

PUBLIC DISCLOSURE

January 18, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Hawaiian Bank
Certificate Number: 17985

999 Bishop Street
Honolulu, Hawaii 96813

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION.....	3
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	15
STATE OF HAWAII.....	16
DESCRIPTION OF INSTITUTION’S OPERATIONS IN HAWAII	16
SCOPE OF EVALUATION – HAWAII.....	16
CONCLUSIONS ON PERFORMANCE CRITERIA IN HAWAII	16
HONOLULU ASSESSMENT AREA – Full-Scope Review	23
HAWAII NON-METROPOLITANASSESSMENT AREA – Full-Scope Review	38
MAUI ASSESSMENT AREA – Limited-Scope Review	52
TERRITORY OF GUAM.....	53
DESCRIPTION OF INSTITUTION’S OPERATIONS IN GUAM	53
SCOPE OF EVALUATION – GUAM.....	56
CONCLUSIONS ON PERFORMANCE CRITERIA IN GUAM	56
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS	65
DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NORTHERN MARIANA ISLANDS	65
SCOPE OF EVALUATION – NORTHERN MARIANA ISLANDS	68
CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NORTHERN MARIANA ISLANDS	68
APPENDICES	76
LARGE BANK PERFORMANCE CRITERIA.....	76
SUMMARY OF RATINGS FOR RATED AREAS	78
DESCRIPTION OF THE LIMITED SCOPE ASSESSMENT AREA	79
PERFORMANCE IN THE LIMITED SCOPE ASSESSMENT AREA	82
GLOSSARY	86

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory			
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
<i>* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.</i>			

The Lending Test is rated Outstanding.

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- The bank makes a substantial majority of its loans inside its assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers reflects excellent penetration among businesses of different revenue sizes and individuals of different income levels.
- The institution exhibits an excellent record of serving the credit needs of the most economically disadvantaged areas of its assessment areas, low-income individuals, and very small businesses, consistent with safe and sound banking practices.
- The institution is a leader in making community development loans.
- The institution makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs.

The Investment Test is rated Outstanding.

- The institution has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.

- The institution exhibits excellent responsiveness to credit and community development needs.
- The institution makes a significant use of innovative and/or complex investments to support community development initiatives.

The Service Test is rated Outstanding.

- Delivery systems are readily accessible to all portions of the assessment areas.
- The opening and closing of branches has not adversely affected the accessibility of delivery systems, particularly to low- and moderate-income geographies and/or to individuals.
- Services and business hours are tailored to the needs of the assessment areas, particularly low- and moderate-income geographies and/or individuals.
- The institution is a leader in providing community development services.

DESCRIPTION OF INSTITUTION

First Hawaiian Bank (FHB) is a state-chartered financial institution founded in 1858 and headquartered in Honolulu, Hawaii. FHB is Hawaii's oldest and largest bank by asset size. FHB is wholly-owned by First Hawaiian, Inc., a widely-held one-bank holding company also headquartered in Honolulu. FHB was previously a subsidiary of BNP Paribas S.A, an international financial company headquartered in Paris, France, that operates in over 70 countries and had assets of \$2.8 trillion in 2021 according to S&P Global. BNP Paribas S.A. began reducing its ownership in FHB in August 2016 and sold its final shares in February 2019. Currently, FHB has no affiliates that provide lending or deposit services. The bank received an "Outstanding" rating at its prior FDIC CRA Evaluation dated September 5, 2018, based on Interagency Large Institution Examination Procedures.

FHB operates 51 full-service offices in the state of Hawaii and the territories of Guam and the Commonwealth of the Northern Mariana Islands (CNMI). Since the prior evaluation, the bank has closed nine and relocated two branches in Hawaii. The bank has not had any merger or acquisition activity. Alternate delivery systems include 298 ATMs in all three rated areas as well as night depositories and online, mobile, phone, and mail banking.

FHB is a full-service commercial and retail bank, offering a wide variety of lending products including commercial real estate and construction loans, commercial term loans and lines of credit, residential mortgage loans, home equity loans and lines of credit, automobile loans, and other consumer loans and lines of credit. FHB is a SBA Preferred Lender and makes loans under the 7(a), 504, Express, and Paycheck Protection Programs (PPP) as well as loans guaranteed by the Departments of Agriculture and Veterans Affairs. The bank also offers a number of consumer and business credit cards; personal and business deposit accounts; wealth management, insurance, and trust services; and additional commercial products including commercial leases, trade financing, merchant services, treasury management, and foreign currency exchange. The bank has not changed its business strategy or focus since the prior evaluation.

According to the December 31, 2021 Call Report, the bank had total assets of \$25.0 billion, including \$13.0 billion of total loans and \$8.4 billion of total securities. The bank also had \$21.8

billion in total deposits, \$2.6 billion in equity capital, and 2,036 full-time employees. The loan portfolio is primarily comprised of residential and commercial real estate loans. The table below shows the distribution of the loan portfolio by product type.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	813,969	6.3
Secured by Farmland	13,628	0.1
Secured by 1-4 Family Residential Properties	4,984,223	38.5
Secured by Multifamily (5 or more) Residential Properties	542,883	4.2
Secured by Nonfarm Nonresidential Properties	3,059,402	23.6
Total Real Estate Loans	9,414,105	72.6
Commercial and Industrial Loans	1,799,953	13.9
Agricultural Production and Other Loans to Farmers	579	0.0
Consumer Loans	1,125,173	8.7
Obligations of State and Political Subdivisions in the U.S.	5	0.0
Other Loans	391,327	3.0
Lease Financing Receivable (net of unearned income)	231,395	1.8
Less: Unearned Income	0	0.0
Total Loans	12,962,537	100.0
<i>Source: Reports of Condition and Income</i>		

The bank faces legal impediments to lend in the CNMI due to restrictions on land ownership. In the territory, generally only individuals of Northern Mariana descent can legally own land permanently. As a result, many CNMI residents cannot purchase real estate, and the market for real estate financing is limited. There are further impediments due to the unavailability of mortgage insurance and difficulty in obtaining flood insurance. The bank has no legal, financial, or other impediments that limit its ability to meet the credit needs in its other assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

FHB delineated five total assessment areas in the rated areas of Hawaii, Guam, and the CNMI. The three assessment areas in Hawaii are the Honolulu assessment area, the Maui assessment area, and the Hawaii non-metropolitan assessment area; together, they compose the entire state of Hawaii. The bank also delineated one assessment area in Guam and one in the CNMI, which each include the entire respective territory. The assessment areas have not changed since the prior evaluation. Refer to the individual rated area and assessment area sections of this evaluation for further details.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 5, 2018, to the current evaluated dated January 18, 2022. Examiners used Interagency Large Institution Examination

Procedures. Examiners relied on records provided by the institution, reported loan data, public financial and economic information, demographic data, and community contacts.

Of the three rated areas, the performance in Hawaii is the most heavily weighted because it contains the majority of loans, deposits, and branches. The performance in Guam received less weight, and the performance in the CNMI received the least weight, because of the relatively lower volumes of activity.

Examiners used full-scope evaluation procedures in the Honolulu assessment area because it contains the majority of loans, deposits, and branches. Examiners also used full-scope evaluation procedures in the Hawaii non-metropolitan assessment area, which contains the second-highest number of loans, deposits, and branches; additionally, examiners have not evaluated the assessment area using full-scope procedures for the prior three CRA Evaluations. Examiners used limited-scope procedures in the Maui assessment area because it contains relatively lower levels of activity, and examiners reviewed the area using full-scope procedures at the prior evaluation. Finally, examiners used full-scope procedures for both the Guam and CNMI assessment areas because they are the only assessment areas in their respective rated areas. The following table contains a breakdown of the loans, deposits, and branches by rated area and assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Honolulu	5,263,010	63.0	15,081,408	72.3	27	52.9
Hawaii Non-Metropolitan	1,337,163	16.0	2,538,857	12.2	12	23.5
Maui	1,297,314	15.5	1,507,781	7.2	7	13.7
Hawaii Subtotal	7,897,487	94.5	19,128,046	91.7	46	90.2
Guam Subtotal	403,925	4.8	1,382,910	6.6	3	5.9
CNMI Subtotal	58,801	0.7	339,703	1.6	2	3.9
Total	8,360,213	100.0	21,850,659	100.0	51	100.0

Source: Bank Data; FDIC Summary of Deposits (6/30/2021); only includes loans reviewed in this evaluation.

Activities Reviewed

FHB's major product lines are small business and home mortgage loans based on the bank's business strategy, loan portfolio composition, and lending activity during the evaluation period. Small business lending received the most weight because it represents the largest loan category by number of loans and remains the primary focus of the institution. Home mortgage lending received slightly less weight because of the relatively lower number of loans. In the CNMI, home mortgage lending received less weight than in other rated areas due to the legal impediments to lending and the limited loan volume.

Examiners analyzed all small business and home mortgage loans originated or purchased from January 1, 2018, through December 31, 2021. This evaluation period includes every full calendar year since the prior evaluation. The bank collects and reports data on all originated and purchased small business and home mortgage loans under CRA and HMDA, respectively. Although the bank

has not yet reported 2021 lending data at the time of this evaluation, the bank collected the data and provided it for analysis. Similarly, although HMDA does not require the bank to report home mortgage lending data from Guam and the CNMI, FHB collected data in these two assessment areas and provided it for analysis. Overall, the bank made 23,875 small business loans totaling \$2.6 billion and 15,239 home mortgage loans totaling \$5.8 billion in the evaluation period. The table below shows the lending volumes by product type and year.

Loan Products Reviewed				
Loan Category	Small Business		Home Mortgage	
	#	\$(000s)	#	\$(000s)
2018	4,581	467,199	2,942	1,050,466
2019	3,944	445,085	3,368	1,167,837
2020	8,416	961,598	4,115	1,648,748
2021	6,934	754,007	4,913	1,952,868
Total	23,875	2,627,889	15,338	5,819,919
<i>Source: Bank Data</i>				

Of the home mortgage loans, 6,836 loans totaling \$1.6 billion are open-end home equity lines of credit. Examiners did not analyze these loans as a separate product because there was not a significant performance difference between open-end home equity lines of credit and closed-end home mortgage loans; instead, examiners analyzed and presented all home mortgage loans together.

Examiners did not analyze small farm loans because of the nominal loan volume; the bank originated 45 small farm loans totaling \$8.4 million from 2018 through 2021. Examiners also did not analyze consumer loans because they did not constitute a majority of lending by dollar volume, and the bank did not elect to have consumer loans considered.

Lending performance in 2018 and 2019 was similar; however, the COVID-19 pandemic led to economic fluctuations, government restrictions, and loan programs such as the PPP that affected credit needs, loan volumes, and lending performance in 2020 and 2021. As a result, although examiners analyzed 4 years of lending data, this evaluation will only present the performance from 2019, 2020, and 2021 under the Geographic Distribution and Borrower Profile criteria. This evaluation presents all four years of data under the Assessment Area Concentration criterion.

