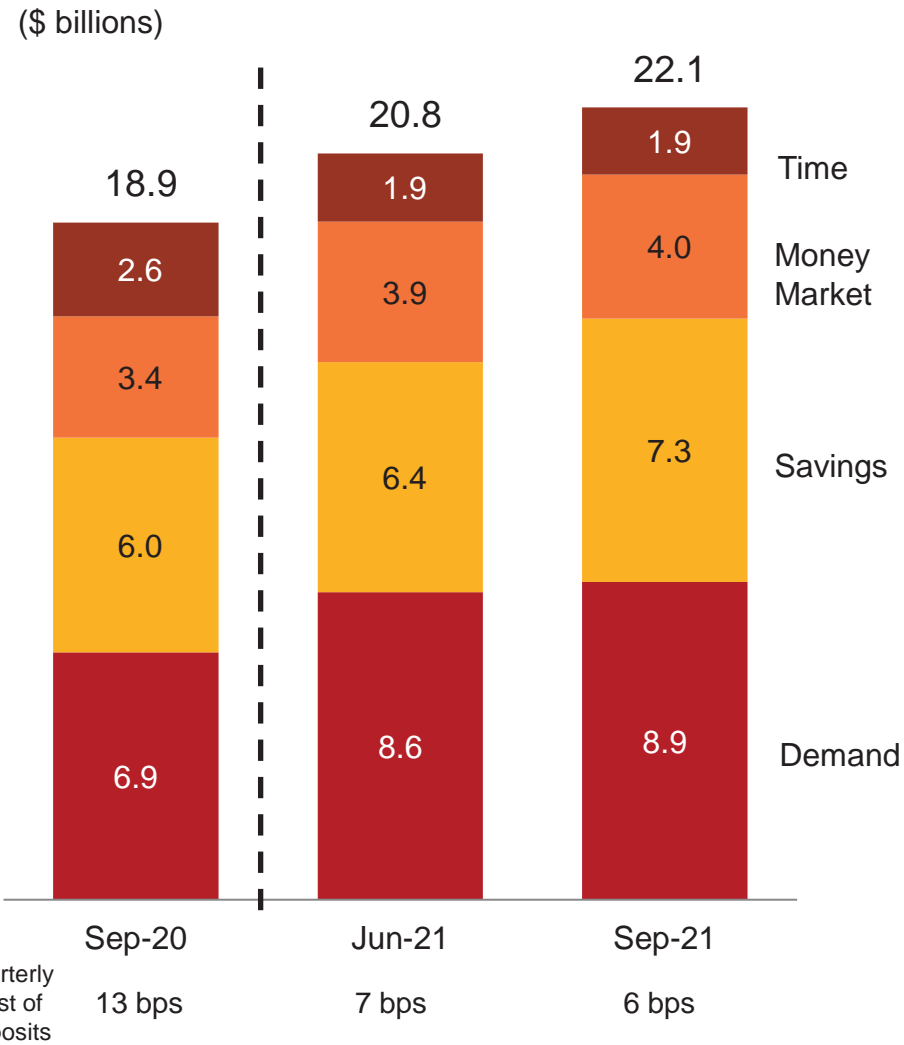
- Total Loans: (\$269 mm)
  - PPP loans: (\$308 mm)
  - C&I - Dealer Flooring: (\$103 mm)
  - All Other Loans: +\$142 mm

## Outlook

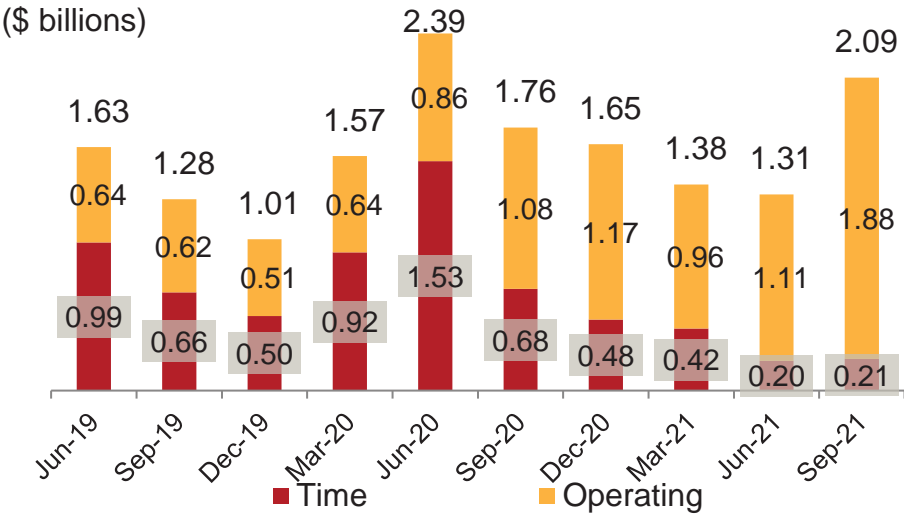
- Full year growth (ex PPP) expected to be flat to + 1% for 2021