Examiners additionally reviewed all community development loans, qualified investments, and community development services from the prior evaluation dated September 5, 2018 through December 31, 2021. The evaluation also includes prior-period qualified investments still outstanding as of December 31, 2021. Examiners evaluated community development activity quantitatively based on the financial capacity of the bank and qualitatively based upon the impact to the assessment areas.

Finally, examiners reviewed retail banking products and services targeted to low- and moderate-income individuals or small businesses or that are tailored to meet the needs of the assessment areas. Examiners also reviewed retail delivery systems, such as branch offices and alternative delivery systems, including the effect of branch closures.

Examiners compared the lending performance to aggregate HMDA and CRA lending data, D&B business demographic data, and 2015 ACS Census data. Aggregate HMDA and CRA data from 2021 is not yet available at the time of this evaluation. Additionally, aggregate HMDA data, D&B business demographic data, and some ACS data is not available for Guam and the CNMI. Examiners also compared the lending and community development performance to the prior evaluation and to comparable institutions. Examiners focused on the number of loans more than the dollar volume of lending because it is a better indicator of the number of businesses and individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test performance is rated “Outstanding.” All three rated areas had consistent performance. The excellent distribution of borrowers and level of community development lending primarily support this rating. Refer to each rated area’s Lending Test conclusions for a detailed analysis.

Lending Activity

Lending levels reflect excellent responsiveness to the credit needs of the assessment areas. In the 4 calendar years reviewed, the bank made 23,875 small business loans totaling \$2.6 billion and 15,239 home mortgage loans totaling \$5.8 billion. The loan volumes increased since the prior evaluation largely due to pandemic effects in 2020 and 2021 such as low interest rates and the PPP. Performance was consistent among the rated areas. Refer to each individual assessment area sections of this evaluation for lending activity and market share details.

Assessment Area Concentration

FHB made a substantial majority of small business and home mortgage loans inside of its assessment areas. Refer to the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2018	4,539	99.1	42	0.9	4,581	459,502	98.4	7,697	1.6	467,199
2019	3,900	98.9	44	1.1	3,944	433,930	97.5	11,155	2.5	445,085
2020	8,323	98.9	93	1.1	8,416	936,735	97.4	24,863	2.6	961,598
2021	6,857	98.9	77	1.1	6,934	728,183	96.6	25,824	3.4	754,007
Subtotal	23,619	98.9	256	1.1	23,875	2,558,350	97.4	69,539	2.6	2,627,889
Home Mortgage										
2018	2,941	100.0	1	0.0	2,942	1,050,166	100.0	300	0.0	1,050,466
2019	3,266	99.9	2	0.1	3,268	1,151,603	98.6	16,235	1.4	1,167,837
2020	4,115	100.0	1	0.0	4,116	1,648,598	100.0	150	0.0	1,648,748
2021	4,912	100.0	1	0.0	4,913	1,951,493	99.9	1,375	0.1	1,952,868
Subtotal	15,234	100.0	5	0.0	15,239	5,801,860	99.7	18,060	0.3	5,819,919
Total	38,853	99.3	261	0.7	39,114	8,360,214	99.0	87,599	1.0	8,447,808
Source: Bank Data Due to rounding, totals may not equal 100.0%										

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment areas. The performance was consistent among the rated areas. Refer to the individual assessment area sections for more information.

Borrower Profile

The distribution of borrowers reflects excellent penetration among businesses of different revenue sizes and individuals of different income levels. The performance was consistent among the rated areas. Refer to the individual assessment area sections for more information.

Innovative or Flexible Lending Practices

FHB makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs. The performance was consistent among the rated areas. FHB offers and participates in several lending programs in support of affordable housing initiatives, economic development for small businesses and rural areas, and consumers and businesses affected by the COVID-19 pandemic. The following table presents innovative or flexible loan programs offered institution-wide during the evaluation period.

Innovative or Flexible Lending Programs										
Type of Program	2018		2019		2020		2021		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Business FirstLine/Business First Term	136	8,498	621	29,430	315	17,902	329	17,707	1,401	73,537
Auto Express Loan	1	20	0	0	0	0	0	0	1	20
SBA ¹	34	3,262	21	2,532	6	768	1	75	62	6,637
SBA 504	10	5,323	16	14,583	16	8,399	24	32,728	66	61,033
USDA Rural Development	0	0	2	7,553	2	6,223	1	3,479	5	17,255
USDA Rural Housing Service 502 Guaranteed Loan	0	0	1	152	2	478	0	0	3	630
Veterans Administration Loan Guaranty ²	1	432	10	5,045	12	5,045	12	6,175	35	16,697
HomeReady Mortgage ²	1	376	0	0	0	0	0	0	1	376
Home Possible and Home Possible Advantage Mortgage ²	1	585	9	2,907	1	300	0	0	11	3,792
First Time Homebuyer Discount	0	0	0	0	41	17,898	140	52,517	181	70,415
SBA Payment Protection Program	0	0	0	0	6,021	942,478	4,014	494,709	10,035	1,437,187
COVID-19 Payment Deferrals	0	0	0	0	28,615	3,893,155	28,164	1,137,684	56,779	5,030,839
COVID-19 Modifications	0	0	0	0	427	4,814	469	6,324	896	11,138
Totals	184	18,496	680	62,202	35,458	4,897,460	33,154	1,751,398	69,476	6,729,556

Source: Bank Data 10/1/2018 – 12/31/2021

1 – Programs offered: 7A, Express, Patriot Express, and America's Recovery Capital

2 – Only offered in Hawaii and Guam

The following are examples of innovative or flexible lending programs:

- Business FirstLine and Business First Term – Structured for small businesses, the Business FirstLine is an unsecured line of credit that can be split between a line of credit and overdraft protection. The Business First Term is an unsecured term loan tailored for small businesses and generally used for fixed asset or equipment purchases. FHB also offers the Business FirstLine Plus and Business First Term Plus products, which are similar but have higher credit limits and are usually secured by collateral.
- SBA Programs – FHB has Preferred Lender status with the SBA, which allows the bank to

process SBA-guaranteed loans under the 7A, 504, Express, Patriot Express, and America's Recovery Capital programs. In 2018 and 2019, the SBA awarded FHB with the SBA Lender of the Year in the Category I (large bank) segment. In 2019, the SBA awarded FHB with the SBA 504 Third-Party Lender of the Year in the Category I segment, based on the number of loans approved for the SBA fiscal year. These awards recognize the bank's commitment to small businesses in the community.

- First Time Homebuyer Discount – In June 2020, FHB launched a program that offers a loan discount to first time homebuyers purchasing a primary residence. The program offered a 1.0 percent discount off the loan origination fee. Since inception, this program has provided cost savings of approximately \$704,154 for first time homebuyers.
- Response to COVID-19:
 - o SBA PPP – The program was created in 2020 and structured to help small businesses and other organizations in the COVID-19 pandemic by providing fully forgivable loans that can be used to help preserve jobs and cover other specific business expenses. FHB participated during all three rounds of funding for PPP loans.
 - o COVID-19 Payment Deferrals – FHB offered payment deferrals for several of its lending products such as commercial loans, residential mortgage loans, automobile loans, consumer loans, and credit cards (consumer and business). In response to the pandemic, FHB implemented a program for certain automobile loan customers to defer their first payment for 90 days.
 - o COVID-19 Modifications – In August 2020, FHB began offering loan modifications primarily for automobile and consumer loan customers who received deferrals and did not resume payments after their deferral period expired.

In August 2021, FHB started offering Fannie Mae's Refi Now and Freddie Mac's Refi Possible programs to support affordable housing efforts in Hawaii and Guam; however, there have been no originations as of December 31, 2021. The new refinance options target borrowers with incomes at or below 80.0 percent of the area median income. The programs provide for a required reduction in interest rate and monthly payment for eligible borrowers.

Community Development Loans

FHB is a leader in making community development loans. Total community development lending equals 8.8 percent of average total assets since the prior evaluation and 14.8 percent of average total loans. The performance was consistent among the three rated areas. The following table shows community development lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/5/2018 - 12/31/2018	7	82,952	16	12,709	6	8,933	12	76,681	41	181,275
2019	13	49,408	43	115,580	20	48,898	34	180,028	110	393,914
2020	13	100,427	73	85,074	281	247,869	186	202,908	553	636,278
2021	17	172,639	46	218,190	227	199,999	126	140,630	416	731,458
Total	50	405,426	178	431,553	534	505,699	358	600,247	1,120	1,942,925
<i>Source: Bank Data</i>										

The total includes 740 PPP loans equaling \$493.8 million that had a community development purpose of stabilizing low- and moderate-income and distressed areas or retaining jobs and/or providing community services for low- and moderate-income individuals. Although most PPP loans with loan amounts of \$1.0 million or less are small business loans, many PPP loans over \$1.0 million or made to non-profit organizations qualify as community development loans. PPP lending was particularly responsive to the credit needs of small businesses during the COVID-19 pandemic in 2020 and 2021. Other lending that supported small businesses and community services during the pandemic was also especially responsive.

At the prior evaluation, FHB was a leader in community development lending and made 345 loans totaling \$975.1 million, equal to 4.9 percent of average total assets and 8.2 percent of average total loans. Excluding PPP loans and controlling for asset size and the length of the evaluation period, the current performance is similar to the performance at the prior evaluation and exceeds excellent performances at comparable institutions. When considering PPP lending, the performance significantly exceeds comparable institutions by dollar volume and especially by number of loans.

A total of 88.3 percent of community development loans by number and 88.2 percent by dollar volume benefitted Hawaii, with fewer loans in Guam and the CNMI. Refer to the rated areas and assessment areas for further details and examples of community development loans.

INVESTMENT TEST

The Investment Test performance is rated “Outstanding.” All three rated areas had generally consistent performance. The excellent level and responsiveness of qualified investments and grants support this rating. Refer to each rated area’s Investment Test conclusions for a detailed analysis.

Investment and Grant Activity

FHB has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. Qualified investments, including qualified grants and donations, include 757 investments totaling \$204.6 million. This performance equals 0.9 percent of average total assets since the prior evaluation and 3.7 percent of average total securities. This performance was consistent among the three rated areas. Of the total qualified investments, 91.3 percent by number and 73.6 percent by dollar volume benefitted Hawaii.

At the prior evaluation, FHB’s excellent level of qualified investments included 1,102 investments totaling \$91.8 million, equal to 0.4 percent of average total assets and 1.8 percent of average total investments. Controlling for asset size and the length of the evaluation period, the current level of investments represents a significant increase from the prior evaluation by dollar volume and significantly exceeds excellent performances at comparable institutions.