# \$1.3 BN INCREASE IN DEPOSITS 1 BP DROP IN COST OF DEPOSITS

## Total Deposits



## Public Deposits



## Q3 Highlights

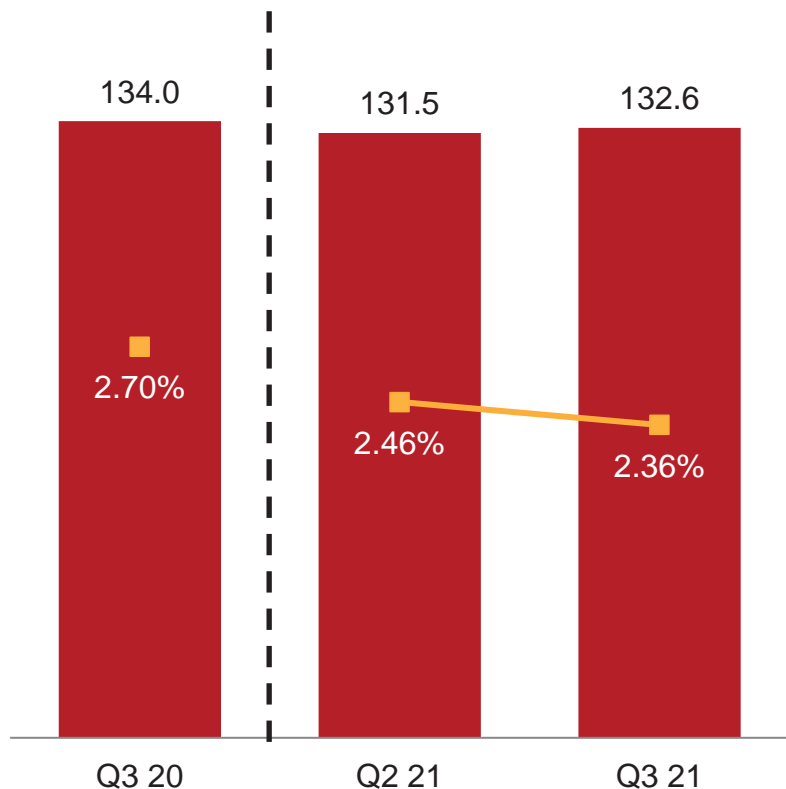
- \$1.3 bn increase in total deposits
- \$503 mm increase in consumer and commercial deposits
- \$782 mm increase in public deposits, driven by increase in operating account balances
- 6 bps cost of deposits

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

# \$853 MM INCREASE IN AVERAGE CASH POSITION DROVE MAJORITY OF NIM COMPRESSION

## Net Interest Income and Net Interest Margin

(\$ millions)



■ Net Interest Income    ■ Net Interest Margin

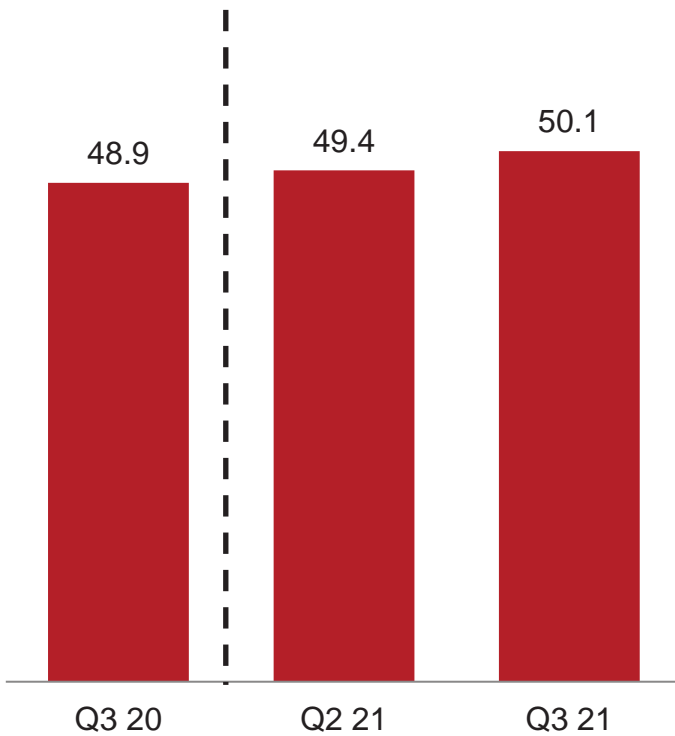
## Comments

- 10 bp drop in NIM due to balance sheet repricing, excess liquidity, partially offset by higher PPP fee income
  - (8 bps) due to increase in cash position
  - (4 bps) due to asset and liability repricing and mix
  - +2 bps due to PPP fees
- \$7.0 mm PPP loan fees recognized in Q3
  - \$2.2 mm scheduled amortization
  - \$4.8 mm due to forgiveness
- Remaining unamortized PPP fees: \$14.4 mm
- Excess liquidity expected to continue to pressure NIM for the foreseeable future

# NONINTEREST INCOME / EXPENSE

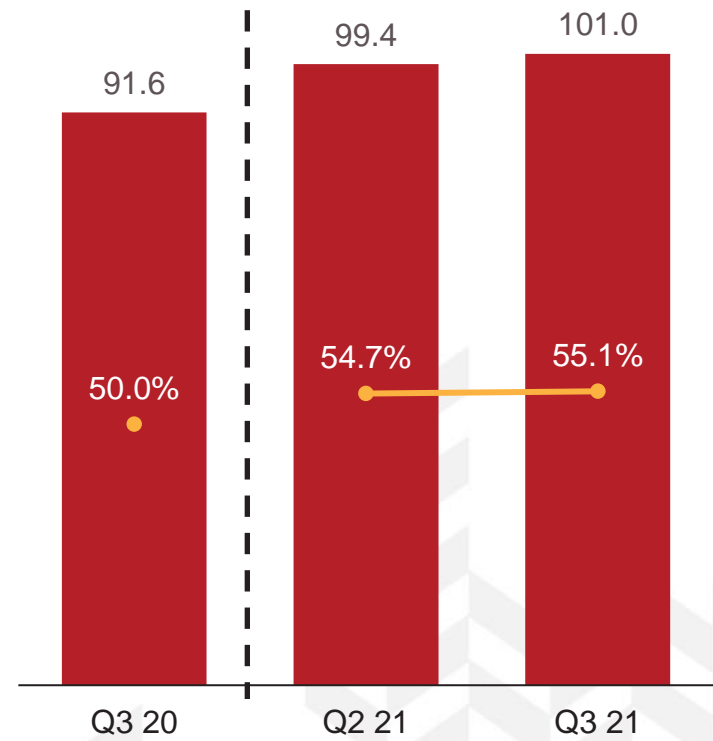
## Noninterest Income

(\$ millions)



## Noninterest Expense

(\$ millions)