Total qualified investments include 16 prior-period low-income housing tax credit investments with outstanding balances of \$50.7 million as of December 31, 2021, in addition to 15 low-income housing tax credit investments made during the evaluation period for \$146.3 million. These investments account for 93.6 percent of all qualified investments and together support 1,827 units of affordable housing for low- and moderate-income individuals. Many of the affordable units are restricted to low-income, very low-income, and elderly individuals. Private investors do not commonly provide low-income housing tax credit investments due to their complexity.

Qualified investments also include 726 qualified grants and donations totaling \$7.5 million. Hawaii benefitted from 91.5 percent of qualified grants by number and 95.6 percent by dollar volume. The table below shows the qualified grants and donations by year and purpose.

Qualified Grants and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/5/2018 - 12/31/2018	1	2	55	296	5	15	4	13	65	326
2019	9	66	220	1,582	44	121	20	110	293	1,879
2020	2	51	162	3,226	19	80	8	352	191	3,709
2021	3	79	142	1,347	22	61	10	132	177	1,619
Total	15	198	579	6,451	90	277	42	607	726	7,533
<i>Source: Bank Data</i>										

The majority of qualified grants and donations supported community services for low- and moderate-income individuals. The level of qualified grants and donations increased significantly by dollar volume in 2020 during the onset of the COVID-19 pandemic. As part of a program called Aloha for Hawaii, FHB made a qualified donation for every food takeout or delivery purchase made in Hawaii with a FHB debit or credit card. The bank donated \$1.0 million to 16 organizations that primarily provided food assistance, social services, and medical services for low- and moderate-income individuals struggling in the pandemic. The program also supported consumer spending at local restaurants that faced financial challenges due to public health restrictions. The program benefitted all of the assessment areas including \$850,000 in Hawaii; \$100,000 in Guam; and \$50,000 in the CNMI.

Refer to the rated areas and assessment areas for further details and additional examples of qualified investments.

Responsiveness to Credit and Community Development Needs

The institution exhibits excellent responsiveness to credit and community development needs. The majority of qualified investments by dollar volume, equaling 96.4 percent of all investments, supported affordable housing, a significant credit and community development need, especially in Hawaii where housing costs are very high, affordable housing is limited, and homelessness is a significant issue. The overall level of investments benefitting this critical need was significant. Qualified grants and donations primarily support community services for low- and moderate-income individuals, especially in 2020, when such grants more than doubled by dollar volume. These grants and donations were especially responsive to the increased need for community services across all assessment areas during the COVID-19 pandemic. Guam and the CNMI have significant levels of poverty, unemployment, and distressed areas; the assessment areas have various other needs, including infrastructure, economic development, small businesses assistance, disaster relief, and revitalization. FHB's qualified investments supported these needs to a lesser degree.

Community Development Initiatives

FHB makes significant use of innovative and/or complex investments to support community development initiatives. Excluding grants and donations, FHB's qualified investments were all low-income housing tax credits, which are complex, time-consuming transactions that require significant legal, financial, administrative, and tax expertise.

FHB also made a number of qualified grants and donations through the FHB Foundation: the bank's associated charitable foundation. The FHB Foundation is the largest corporate foundation contributing to charity in Hawaii, Guam, and the CNMI. The foundation's mission is to support programs that improve the local communities by making grants to non-profit organizations that provide human services, improve access to healthcare, provide educational opportunities, serve children and youth, and support culture and the arts. The majority of the organizations that the foundation supports focus on low- and moderate-income individuals. Making qualified grants and donations through an associated charitable foundation is an innovative channel to provide investments. The Aloha for Hawaii program, described above, also represents an innovative way to provide qualified donations while promoting support of local businesses.

SERVICE TEST

The Service Test performance is rated "Outstanding." The excellent level of retail banking and community development services support this rating. The overall performance was consistent within the Hawaii rated area and inconsistent within the Guam and the CNMI rated areas. Refer to each rated area's Service Test conclusions for a detailed analysis.

Accessibility of Delivery Systems

Delivery systems are readily accessible to all portions of the assessment areas. Alternative delivery systems are consistent among the assessments areas. However, the branch distribution in the Guam and CNMI assessment areas is inconsistent with the institution overall. Refer to those sections for

more information. The following table shows the distribution of census tracts, population, branches, and ATMs in the assessment areas by tract income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	13	3.0	47,687	2.9	3	5.9	18	6.0
Moderate	77	17.8	309,011	19.1	8	15.7	55	18.5
Middle	201	46.4	877,508	54.2	30	58.8	172	57.7
Upper	90	20.8	383,484	23.7	9	17.6	46	15.4
NA	52	12.0	1,850	0.1	1	2.0	7	2.3
Totals	433	100.0	1,619,540	100.0	51	100.0	298	100.0
<i>Source: 2015 ACS & Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>								

FHB currently operates 51 branches and 298 ATMs within its assessment areas. Of that total, 11 branches, representing 21.6 percent of the branch network, are in low- or moderate-income areas; this distribution is just below the 24.6 percent of branches operated by all institutions located within low- and moderate-income tracts in the assessment areas. Furthermore, the branch and ATM distribution in low-income areas is generally above corresponding demographic data. The large volume of ATMs significantly supplements the branch presence and enhances the accessibility of banking services. Of the 298 ATMs, 95 are located at FHB branches and 203 are standalone or co-branded ATMs located at a variety of places such as restaurants, hotels, retail stores, airports, schools, medical centers, and gas stations.

Additional alternative systems for delivering retail services include online banking, mobile banking, voice banking for Amazon Alexa, bank-by-mail, text banking, mobile deposit service, online deposit account opening, remote deposit capture, online person-to-person payments, night depository services, and domestic and internal wire transfers. In 2020, FHB launched FHB Digital, an online home mortgage loan application portal that provides a simplified way for customers to apply for a mortgage loan or home equity line of credit using a desktop computer, tablet, or mobile device. FHB offers the same alternative delivery systems throughout its assessment areas.

Changes in Branch Locations

The opening and closing of branches has not adversely affected the accessibility of delivery systems, particularly to low- and moderate-income geographies and/or individuals. During the evaluation period, FHB closed nine branches and relocated two branches, all in the state of Hawaii. Refer to each assessment area section for additional details.

Reasonableness of Business Hours and Services

Services and business hours are tailored to the convenience and needs of the assessment areas, particularly to low- and moderate-income geographies and/or individuals. Banking hours are generally similar and vary slightly according to local area needs. Of the 51 branches, 18 offer

Saturday banking hours and 6 have drive-up services. Due to the COVID-19 pandemic, all branches temporarily close at 4:00 p.m. on Fridays instead of 6:00 p.m., and FHB dedicated the first hour of business to allow seniors and at-risk individuals to do their banking. Refer to each full-scope assessment area analysis for further details.

Additionally, the bank offers a low-cost checking account for businesses and organizations that make limited transactions. The account has a \$100.00 minimum opening deposit requirement, no monthly service charge, and 25 free check or deposit transactions per statement period.

FHB also offers a low-cost checking and savings account for military personnel (active, reserve, retiree, and civilian employees). According to the 2015 ACS Census, a majority of the military housing in Hawaii is located in moderate-income tracts. The accounts have a \$20.00 minimum opening deposit requirement and no monthly service charge with an automatic transfer amount of \$25.00 per month. Account holders are also eligible for a 0.5 percent discount on personal loans.

FHB offers a free online/mobile financial management tool called MoneyMap to help customers monitor their overall spending across all financial accounts, including accounts at other financial institutions. From a consolidated standpoint, customers can view their finances and debt, monitor investments, manage a budget, and track spending.

Furthermore, FHB authorized the waiver of certain fees for its consumer and business customers in response to the pandemic. FHB automatically applied the waivers and did not require any action from the customers.

COVID-19 Fee Waivers		
Type of Fee	#	\$
ATM Surcharge and Interchange (approximate)	N/A	1,642,614
FHB Online Business Center & ACH Modules	1,758	536,517
Credit Card Cash Advance	24,919	303,618
Mortgage Late Fee	1,002	119,616
Wholesale Lockbox – setup and monthly fees	266	94,808
Merchant Services – minimum monthly fee	1,123	70,365
eDeposit (remote deposit capture) – setup and processing fees	127	64,369
Non-customer Check Cashing Fee – U.S. Stimulus Checks	4,591	45,910
CD Early Withdrawal Penalty	20	5,717
<i>Source: Bank Data as of 12/31/2021</i>		

FHB further offers deposit programs that primarily benefit organizations that serve low- and moderate-income individuals and small businesses. The bank accepts deposits consisting of grants from a charitable foundation on behalf of local organizations that serve low- and moderate-income individuals and small businesses. The deposits serve as an endowment benefitting the local organizations, and FHB pays the local organizations above-market interest rates on the deposited endowment funds. During the evaluation period, FHB opened 223 accounts through the program for 103 local organizations and paid \$2.0 million in interest above market rates. FHB is also a “Prime Partner” of a local non-profit that supports legal services for low- and moderate-income individuals, paying above-market interest rates on deposits in Interest on Lawyer Trust Accounts.

FHB additionally supports local federal credit unions with banking services. Examples of banking services provided include funds transfer services, ATM services, remote deposit capture, payroll services, safe deposit boxes, and overdraft lines of credit. As of the evaluation date, FHB supports 11 credit unions located in low- or moderate-income areas and 2 in distressed middle-income areas.

Community Development Services

FHB is a leader in providing community development services. The overall performance was consistent with the Hawaii rated area but inconsistent within the Guam and CNMI rated areas. During the evaluation period, 290 employees, equaling 14.2 percent of full-time employees, provided 1,027 instances of community development services to 259 different organizations. Service hours increased since the prior evaluation where FHB was also a leader in providing 17,427 hours of community development services. Controlling for the length of the evaluation period, the level of services is similar to the prior evaluation. This performance is noteworthy considering that the COVID-19 pandemic affected opportunities and capacity to provide community development services in 2020 and 2021. The level of community development services compares favorably to peer banks that are also leaders in providing community development services.

Employees provided 85.1 percent of service hours in Hawaii. The service hours supported all four community development purposes with the substantial majority supporting community services targeted to low- and moderate-income individuals and families. The following table presents the community development service hours by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
9/5/2018 – 12/31/2018	127	1,874	810	81	2,892
2019	459	5,935	1,741	275	8,410
2020	199	6,832	714	122	7,867
2021	178	7,338	737	130	8,383
Total	963	21,979	4,002	608	27,552
<i>Source: Bank Data</i>					

Of the total hours provided, 3,340 hours from 53 instances consisted of activities that benefitted all of the assessment areas; of that total, 49 instances totaling 3,259 hours pertain to executive management reviewing and approving grant applications with the FHB Foundation. Refer to the rated areas for further details and examples of community development services.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed compliance with the laws relating to discrimination and other illegal credit practices including the Fair Housing Act. Examiners did not identify any discriminatory or other illegal credit practices.