■ Nonint Expense

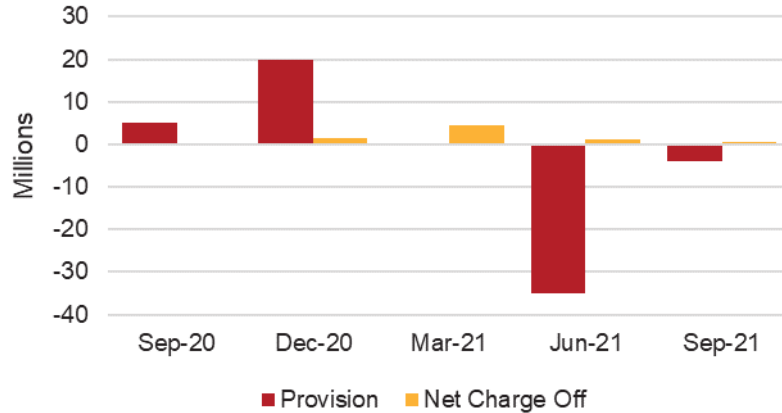
— Efficiency Ratio



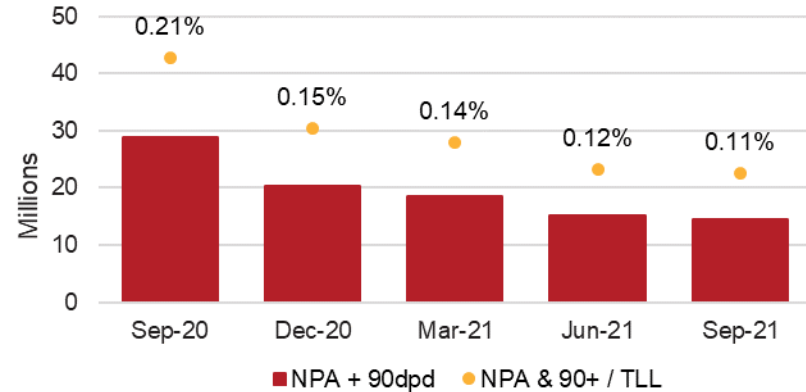
# ASSET QUALITY

GOOD CREDIT PERFORMANCE

## Provision and NCO

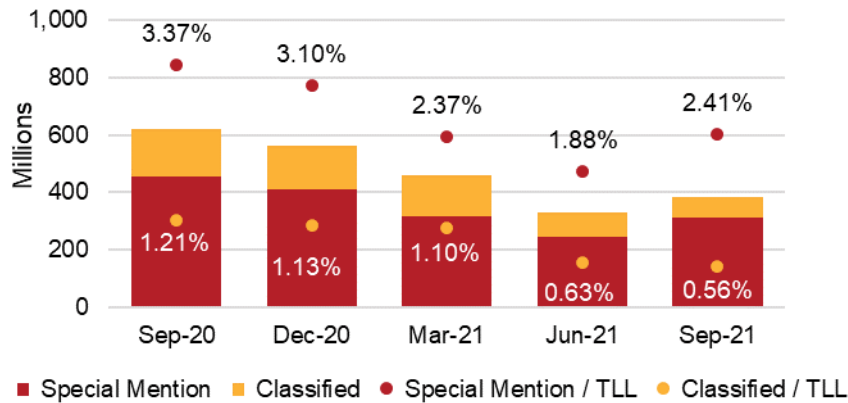


## NPA and 90 Past Due

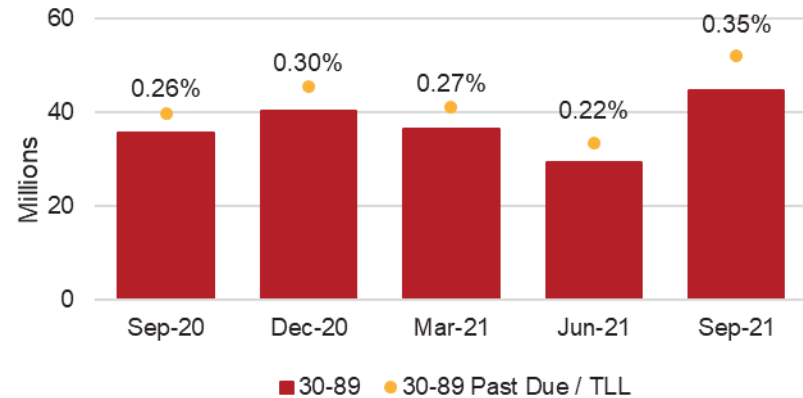


• 90 past due comprised of accruing loans

## 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 PROVIDE FOR UNCERTAINTY



The economic outlook remained unchanged from Q2 due to the slowing recovery resulting from the Delta variant.

Q3 Asset ACL decreased by 4.7% or \$7.9 million to \$161.2 million. The reserve for unfunded commitments increased by \$3.3 million to \$32.5 million.

The ACL decrease is primarily the result of balance changes and some upward movement in FICOs.

Q3 ACL / Total Loans and Leases is 1.26% of all loans and 1.31% net of PPP loans.

## Asset Rollforward of the Allowance for Credit Losses

(\$ in 000's)	C&I	CRE	Const	Lease	Mortgage	Home Equity	Consumer	Total
06/30/2021 ACL	23,063	47,033	10,152	3,067	34,208	6,250	45,375	169,148
Charge-offs	-224	-	-	-	-	-235	-2,926	-3,385
Recoveries	121	15	-	-	215	27	2,405	2,783
Provision	796	-3,449	-398	-833	-655	-325	-2,436	-7,300
9/30/2021 ACL	23,756	43,599	9,754	2,234	33,768	5,717	42,418	161,246
% of Total ACL	14.7%	27.0%	6.0%	1.4%	20.9%	3.5%	26.3%	100.0%
Total Loan Balance	2,195,384	3,569,768	826,078	237,689	3,914,632	852,074	1,238,714	12,834,339
ACL/Total LL (w/ PPP)	1.08%	1.22%	1.18%	0.94%	0.86%	0.67%	3.42%	1.26%
ACL/Total LL (no PPP)	1.40%	1.22%	1.18%	0.94%	0.86%	0.67%	3.42%	1.31%

# QUESTIONS



First Hawaiian, Inc.