STATE OF HAWAII

CRA RATING FOR HAWAII: OUTSTANDING

The Lending Test is rated: Outstanding

The Investment Test is rated: Outstanding

The Service Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN HAWAII

FHB delineated three assessment areas in Hawaii; together, the assessment areas comprise the entire state. There were no changes in the assessment areas since the prior evaluation. The table below describes each of the assessment areas. Refer to the individual assessment area sections for more information.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Branches
Honolulu	Honolulu	244	27
Hawaii Non-Metropolitan	Hawaii, Kauai, Kalawao	69	12
Maui	Maui	38	7
<i>Source: Bank Data</i>			

SCOPE OF EVALUATION – HAWAII

Examiners reviewed the Honolulu and Hawaii non-metropolitan assessment areas using full-scope evaluation procedures and reviewed the Maui assessment area using limited-scope procedures. The performance in the Honolulu assessment area received the most weight because it contains the most loans, deposits, and branches. The Hawaii non-metropolitan assessment area received less weight, and the Maui assessment area received the least weight. Refer to the institution-wide Scope of Evaluation section for a breakdown of activity by assessment area and information on the activities reviewed.

CONCLUSIONS ON PERFORMANCE CRITERIA IN HAWAII

LENDING TEST

The Lending Test performance in Hawaii is rated “Outstanding.” Excellent performance under the Borrower Profile and Community Development Loans criteria primarily support this conclusion. Performance in the full-scope assessment areas was consistent with this rating, but the performance in the Maui assessment area was below that of the rated area. Refer to each individual assessment area section of this evaluation for more details.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. In Hawaii, FHB made 20,381 small business loans totaling \$2.2 billion and 14,712 home mortgage loans totaling \$5.7 billion. Performance was consistent among the assessment areas. Refer to each individual assessment area for lending activity and market share details.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment areas. The performance is consistent among the more heavily weighted Honolulu and non-metropolitan assessment areas, but the performance in the Maui assessment area is weaker. Refer to the individual assessment area sections for more information.

Borrower Profile

The distribution of borrowers reflects excellent penetration among businesses of different revenue sizes and individuals of different income levels. The performance is consistent among the more heavily weighted Honolulu and non-metropolitan assessment areas, but the performance in the Maui assessment area is weaker. Refer to the individual assessment area sections for more information.

Innovative or Flexible Lending Practices

FHB makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs. In addition to the programs detailed at the institution level, FHB offers several innovative and/or flexible lending programs in Hawaii.

Innovative or Flexible Lending Programs – Hawaii										
Type of Program	2018		2019		2020		2021		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Priority Destinations World Elite Business Mastercard Credit Card	35	2,700	55	828	88	1,455	127	2,300	305	7,283
First Step Home Loan	30	11,346	81	34,831	37	16,741	120	51,247	268	114,165
Med Loan	0	0	5	5,952	3	4,078	1	1,000	9	11,030
Good Neighbors Loan	0	0	1	371	0	0	0	0	1	371
Mortgage Credit Certificate	20	5,440	43	13,435	8	2,837	6	721	77	22,433
City & County of Honolulu's Down Payment Loan	8	1,381	1	224	0	0	0	0	9	1,605
Landed Down Payment Support	0	0	1	940	3	2,182	3	2,182	7	5,304
Totals	93	20,867	187	56,581	139	27,293	257	57,450	676	162,191
<i>Source: Bank Data 10/1/2018 – 12/31/2021</i>										

The following are examples of innovative or flexible lending programs.

- Priority Destinations World Elite Business Mastercard Credit Card – This travel rewards credit card is targeted to small businesses. During 2019 to 2021, approximately 81.0 percent of accounts were to businesses with annual revenues of \$1.0 million or less.
- First Step Home Loan – In 2014, FHB developed this mortgage loan program with flexible underwriting guidelines to assist first time homebuyers with purchasing a primary residence with no private mortgage insurance requirement. The program has flexible underwriting criteria such as a maximum loan-to-value/combined loan-to-value ratio of 89.99 percent, no income limitations, and loan amounts up to \$726,525.
- Mortgage Credit Certificate – This program provides housing assistance to low- and moderate-income families by reducing the amount of federal income tax paid and giving homeowners more available income to qualify for a mortgage loan and assist with housing payments. FHB originates loans with issued or re-issued mortgage credit certificates.
- Landed Down Payment Support – In June 2019, FHB began offering first mortgage loans in partnership with Landed, Inc., a non-profit with a mission to help school employees with purchasing a home. The program provides up to \$120,000 to school employees buying a home in the community where they work. The homebuyer must contribute at least 10.0 percent of the down payment and Landed will contribute the remaining down payment (up to \$120,000) to reach a 20.0 percent down payment. In exchange, Landed will record a second lien and will have an equity share in the appreciation or depreciation upon the sale of the property.

The bank has additional programs to support small business and small farm needs; however, the FirstChoice Commercial Real Estate and Agricultural Loan Programs did not have any originations since the prior evaluation.

Additionally, FHB participated in six affordable housing projects in the Honolulu assessment area and one project in the Maui assessment area during the evaluation period. FHB is designated as a preferred lender on new construction condominium projects where some or all of the units are set aside as affordable housing units with income eligibility requirements based on local housing agency criteria. FHB's participation consists of lenders attending required training to understand the project and eligibility requirements for the affordable units and assisting prospective buyers with the application and pre-qualification process. During the initial phase, the lenders determine eligibility and issue pre-qualification letters to prospective buyers. During the evaluation period, developers completed the construction of three projects in the Honolulu assessment area. As a result, FHB funded 212 loans totaling \$77.6 million in support of affordable housing.

Community Development Loans

FHB is a leader in community development lending. The strong performance is consistent among the Hawaii assessment areas. In the state, the bank made 989 community development loans totaling \$1.7 billion. Of that total, 62.2 percent by number and 57.8 percent by dollar volume

benefitted the Honolulu assessment area. The total includes 671 PPP loans totaling \$457.6 million that were especially responsive during the COVID-19 pandemic.

At the prior evaluation, FHB was a leader in community development lending and made 241 loans totaling \$536.8 million in Hawaii. Excluding PPP loans and controlling for the length of the evaluation period, the performance exceeds the performance at the prior evaluation by dollar volume and is comparable by number of loans. The performance also exceeds comparable institutions with excellent performance. When considering PPP lending, the lending represents a significant improvement over the prior evaluation and peer institutions.

FHB made 64 community development loans totaling \$385.5 million that benefitted the statewide area of Hawaii. Below are examples of community development loans that benefitted multiple assessment areas in Hawaii.

- FHB made 2 lines of credit totaling \$280.0 million to a large private school system. The loan funds support operations and working capital for the system, which operates multiple pre-schools and three K-12 campuses statewide; in 2020, the system served over 7,000 children. The school system primarily serves low- and moderate-income individuals, as 81 percent of K-12 students and 80 percent of pre-school students are on need-based financial aid and 25 percent of openings are dedicated for children who are orphaned or low-income.
- The bank originated a line of credit for \$50.0 million to a large healthcare system that operates 4 hospitals and over 70 facilities statewide. The loan supports the working capital of the system. The majority of patients served are low- or moderate-income and three of the system's hospitals, including its primary medical center, are located in moderate-income areas.
- The bank made a \$6.0 million loan to finance the construction of 3 buildings for housing and social services for youths who are homeless, in foster care, or are in the juvenile justice system. Social services include counseling, education, mental health support, and advocacy.
- FHB originated 3 lines of credit totaling \$5.5 million to support working capital for a provider of financial services. The borrower assists job creation and retention by providing accounts receivables management to small businesses that cannot obtain financing through standard sources.

FHB also displayed leadership and responsiveness in providing 41 loans totaling \$328.1 million that supported affordable housing in the Hawaii assessment areas. Refer to the assessment area sections for further details and examples of community development loans in Hawaii.

INVESTMENT TEST

The Investment Test performance in Hawaii is rated "Outstanding." The excellent level and responsiveness of qualified investments support this conclusion. Performance in the full-scope assessment areas was consistent, but the performance in the Maui assessment area was below that of the rated area. Refer to each individual assessment area section of this evaluation for more details.

Investment and Grant Activity

FHB has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. In the state, the bank made 691 qualified investments, including qualified grants and donations, totaling \$150.6 million. Of that amount, 35.2 percent of investments by number and 42.8 percent by dollar volume benefitted the Honolulu assessment area; an additional 15.1 percent by number and 42.4 percent by dollar volume benefitted the non-metropolitan assessment area.

FHB's excellent level of qualified investments at the prior evaluation included 969 investments for \$81.1 million. Accounting for the length of the evaluation period, the current performance exceeds the levels of qualified investments at the prior evaluation and at comparable institutions by dollar volume.

The qualified investments include 15 prior-period low-income housing tax credit investments with outstanding balances of \$42.2 million as of December 31, 2021, and 12 current period low-income housing tax credit investments totaling \$101.2 million. These complex investments provide affordable housing for low- and moderate-income individuals and are not commonly provided by private investors.

Qualified investments also include 664 grants and donations totaling \$7.2 million. Grant and donation activity in Hawaii increased significantly in response to the COVID-19 pandemic, improving from \$1.8 million in 2019 to \$3.5 million in 2020. Of all grants and donations in Hawaii, 227 donations for \$2.2 million, accounting for 29.9 percent by number and 34.2 percent, benefitted the Honolulu assessment area. An additional 278 donations for \$4.0 million, equal to 55.2 percent by number and 41.9 percent by dollar volume, benefitted the statewide area. Examples of donations that benefitted the statewide area are described below. Refer to the assessment area sections of this evaluation for further details and examples of qualified investments in Hawaii.

- The bank donated \$1.0 million to an organization that provided scholarships to low- and moderate-income individuals who graduated high school during the COVID-19 pandemic. The organization also provides college and career counseling. FHB further provided scholarship winners with a financial education seminar and deposit accounts with waived monthly service fees and minimum deposit requirements.
- The bank made 21 donations totaling \$370,000 to an organization that supports social services that primarily benefit low- and moderate-income individuals throughout Hawaii. Services include youth and childcare services, education, healthcare, and homelessness prevention.
- The bank made 8 donations to 2 organizations totaling \$111,000. The organizations provide education, mentoring, and social services targeted to low- and moderate-income children and youths throughout the state.
- The bank made 8 donations totaling \$96,500 to an organization that provides housing,

healthcare, and social services to underage victims of human trafficking and abuse. The services are targeted to low- and moderate-income individuals.

- The bank donated \$50,000 in 2018 to an organization that provides free vision screenings and eyeglasses to children in low-income communities.