# SUMMARY INCOME STATEMENT



(\$ in millions except per share data)	Quarter ended		
	9/30/21	6/30/21	9/30/20
Net interest income	\$ 132.6	\$ 131.5	\$ 134.0
Provision for credit losses	(4.0)	(35.0)	5.1
Noninterest income	50.1	49.4	48.9
Noninterest expense	101.0	99.4	91.6
<b>Pre-tax income</b>	<b>85.7</b>	<b>116.5</b>	<b>86.2</b>
Tax expense	21.4	29.7	21.1
<b>Net Income</b>	<b>\$ 64.3</b>	<b>\$ 86.7</b>	<b>\$ 65.1</b>
Core adjustments <sup>(1)</sup>	2.1	1.1	(0.0)
Tax adjustments	(0.6)	(0.1)	0.0
<b>Core Net Income <sup>(1)</sup></b>	<b>\$ 65.8</b>	<b>\$ 87.7</b>	<b>\$ 65.1</b>
Diluted earnings per share	\$ 0.50	\$ 0.67	\$ 0.50
Core diluted earnings per share <sup>(1)</sup>	\$ 0.51	\$ 0.68	\$ 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					
	9/30/21		6/30/21		9/30/20	
<b>Selected Assets</b>						
Investment securities	\$	7,953.7	\$	6,953.9	\$	5,692.9
Loans and leases		12,834.3		13,103.8		13,500.0
Total assets		25,548.3		24,246.3		22,310.7
<b>Selected Liabilities and Stockholders' Equity</b>						
Total deposits	\$	22,120.0	\$	20,835.1	\$	18,897.8
Total stockholders' equity		2,711.7		2,731.3		2,733.9
Shares Outstanding		128,255,570		129,019,871		129,911,789
Book value per share	\$	21.14	\$	21.17	\$	21.04
Tangible book value per share <sup>(1)</sup>		13.38		13.45		13.38
Tier 1 Leverage Ratio		7.39 %		7.68 %		7.91 %
CET 1 / Tier 1		12.63 %		12.76 %		12.22 %
Total Capital Ratio		13.88 %		14.01 %		13.47 %

<sup>(1)</sup> Non-GAAP financial measure. A reconciliation to the directly comparable GAAP measure is provided in the appendix of this slide presentation. 13

# 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 Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
	2021	2021	2020	2021	2020
<b>Income Statement Data:</b>					
Net income	\$ 64,279	\$ 86,741	\$ 65,101	\$ 208,713	\$ 124,015
Core net income	\$ 65,819	\$ 87,704	\$ 65,083	\$ 211,216	\$ 124,090
Average total stockholders' equity	\$ 2,738,540	\$ 2,691,966	\$ 2,704,129	\$ 2,719,442	\$ 2,687,632
Less: average goodwill	995,492	995,492	995,492	995,492	995,492
Average tangible stockholders' equity	\$ 1,743,048	\$ 1,696,474	\$ 1,708,637	\$ 1,723,950	\$ 1,692,140
Average total assets	\$ 25,058,085	\$ 24,015,065	\$ 22,341,485	\$ 24,013,691	\$ 21,667,948
Less: average goodwill	995,492	995,492	995,492	995,492	995,492
Average tangible assets	\$ 24,062,593	\$ 23,019,573	\$ 21,345,993	\$ 23,018,199	\$ 20,672,456
Return on average total stockholders' equity <sup>(1)</sup>	9.31 %	12.92 %	9.58 %	10.26 %	6.16 %
Core return on average total stockholders' equity (non-GAAP) <sup>(1)</sup>	9.54 %	13.07 %	9.57 %	10.38 %	6.17 %
Return on average tangible stockholders' equity (non-GAAP) <sup>(1)</sup>	14.63 %	20.51 %	15.16 %	16.19 %	9.79 %
Core return on average tangible stockholders' equity (non-GAAP) <sup>(1)</sup>	14.98 %	20.74 %	15.15 %	16.38 %	9.80 %
Return on average total assets <sup>(1)</sup>	1.02 %	1.45 %	1.16 %	1.16 %	0.76 %
Core return on average total assets (non-GAAP) <sup>(1)</sup>	1.04 %	1.46 %	1.16 %	1.18 %	0.76 %
Return on average tangible assets (non-GAAP) <sup>(1)</sup>	1.06 %	1.51 %	1.21 %	1.21 %	0.80 %
Core return on average tangible assets (non-GAAP) <sup>(1)</sup>	1.09 %	1.53 %	1.21 %	1.23 %	0.80 %
<sup>(1)</sup> Annualized for the three and nine months ended September 30, 2021, and 2020 and three months ended June 30, 2021.					
	As of	As of	As of	As of	
	September 30,	June 30,	December 31,	September 30,	
	2021	2021	2020	2020	
<b>Balance Sheet Data:</b>					
Total stockholders' equity	\$ 2,711,734	\$ 2,731,341	\$ 2,744,104	\$ 2,733,934	
Less: goodwill	995,492	995,492	995,492	995,492	
Tangible stockholders' equity	\$ 1,716,242	\$ 1,735,849	\$ 1,748,612	\$ 1,738,442	
Total assets	\$ 25,548,322	\$ 24,246,328	\$ 22,662,831	\$ 22,310,701	
Less: goodwill	995,492	995,492	995,492	995,492	
Tangible assets	\$ 24,552,830	\$ 23,250,836	\$ 21,667,339	\$ 21,315,209	
Shares outstanding	128,255,570	129,019,871	129,912,272	129,911,789	
Total stockholders' equity to total assets	10.61 %	11.26 %	12.11 %	12.25 %	
Tangible stockholders' equity to tangible assets (non-GAAP)	6.99 %	7.47 %	8.07 %	8.16 %	
Book value per share	\$ 21.14	\$ 21.17	\$ 21.12	\$ 21.04	
Tangible book value per share (non-GAAP)	\$ 13.38	\$ 13.45	\$ 13.46	\$ 13.38	