Responsiveness to Credit and Community Development Needs

The institution exhibits excellent responsiveness to credit and community development needs in Hawaii. Qualified investments primarily benefit affordable housing, an identified primary need in the state. Qualified grants and donations primarily support community services, especially during 2020, illustrating responsiveness to needs during the COVID-19 pandemic. Refer to the bank-wide section for additional details.

Community Development Initiatives

FHB makes significant use of innovative and/or complex investments to support community development initiatives in Hawaii. Refer to the bank-wide section for details.

SERVICE TEST

The Service Test performance in Hawaii is rated “Outstanding.” The leadership role in providing community development and retail banking services support this rating. Performance in the full-scope assessment areas was consistent, but the performance in the Maui assessment area was below that of the rated area. Refer to each individual assessment area section of this evaluation for more details.

Accessibility of Delivery Systems

Delivery systems are readily accessible to all portions of the Hawaii assessment areas. The branch distribution and alternative delivery systems are consistent with the institution overall. FHB operates 46 branches in Hawaii of which 3 are in low-, 8 in moderate-, 25 in middle-, 9 in upper-income tracts, and 1 in a tract with no income designation. Refer to the bank-wide section for details on alternate delivery systems and each individual assessment area section for specific information about branch distribution.

Changes in Branch Locations

The opening and closing of branches has not adversely affected the accessibility of delivery systems, particularly to low- and moderate-income geographies and/or individuals. During the evaluation period, FHB closed nine branches and relocated two branches in Hawaii. The following table shows the distribution of branch closures by assessment area. Refer to each assessment area section for additional details.

Net Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Income Level of Census Tract (+/-)			
			Low	Moderate	Middle	Upper
Honolulu	0	6	-2	-1	-2	-1
Hawaii Non-Metropolitan	0	2	0	0	0	-2
Maui	0	1	0	0	-1	0
Total	0	9	-2	-1	-3	-3

Reasonableness of Business Hours and Services

Services and business hours are tailored to the convenience and needs of the assessment areas, particularly to low- and moderate-income geographies and/or individuals. All of the Hawaii branches have core business hours from 8:30 a.m. to 4:00 p.m. Monday to Friday. One branch is open earlier at 8:00 a.m. and 18 branches are open from 9:00 a.m. to 1:00 p.m. on Saturdays. Refer to the full-scope assessment area sections for additional details.

Community Development Services

FHB continues to be a leader in providing community development services in Hawaii. During the evaluation period, employees provided 918 instances of community development services in the state totaling 23,447 hours. Service hours increased since the prior evaluation where FHB provided 14,781 hours in Hawaii. A total of 56.5 percent of service hours occurred in the more heavily weighted Honolulu assessment area. The majority of hours supported community services targeted to low- and moderate-income individuals and families.

Of the 918 instances of community development services, 291 instances totaling 6,653 hours benefitted multiple assessment areas in Hawaii. The following are examples of statewide activities.

- Using an online financial education program purchased from a third party, several FHB employees provided nearly 150 hours of financial education to low- and moderate-income high school students during the evaluation period. The curriculum included topics such as banking basics, budgeting, and financing higher education. Since the program's inception in 2015, it has benefited over 6,000 Hawaii public high school students. Beginning in 2020, FHB made the program available freely to all K-12 students in response to the COVID-19 pandemic's disruption of schools.
- During the evaluation period, an employee provided 303 hours serving as an advisory Board member and leadership committee advisor for a women's business center that assists women in starting and growing small businesses. The center provides one-on-one business counseling, innovative workshops, and specialized programs.
- In 2020, FHB collaborated with a foundation to develop a financial education seminar to present to the scholarship recipients affected by the COVID-19 pandemic. The recipients comprised of approximately 360 graduating seniors with a majority from low-income families. Topics included building credit, budgeting, and saving. Six employees contributed

approximately 40 hours for this service.

- During the evaluation period, an employee served as a Board member for a non-profit that assists low- and moderate-income individuals with mental illness and homelessness.

Refer to the assessment area sections of this evaluation for further details and examples of community development services in Hawaii.

HONOLULU ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE HONOLULU ASSESSMENT AREA

The Honolulu assessment area contains Honolulu County, which includes the island of Oahu. The assessment area comprises the Urban Honolulu MSA.

Economic and Demographic Data

The following table details economic and demographic information of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Honolulu						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	244	4.1	20.9	42.2	26.6	6.1
Population by Geography	984,178	3.2	22.3	46.4	28.0	0.2
Housing Units by Geography	341,239	2.9	24.0	45.2	27.8	0.1
Owner-Occupied Units by Geography	168,551	1.0	12.0	48.4	38.6	0.0
Occupied Rental Units by Geography	141,051	5.4	37.5	41.4	15.6	0.2
Vacant Units by Geography	31,637	2.3	28.1	44.9	24.6	0.2
Businesses by Geography	70,624	4.2	18.0	37.3	36.7	3.8
Farms by Geography	1,062	3.6	14.8	45.9	33.7	2.1
Family Distribution by Income Level	217,945	19.6	18.4	22.0	40.0	0.0
Household Distribution by Income Level	309,602	22.4	16.7	19.6	41.4	0.0
Median Family Income MSA - 46520 Urban Honolulu, HI MSA		\$86,366	Median Housing Value			\$523,593
			Median Gross Rent			\$1,637
			Families Below Poverty Level			6.5%
Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

Honolulu's economy is supported by a strong tourism industry. According to the Hawaii Department of Business, Economic Development, and Tourism, approximately 19 percent of the state's spending is done by visitors, with much of that in Honolulu, the state's largest city and tourist destination. Services, which includes leisure and hospitality, account for 37.0 percent of businesses according to 2021 D&B data. Other large industries include retail trade at 10.7 percent and finance, insurance, and real estate at 8.5 percent.

According to the University of Hawaii's Economic Research Organization, the area's economy slowed in 2019 due to decreased visitor days and visitor spending, although new construction remained steady. Tourism largely stopped in March 2020 due to the COVID-19 pandemic, negatively affecting many businesses and employees in the leisure and hospitality industry. As vaccinations became available and government restrictions loosened in early 2021, the economy improved, although restrictions were re-imposed as the pandemic continued. Hiring has continued to be slow due to the pandemic and its effects, including school and childcare closures. However, low interest rates and increased demand have increased housing prices and homebuilding while homelessness remains a significant problem.

Moody's Analytics also noted that Honolulu's recovery slowed in late 2021. The decline in leisure and hospitality and other service jobs had Honolulu trailing the national average for employment. COVID-19 variants caused a decline of tourism, further harming the leisure and hospitality industry and the broader economy. The summer 2021 tourism surge illustrated the demand for travel, but uncertainty of future COVID-19 outbreaks and travel restrictions pose a significant obstacle for tourism in the short run. Furthermore, private services in Honolulu have re-gained only half of pandemic job losses.

A large military presence in Honolulu ensures a steady stream of federal funding, as the island is home to the Navy's Pacific Fleet headquarters and has one of the highest concentrations of military personnel in the country. With Honolulu's strategic importance to national security, defense spending is expected to remain high in the coming years. High-wage federal government jobs are a stable source of income in comparison with low-wage tourism employment. The top five employers in the Honolulu assessment area are Schofield Barracks, Pearl Harbor Naval Complex, Fort Shafter, Marine Corps Base Hawaii Kaneohe Bay, and Hickam Air Force Base. The largest non-military employers are the University of Hawaii System, Hawaii Pacific Health (Kapi'olani Health), Starwood Hotels and Resorts, Hilton Hotels, and The Queen's Health Systems.

Reliance on imports means residents pay a premium for goods and services, with the area having among the highest consumer prices in the country. High business, living, and housing costs limit investment and job creation, restricting growth and spurring migration. Housing is very expensive in the assessment area, with elevated property values and rents and limited affordable housing. Over 41.3 percent of housing units in the assessment area are rented.

Unemployment in Honolulu fluctuated through the evaluation period due to the COVID-19 pandemic and associated travel and business restrictions. The following table shows the unemployment rates for the area throughout the evaluation period from the U.S. Bureau of Labor Statistics.

Unemployment Rates				
Area	2018	2019	2020	December 2021
	%	%	%	%
Honolulu County	2.3	2.3	10.2	4.6
Hawaii Statewide Average	2.4	2.5	11.6	5.7
National Average	3.9	3.7	8.1	3.7
<i>Source: Bureau of Labor Statistics</i>				

In 2019, the state of Hawaii had the third lowest unemployment rate in the nation. However, Hawaii was disproportionately affected by the pandemic due to its reliance on tourism and dropped to the second highest unemployment rate in the nation. Unemployment fell in 2021, although it still remained above pre-pandemic levels and above the national average.

In 2021, the median family income in Honolulu was \$106,000. The area has one of the highest median family incomes in the nation. The table below shows the FFIEC-updated median family incomes for the assessment area during the evaluation period.

Median Family Income Ranges				
Assessment Area: Honolulu				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018 (\$96,000)	<\$48,000	\$48,000 to <\$76,800	\$76,800 to <\$115,200	≥\$115,200
2019 (\$99,000)	<\$49,500	\$49,500 to <\$79,200	\$79,200 to <\$118,800	≥\$118,800
2020 (\$101,600)	<\$50,800	\$50,800 to <\$81,280	\$81,280 to <\$121,920	≥\$121,920
2021 (\$106,000)	<\$53,000	\$53,000 to <\$84,800	\$84,800 to <\$127,200	≥\$127,200
<i>Source: FFIEC</i>				

Competition

The market for financial services in Honolulu is competitive and largely controlled by a small number of local institutions. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 13 financial institutions operating 159 full-service branches within the assessment area. Of these institutions, FHB ranked first with a 33.6 percent deposit market share. Together, FHB and 3 other local institutions control 92.3 percent of the deposit market share. Large national banks that control the majority of market share in the mainland do not operate in the assessment area.

Community Contacts

Examiners reviewed two existing community contacts for the Honolulu assessment area. The first contact is a non-profit CDFI and the second contact is an affordable housing organization. The CDFI identified a need for affordable housing, small business credit, and multi-family credit, particularly since the pandemic. The affordable housing contact noted a need for financial education, including basic knowledge of money management to build credit history before applying for a mortgage loan.

Credit and Community Development Needs and Opportunities

Based on economic and demographic data, community contacts, and bank information, examiners identified a need for affordable housing, small business credit, and financial education in the Honolulu assessment area. The need for small business credit increased in 2020 and 2021 as businesses sought financing to remain operational during the pandemic. There is a community development need for affordable housing and aid to the homeless population due to the area's high cost of housing. Opportunities for home mortgage lending also increased in 2020 and 2021 due to lower interest rates and increased demand. Finally, there are ongoing needs for community services that increased in 2020 and 2021, as more individuals needed assistance during the pandemic; however, there may have been fewer opportunities to provide community development services in-person due to government and public health restrictions on public gatherings.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE HONOLULU ASSESSMENT AREA

LENDING TEST

The Lending Test performance in the Honolulu assessment area is excellent. The excellent distribution of borrowers and level of community development lending primarily support this conclusion.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. During the evaluation period, FHB originated 13,037 small business loans totaling \$1.5 billion and 9,765 home mortgage loans totaling \$3.8 billion in the Honolulu assessment area. At the prior evaluation, the bank originated 4,269 small business loans totaling \$504.0 million and 1,699 home mortgage loans totaling \$899.0 million. Small business and home mortgage lending activity increased by number and dollar volume compared to the prior evaluation after considering that the current evaluation analyzed four years of lending activity while the prior evaluation analyzed two years of activity. The significant increase in lending is largely attributable to effects of the COVID-19 pandemic such as low interest rates and the PPP, indicating a strong responsiveness to credit needs. The following table details lending activity, competition, and market share throughout the evaluation period. At the time of this evaluation, 2021 aggregate reported data is not yet available.

Lending Activity							
Loan Category	First Hawaiian Bank		Aggregate Reported Data			First Hawaiian Bank Market Share (%)	First Hawaiian Bank Market Share Ranking
	Number of Loans	Dollar Volume (\$000s)	Number of Lenders	Number of Loans	Dollar Volume (\$000s)		
Small Business							
2018	2,460	262,774	80	21,508	782,471	11.4	4 th
2019	2,224	254,261	79	22,866	775,322	9.7	4 th
2020	4,556	539,590	122	29,268	1,668,720	15.6	2 nd
2021	3,797	409,083	--	--	--	--	--
Subtotal	13,037	1,465,708	--	--	--	--	--
Home Mortgage							
2018	1,875	679,796	235	35,916	14,573,980	7.6	3 rd
2019	2,093	760,070	236	43,259	19,688,075	6.7	3 rd
2020	2,696	1,118,374	244	67,084	32,599,220	5.6	5 th
2021	3,101	1,239,062	--	--	--	--	--
Subtotal	9,765	3,797,302	--	--	--	--	--
Total	22,802	5,263,010	--	--	--	--	--
Source: Bank data; 2018, 2019 & 2020 CRA Aggregate Data; 2018, 2019 & 2020 HMDA Aggregate Data; "--" data not available.							

FHB was a leader in making small business and home mortgage loans in the assessment area despite significant competition. The small business loan market share rankings remained similar to the prior evaluation's ranking of third in 2016 while the home mortgage market share rankings improved compared to the prior evaluation's rankings of ninth in 2016 and fifth in 2017.

Geographic Distribution

Overall, the geographic distribution of loans represents good penetration throughout the Honolulu assessment area.

Small Business Loans

The geographic distribution of small business loans represents good penetration. Refer to the following table for the distribution of loans by tract income level.

Geographic Distribution of Small Business Loans						
Assessment Area: Honolulu						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	4.2	4.4	154	6.9	30,974	12.2
2020	4.2	4.9	270	5.9	53,347	9.9
2021	4.0	--	228	6.0	43,182	10.6
Moderate						
2019	18.5	18.5	453	20.4	43,313	17.0
2020	18.0	19.2	939	20.6	109,725	20.3
2021	17.9	--	778	20.5	86,985	21.3
Middle						
2019	37.1	37.8	773	34.8	84,718	33.3
2020	37.3	35.7	1,509	33.1	171,738	31.8
2021	37.5	--	1,319	34.7	133,056	32.5
Upper						
2019	36.3	36.1	749	33.7	78,152	30.7
2020	36.7	36.4	1,623	35.6	164,427	30.5
2021	37.1	--	1,292	34.0	117,633	28.8
Not Available						
2019	3.9	3.2	95	4.3	17,104	6.7
2020	3.8	3.8	215	4.7	40,353	7.5
2021	3.4	--	180	4.7	28,227	6.9
Totals						
2019	100.0	100.0	2,224	100.0	254,261	100.0
2020	100.0	100.0	4,556	100.0	539,590	100.0
2021	100.0	--	3,797	100.0	409,083	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

The performance consistently exceeded aggregate reported data and demographic data by slight margins. The performance is a decline from the prior evaluation's excellent performance but is consistent with good performance at comparable institutions.

Home Mortgage Loans

The geographic distribution of home mortgage loans represents adequate penetration. Refer to the following table for the distribution of loans by tract income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Honolulu						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	1.0	0.6	14	0.7	2,828	0.4
2020	1.0	0.5	6	0.2	1,952	0.2
2021	1.0	--	15	0.5	4,192	0.3
Moderate						
2019	12.0	11.9	196	9.4	65,431	8.6
2020	12.0	10.2	279	10.3	91,217	8.2
2021	12.0	--	326	10.5	104,172	8.4
Middle						
2019	48.4	43.0	891	42.6	277,083	36.5
2020	48.4	42.8	1,090	40.4	395,593	35.4
2021	48.4	--	1,290	41.6	471,981	38.1
Upper						
2018	38.6	42.4	814	43.4	349,715	51.4
2019	38.6	44.5	990	47.3	414,157	54.5
2020	38.6	46.4	1,319	48.9	629,377	56.3
2021	38.6	--	1,465	47.2	657,751	53.1
Not Available						
2019	0.0	0.0	2	0.1	571	0.1
2020	0.0	0.0	2	0.1	235	0.0
2021	0.0	--	5	0.2	966	0.1
Totals						
2019	100.0	100.0	2,093	100.0	760,070	100.0
2020	100.0	100.0	2,696	100.0	1,118,374	100.0
2021	100.0	--	3,101	100.0	1,239,062	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Lending is generally consistent with aggregate reported data but does not exceed demographic data. The performance is a decline from the prior evaluation and consistent with adequate performances at comparable institutions.

Borrower Profile

Overall, the distribution of borrowers reflects excellent penetration among businesses of different revenue sizes and individuals of different income levels in the Honolulu assessment area.

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. Refer to the following table for the distribution of loans by borrower revenue level

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Honolulu						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	86.9	45.1	1,109	49.9	62,524	24.6
2020	87.1	34.8	2,446	53.7	103,488	19.2
2021	88.5	--	2,126	56.0	99,612	24.4
>\$1,000,000						
2019	4.9	--	872	39.2	175,700	69.1
2020	4.7	--	1,738	38.1	403,133	74.7
2021	3.9	--	1,089	28.7	260,427	63.7
Revenue Not Available						
2019	8.2	--	243	10.9	16,037	6.3
2020	8.2	--	372	8.2	32,969	6.1
2021	7.6	--	582	15.3	49,044	12.0
Totals						
2019	100.0	100.0	2,224	100.0	254,261	100.0
2020	100.0	100.0	4,556	100.0	539,590	100.0
2021	100.0	--	3,797	100.0	409,083	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Performance slightly exceeded aggregate data in 2018 and 2019 before increasing in 2020 and 2021. In 2020, the performance far exceeded aggregate data, which decreased from prior years' levels. While the decrease in aggregate lending levels is partially attributable to institutions making large volumes of PPP loans with no reported revenues and may not be indicative of lower small business credit demand, FHB's lending still represents an increased performance from prior years. The performance is also significantly increased from the good performance at the prior evaluation.

The performance is significantly below demographic data; however, many small businesses do not have credit needs or are not creditworthy. Given this, although it does not capture all small business lending in the assessment area, aggregate data can be a better indicator of credit demand and opportunities in the area. The overall lending performance, especially in 2020 and 2021, is illustrative of excellent performance.

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration among individuals of different income levels. Refer to the following table for the distribution of loans by borrower income category.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Honolulu						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	19.6	3.2	111	5.3	14,616	1.9
2020	19.6	2.5	113	4.2	17,433	1.6
2021	19.6	--	140	4.5	22,100	1.8
Moderate						
2019	18.4	12.1	291	13.9	63,169	8.3
2020	18.4	11.4	362	13.4	87,143	7.8
2021	18.4	--	483	15.6	122,578	9.9
Middle						
2019	22.0	23.5	504	24.1	133,807	17.6
2020	22.0	21.9	579	21.5	179,443	16.0
2021	22.0	--	892	28.8	290,909	23.5
Upper						
2019	40.0	41.1	1,153	55.1	492,578	64.8
2020	40.0	37.7	1,614	59.9	798,919	71.4
2021	40.0	--	1,570	50.6	785,199	63.4
Not Available						
2019	0.0	20.1	34	1.6	55,901	7.4
2020	0.0	26.5	28	1.0	35,435	3.2
2021	0.0	--	16	0.5	18,276	1.5
Totals						
2019	100.0	100.0	2,093	100.0	760,070	100.0
2020	100.0	100.0	2,696	100.0	1,118,374	100.0
2021	100.0	--	3,101	100.0	1,239,062	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Lending to low- and moderate-income borrowers consistently exceeded aggregate data by small margins. The distribution of loans falls below demographic data; however, the disparity between aggregate and demographic data, especially among low-income borrowers, is indicative of the limited opportunities to make home mortgage loans to low- and moderate-income individuals. With a median housing value of \$523,593, housing costs in the assessment area are elevated; many low-income families, who made less than \$53,000 in 2021, cannot afford to purchase a home. By matching or exceeding aggregate data, FHB demonstrated good performance. The lending distribution is also similar to the good performance at the prior evaluation.

Community Development Loans

FHB is a leader in making community development loans. The following table shows the community development lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/5/2018 - 12/31/2018	5	30,511	8	5,526	3	4,350	7	54,775	23	95,162
2019	6	33,213	18	9,933	10	20,050	13	137,224	47	200,420
2020	4	16,780	40	18,901	174	177,090	91	123,899	309	336,670
2021	9	119,312	20	12,297	151	157,537	56	69,971	236	359,117
Total	24	199,816	86	46,657	338	359,027	167	385,869	615	991,369
<i>Source: Bank Data</i>										

The lending includes 446 PPP loans totaling \$358.7 million. PPP loans and other loans that supported small businesses and community services were particularly responsive to credit needs during the COVID-19 pandemic in 2020 and 2021.

At the prior evaluation, FHB was a leader in community development lending in the assessment area, making 159 loans totaling \$410.2 million. Excluding PPP loans and controlling for the length of the evaluation period, the current performance is similar to the performance at the prior evaluation and to excellent performances at comparable institutions. When considering PPP lending, the performance significantly exceeds comparable institutions by dollar volume and especially by number of loans.