# GAAP TO NON-GAAP RECONCILIATION



	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2021	June 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
(dollars in thousands, except per share amounts)					
Net interest income	\$ 132,593	\$ 131,481	\$ 134,002	\$ 393,232	\$ 400,507
Core net interest income (non-GAAP)	\$ 132,593	\$ 131,481	\$ 134,002	\$ 393,232	\$ 400,507
Noninterest income	\$ 50,104	\$ 49,371	\$ 48,898	\$ 143,343	\$ 143,782
(Gains) losses on sale of securities	—	(102)	(24)	(102)	102
Core noninterest income (non-GAAP)	\$ 50,104	\$ 49,269	\$ 48,874	\$ 143,241	\$ 143,884
Noninterest expense	\$ 101,036	\$ 99,388	\$ 91,629	\$ 296,730	\$ 279,545
Loss on litigation	(2,100)	—	—	(2,100)	—
One-time items <sup>(1)</sup>	—	(1,160)	—	(1,160)	—
Core noninterest expense (non-GAAP)	\$ 98,936	\$ 98,228	\$ 91,629	\$ 293,470	\$ 279,545
Net income	\$ 64,279	\$ 86,741	\$ 65,101	\$ 208,713	\$ 124,015
(Gains) losses on sale of securities	—	(102)	(24)	(102)	102
Loss on litigation	2,100	—	—	2,100	—
One-time noninterest expense items <sup>(1)</sup>	—	1,160	—	1,160	—
Tax adjustments <sup>(2)</sup>	(560)	(95)	6	(655)	(27)
Total core adjustments	1,540	963	(18)	2,503	75
Core net income (non-GAAP)	\$ 65,819	\$ 87,704	\$ 65,083	\$ 211,216	\$ 124,090
Basic earnings per share	\$ 0.50	\$ 0.67	\$ 0.50	\$ 1.61	\$ 0.95
Diluted earnings per share	\$ 0.50	\$ 0.67	\$ 0.50	\$ 1.61	\$ 0.95
Efficiency ratio	55.07 %	54.74 %	50.01 %	55.10 %	51.32 %
Core basic earnings per share (non-GAAP)	\$ 0.51	\$ 0.68	\$ 0.50	\$ 1.63	\$ 0.96
Core diluted earnings per share (non-GAAP)	\$ 0.51	\$ 0.68	\$ 0.50	\$ 1.63	\$ 0.95
Core efficiency ratio (non-GAAP)	53.92 %	54.13 %	50.02 %	54.51 %	51.31 %

1) One-time items consisted of severance costs.

2) Represents the adjustments to net income, tax effected at the Company's effective tax rate for the respective period