FHB made several large loans to provide affordable housing in the assessment area, responding to a critical credit and community development need. Many loans financed residential projects that include set-aside housing units for low- and moderate-income individuals while others include units restricted for middle-income individuals. Given the high housing costs in the assessment area, the critical need for affordable housing, and that families earning up to 140 percent of median family income are eligible for local affordable housing projects, examiners determined that housing for middle-income individuals has a primary community development purpose. Examples of affordable housing loans in the assessment area are described below.

- FHB's largest affordable housing loan in the assessment area totaled \$75.0 million and financed a building with 209 income-restricted affordable housing units.
- FHB originated 3 loans totaling \$25.4 million to support multiple phases of an affordable housing construction project that created 245 units of income-restricted housing.
- FHB originated 2 loans for \$29.0 million to finance the construction of a building with 156 units for low- and moderate-income seniors.
- FHB originated a \$65.0 million loan to construct a large mixed-use facility in a moderate-income area that includes 78 affordable housing units.
- FHB also originated a number of loans to construct residential buildings that included some set-aside units for low-, moderate-, and middle-income individuals. The pro-rated share of

loan funds, equal to the share of residential units that are income-restricted, qualify as community development loans. FHB originated 8 loans that included set-aside affordable housing units for a pro-rated amount of \$51.4 million, supporting 685 affordable housing units.

FHB's support of affordable housing is illustrative of excellent responsiveness and leadership in community development lending. Below are additional examples of community development loans that benefitted the assessment area.

- The bank made 8 loans totaling \$75.1 million to finance the operations of 3 manufacturing businesses in the assessment area. All three operate in low- or moderate-income areas and are located in the Urban Honolulu Enterprise Zone; supporting manufacturing is one component of the zone's development plan. The continued or expanded operations of the businesses help revitalize and stabilize the low- and moderate-income areas in the designated enterprise zone.
- FHB made 2 loans totaling \$11.4 million through the SBA 504 loan program to finance business expansion and a real estate purchase for a refrigeration wholesaler and distributor in a moderate-income area. The loan will allow the business to expand its operations to new locations, retaining and creating jobs for low- and moderate-income individuals and in moderate-income areas.
- FHB made a \$35.0 million commercial loan to refinance and improve a large hotel. The hotel added additional rooms and comprehensively renovated all guest rooms and common areas. The business expansion and improvement will help stabilize the area, largely consisting of moderate-income tracts, by attracting and retaining businesses and residents.

INVESTMENT TEST

The Investment Test performance in the Honolulu assessment area is excellent. The excellent level and responsiveness of qualified investments support this conclusion.

Investment and Grant Activity

FHB has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. In the assessment area, the bank made 243 qualified investments, including qualified grants and donations, totaling \$64.4 million. This total does not include qualified investments that benefitted multiple assessment areas in Hawaii; refer to the statewide section for information on those investments.

FHB's excellent level of qualified investments at the prior evaluation included 368 investments for \$42.3 million. Accounting for the length of the evaluation period, the current performance is similar to the dollar volume of qualified investments at the prior evaluation and exceeds comparable institutions with excellent performances.

The qualified investments include 11 prior-period low-income housing tax credit investments with outstanding balances of \$16.8 million as of December 31, 2021, and 5 current period low-income housing tax credit investments totaling \$45.4 million. These complex investments provide affordable housing for low- and moderate-income individuals and are not commonly provided by private investors.

Qualified investments also include 227 grants and donations totaling \$2.2 million. The level of qualified grants and donations are slightly decreased since the prior evaluation by number and dollar volume. The table below shows qualified grant and donation activity by year and purpose.

Qualified Grants and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/5/2018 - 12/31/2018	0	0	19	111	2	6	1	1	22	118
2019	1	50	70	528	9	25	10	78	90	681
2020	1	50	52	659	4	14	2	20	59	743
2021	0	0	45	542	5	11	6	67	56	620
Total	2	100	186	1,840	20	56	19	166	227	2,162
<i>Source: Bank Data</i>										

Grant and donation activity increased by dollar volume in response to the COVID-19 pandemic in 2020. Examples of donations that benefitted the assessment area are described below.

- The bank made 2 donations totaling \$100,000 to an organization that worked with local governments and community partners to construct a housing development for homeless families with children. The development will include approximately 144 residential units and house over 600 homeless adults and children. The need for affordable housing for low-income and homeless individuals is a critical need in the assessment area.
- FHB made 17 donations totaling \$290,000 to 2 organizations that provide services targeted to low- and moderate-income children and youths. Services include education, childcare, scholarships, workforce development, and other social services.
- FHB made 2 donations totaling \$60,000 to an organization that provided food assistance to low- and moderate-income individuals during the COVID-19 pandemic. The organization delivered over 500,000 meals to the elderly and distributed over 5 million pounds of food.
- During the pandemic, the bank made 2 donations to a healthcare system totaling \$100,000 that supported the conversion of hospital rooms to dedicated infectious disease units. The majority of patients served by the healthcare system are below the federal poverty level, and the donation supported critical public health and safety measures during the pandemic.
- FHB made 3 donations totaling \$75,000 to a provider of behavioral and mental healthcare services. The organization operates the only freestanding non-profit medical center

specializing in behavioral healthcare in the area. The majority of patients served by the organization are low- or moderate-income.

Responsiveness to Credit and Community Development Needs

The institution exhibits excellent responsiveness to credit and community development needs in the assessment area. Refer to the statewide and bank-wide section for additional details.

Community Development Initiatives

FHB makes significant use of innovative and/or complex investments to support community development initiatives in the assessment area. Refer to the bank-wide section for details.

SERVICE TEST

The Service Test performance in the Honolulu assessment area is excellent. The leadership role in providing community development and retail banking services support this conclusion.

Accessibility of Delivery Systems

Delivery systems are readily available to all portions of the assessment area. The branch distribution is consistent with the institution overall. The following table shows the distribution of census tracts, population, branches, and ATMs by tract income level.

Branch and ATM Distribution by Geography Income Level								
Assessment Area: Honolulu								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	10	4.1	31,502	3.2	1	3.7	9	4.9
Moderate	51	20.9	219,481	22.3	5	18.5	45	24.6
Middle	103	42.2	456,250	46.4	13	48.1	89	48.6
Upper	65	26.6	275,101	28.0	7	25.9	33	18.0
NA	15	6.1	1,844	0.2	1	3.7	7	3.8
Totals	244	100.0	984,178	100.0	27	100.0	183	100.0
<i>Source: 2015 ACS & Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>								

All institutions operating within this assessment area had 6.8 percent and 20.5 percent of their branches located within low- and moderate-income tracts, respectively. Although FHB's branch distribution in low- and moderate-income areas is slightly below aggregate data, its large ATM network and variety of alternative delivery systems increase accessibility throughout the assessment area. In addition, the ATM distribution in low- and moderate-income tracts is above corresponding demographic data.

Alternate delivery systems are also consistent with the institution overall. Refer to the institution-wide section for details on alternate delivery systems.

Changes in Branch Locations

The opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income geographies and/or individuals. During the evaluation period, FHB closed six branches and relocated two branches as detailed below.

- In May 2019, FHB closed the Hickam branch, which was located in a middle-income area bordered by 6 tracts, 2 of which are moderate-income. There is minimal impact to the moderate-income areas and individuals since there are 2 remaining branches within 5.0 miles of the closed location and several ATMs nearby to continue serving the moderate-income areas.
- In November 2020, FHB closed the Eaton Square branch, which was located in a middle-income area bordered by 5 tracts, 2 of which are moderate-income. There is minimal impact to the moderate-income areas and individuals since there are two branches less than a mile from the closed location and several ATMs nearby to continue serving the moderate-income areas.
- In November 2020, FHB closed the King-Liliha branch, which was located in a low-income area bordered by low- and moderate-income tracts. The nearest branch is about half a mile away in the same low-income tract as the closed branch. The closure had minimal impact to the low- and moderate-income areas and individuals considering the nearby branch is in close proximity and can continue to serve the same low- and moderate-income community.
- In November 2020, FHB closed the Sand Island branch, which was located in a moderate-income area surrounded by 5 tracts, 2 of which are low-income. The nearest branch is 1.8 miles away in a moderate-income area, and several ATMs are in close proximity to the closed branch. The ATM at the closed branch, which only dispenses cash, is still in operation. The closure had minimal impact to the low- and moderate-income community.
- In December 2021, FHB closed the Chinatown branch, which was located in a low-income area bordered by 6 tracts, of which 2 are low- and 1 is moderate-income. The nearest branch is less than a mile away, and several ATMs are in close proximity to the closed branch. The full-service ATM at the closed branch is still in operation. The closure had minimal impact to the low- and moderate-income community.
- In December 2021, FHB closed the Ward Branch, which was located in an upper-income area bordered by 4 tracts, 1 of which is moderate-income. There are 3 other FHB branches within 1.5 miles from the closed branch and several ATMs nearby. The full-service ATM at the closed branch is still in operation. The closure had minimal impact to the moderate-income area.
- In March 2019, the Manoa branch was relocated to a new location 0.2 miles away located

within the same upper-income tract. There was no adverse impact to low- and moderate-income areas or individuals.

- In July 2021, FHB relocated the Ewa Beach branch to a new location 1.5 miles away from an upper- to a middle-income tract. There was no adverse impact to low- or moderate-income areas or individuals.

Reasonableness of Business Hours and Services

Services and business hours are tailored to the convenience and needs of the assessment areas, particularly to low- and moderate-income geographies and/or individuals. The main branch is located within this assessment area and opens earlier than other branches at 8:00 a.m. Of the 27 branches in the assessment area, 12 are open on Saturdays. In addition, three branches have drive-up services operating with the same hours as the branch.

Community Development Services

FHB is a leader in providing community development services in the Honolulu assessment area. During the evaluation period, 145 employees provided 459 instances of community development services. Service hours increased from the prior evaluation, where FHB was also a leader in providing services at 8,184 hours; controlling for the length of the evaluation period, the performance was consistent. The level of services exceeded comparable institutions with excellent performances. The majority of services provided community services to low- and moderate-income individuals and families. This total does not include services that benefitted multiple assessment areas in Hawaii; refer to the statewide section for more information on those services. The following table details community development service hours by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
9/5/2018 – 12/31/2018	86	872	596	55	1,609
2019	272	2,570	844	75	3,761
2020	32	3,205	212	9	3,458
2021	20	4,007	317	77	4,421
Total	410	10,654	1,969	216	13,249
<i>Source: Bank Data</i>					

The following are examples of community development services in the assessment area.

- During the evaluation period, several employees provided 326 hours of financial education to students from low- and moderate-income areas. The employees mentor and teach students about career readiness, entrepreneurship, and financial education.
- In 2019 and 2020, 7 employees participated in a job shadow event for low- and moderate-income students with an interest in the financial industry. The employees discussed their job

duties and qualifications needed for various positions in the banking industry.

- During the evaluation period, an employee contributed 383 hours serving on the advisory committee of an organization that provides homeless individuals with transitional assistance to stable living environments and vocational and job training.
- In 2018 and 2019, FHB hosted free SBA resource days to provide small businesses with free consultations to help them navigate the SBA programs and services. The event was a joint effort between FHB's Small Business Development Department, the SBA, and a small business development corporation held at FHB branches. Numerous employees participated during these events for a total of 132 hours.

HAWAII NON-METROPOLITAN ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE HAWAII NON-METROPOLITAN ASSESSMENT AREA

The Hawaii non-metropolitan assessment area comprises Hawaii, Kauai, and Kalawao Counties, which includes the islands of Hawaii, Kauai, Niihau, and a small part of Molokai.

Economic and Demographic Data

The following table details economic and demographic information of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Hawaii Non-Metropolitan						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	69	4.3	8.7	43.5	11.6	31.9
Population by Geography	261,258	6.2	13.7	57.9	22.2	0.0
Housing Units by Geography	114,992	6.3	14.4	58.4	20.8	0.0
Owner-Occupied Units by Geography	57,014	4.5	16.3	57.5	21.7	0.0
Occupied Rental Units by Geography	30,493	10.7	11.4	58.4	19.5	0.0
Vacant Units by Geography	27,485	5.2	14.1	60.4	20.3	0.0
Businesses by Geography	18,295	9.8	3.5	66.3	20.4	0.0
Farms by Geography	865	4.4	7.2	67.2	21.3	0.0
Family Distribution by Income Level	58,982	22.4	16.0	20.4	41.3	0.0
Household Distribution by Income Level	87,507	26.9	13.9	17.3	41.9	0.0
Median Family Income Non-MSAs – HI		\$64,846	Median Housing Value			\$376,424
			Median Gross Rent			\$1,163
			Families Below Poverty Level			12.3%
Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

Similar to the rest of the state, the non-metropolitan area's economy benefits from tourism. Services, which includes leisure and hospitality, account for 36.7 percent of businesses according to 2021 D&B data. Other large industries include retail trade at 13.2 percent; finance, insurance, and real estate at 6.9 percent; and construction at 6.2 percent. Agriculture and fishing account for 4.6 percent of businesses, more than triple the share in the metropolitan areas. The assessment area is prone to natural disasters, as the Federal Emergency Management Agency declared major disasters covering the entire assessment area in September 2018 due to a hurricane and covering Kauai County in July 2020 due to severe storms and flooding.

The non-metropolitan assessment area is the largest and least dense of the Hawaii assessment areas, with about 56 residents per square mile compared to 144 in Maui County and 1,649 in Honolulu County. Much of the area is somewhat remote or rural; incomes, rents, and property values are lower than in the metropolitan areas of Hawaii while poverty levels are much higher.

Unemployment in the non-metropolitan counties fluctuated through the evaluation period due to the COVID-19 pandemic and associated travel and business restrictions. The following table shows the unemployment rates for the area throughout the evaluation period from the U.S. Bureau of Labor Statistics. Unemployment figures for Kalawao County, which includes 2 census tracts and 85 residents, is not available or included in the table.

Unemployment Rates				
Area	2018	2019	2020	December 2021
	%	%	%	%
Hawaii County	2.8	3.1	11.4	4.9
Kauai County	2.4	2.4	16.2	6.7
Hawaii Statewide Average	2.4	2.5	11.6	5.7
National Average	3.9	3.7	8.1	3.7
Source: Bureau of Labor Statistics				

The FFIEC designated 1 middle-income tract in Kalawao County as distressed throughout the evaluation period due to population loss and unemployment and further designated 8 additional tracts in Kauai County as distressed due to unemployment in 2021.

In 2021, the median family income in the non-metropolitan area was \$78,800, less than in the metropolitan areas of the state. The table below shows the FFIEC-updated median family incomes for the assessment area during the evaluation period.

Median Family Income Ranges				
Assessment Area: Hawaii Non-Metropolitan				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018 (\$78,500)	<\$39,250	\$39,250 to <\$62,800	\$62,800 to <\$94,200	≥\$94,200
2019 (\$71,300)	<\$35,650	\$35,650 to <\$57,040	\$57,040 to <\$85,560	≥\$85,560
2020 (\$74,900)	<\$37,450	\$37,450 to <\$59,920	\$59,920 to <\$89,880	≥\$89,880
2021 (\$78,800)	<\$39,400	\$39,400 to <\$63,040	\$63,040 to <\$94,560	≥\$94,560
Source: FFIEC				

Competition

The Hawaii non-metropolitan assessment area is a moderately competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 8 financial institutions operating 46 full-service branches within the area. FHB ranked second with 38.55 percent deposit market share. Similar to the rest of the state, the top 4 local institutions, including FHB, control 94.9 percent of the deposit market share while large national banks from the mainland do not operate in the area.

Community Contact

Examiners reviewed one existing community contact for the Hawaii non-metropolitan assessment area. The contact is a non-profit CDFI that serves as a financial intermediary for loans and grants to business organizations and a provider of financial education. The contact noted there is a need for additional affordable housing given that the cost of building materials is increasing, leading to higher housing costs. The contact also noted there is a need for longer term financing solutions for

businesses once business owners have spent the SBA PPP and Economic Industry Disaster loan funds.

Credit and Community Development Needs and Opportunities

Based on economic and demographic data, community contacts, and bank information, examiners determined that small business credit and flexible financing options for businesses are need in the assessment area. The needs and opportunities for such lending increased due to the pandemic beginning in 2020. Affordable housing is also a credit and community development need, as housing costs are elevated and homelessness remains an issue. Finally, there is a significant community development need in the assessment area, as unemployment and poverty are much higher than in the metropolitan areas of the state. The pandemic exacerbated these needs, especially in Kauai County, where unemployment remains high. Opportunities for in-person community development services were somewhat lower in 2020 and 2021 due to limitations on public gatherings during the pandemic.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE HAWAII NON-METROPOLITAN ASSESSMENT AREA

LENDING TEST

The Lending Test performance in the Hawaii non-metropolitan assessment area is excellent. The excellent distribution of borrowers and level of community development lending primarily support this conclusion.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. During the evaluation period, FHB originated 4,740 small business loans totaling \$481.9 million and 2,594 home mortgage loans totaling \$855.3 million in the Hawaii non-metropolitan assessment area. At the prior evaluation, the bank originated 1,489 small business loans totaling \$155.7 million and 613 home mortgage loans totaling \$212.1 million. Based on an annual average, FHB's small business and home mortgage lending activity increased by number and dollar volume to the prior evaluation after considering that the current evaluation analyzed four years of lending activity while the prior evaluation analyzed two years of activity. The significant increase in lending is largely attributable to effects of the COVID-19 pandemic such as low interest rates and the PPP, indicating a strong responsiveness to credit needs.

FHB was a leader in making small business and home mortgage loans in the assessment area despite competition, especially in home mortgage lending. The following table details lending activity, competition, and market share throughout the evaluation period. At the time of this evaluation, 2021 aggregate reported data is not yet available.

Lending Activity							
Loan Category	First Hawaiian Bank		Aggregate Reported Data			First Hawaiian Bank Market Share (%)	First Hawaiian Bank Market Share Ranking
	Number of Loans	Dollar Volume (\$000s)	Number of Lenders	Number of Loans	Dollar Volume (\$000s)		
Small Business							
2018	908	80,820	61	6,751	199,805	13.4	3 rd
2019	772	77,291	63	7,177	212,049	10.8	4 th
2020	1,716	179,833	88	8,321	424,813	20.6	1 st
2021	1,344	143,968	--	--	--	--	--
Subtotal	4,740	481,912	--	--	--	--	--
Home Mortgage							
2018	506	165,625	219	9,780	3,505,020	8.2	3 rd
2019	569	171,744	218	11,414	4,340,190	7.2	3 rd
2020	699	235,624	233	16,529	6,906,715	6.5	3 rd
2021	820	282,258	--	--	--	--	--
Subtotal	2,594	855,251	--	--	--	--	--
Total	7,334	1,337,163	--	--	--	--	--
Source: Bank data; 2018, 2019 & 2020 CRA Aggregate Data; 2018, 2019 & 2020 HMDA Aggregate Data; "--" data not available.							

Geographic Distribution

Overall, the geographic distribution of loans in represents good penetration throughout the Hawaii non-metropolitan assessment area.

Small Business Loans

The geographic distribution of small business loans represents good penetration. Refer to the following table for the distribution of loans by tract income level.

Geographic Distribution of Small Business Loans						
Assessment Area: Hawaii Non-Metropolitan						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	9.8	7.1	94	12.2	11,761	15.2
2020	9.8	7.8	166	9.7	20,751	11.5
2021	9.6	--	139	10.3	14,161	9.8
Moderate						
2019	4.0	5.1	41	5.3	1,977	2.6
2020	3.5	5.4	75	4.4	4,577	2.5
2021	3.4	--	76	5.7	6,651	4.6
Middle						
2019	66.1	63.8	470	60.9	49,508	64.1
2020	66.3	63.4	1,081	63.0	114,063	63.4
2021	66.2	--	835	62.1	90,093	62.6
Upper						
2019	20.2	24.0	167	21.6	14,045	18.2
2020	20.4	23.5	394	23.0	40,442	22.5
2021	20.8	--	294	21.9	33,063	23.0
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	772	100.0	77,291	100.0
2020	100.0	100.0	1,716	100.0	179,833	100.0
2021	100.0	--	1,344	100.0	143,968	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

The performance exceeded aggregate reported data in low-income tracts by small margins and was similar to aggregate data in moderate-income tracts. The lending is also consistent with demographic levels. The performance is a slight decline from the prior evaluation but is superior to adequate performances at comparable institutions.

Home Mortgage Loans

The geographic distribution of home mortgage loans represents adequate penetration. Refer to the following table for the distribution of loans by tract income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Hawaii Non-Metropolitan						
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s) %
Low						
	2019	4.5	3.1	20	3.5	2,970 1.7
	2020	4.5	3.0	33	4.7	5,445 2.3
	2021	4.5	--	20	2.4	3,790 1.3
Moderate						
	2019	16.3	16.2	52	9.1	9,161 5.3
	2020	16.3	15.2	51	7.3	14,550 6.2
	2021	16.3	--	79	9.6	15,931 5.6
Middle						
	2019	57.5	55.0	340	59.8	104,174 60.7
	2020	57.5	55.1	397	56.8	135,507 57.5
	2021	57.5	--	490	59.8	177,163 62.8
Upper						
	2019	21.7	25.7	157	27.6	55,439 32.3
	2020	21.7	26.7	218	31.2	80,123 34.0
	2021	21.7	--	231	28.2	85,374 30.2
Not Available						
	2019	0.0	0.0	0	0.0	0 0.0
	2020	0.0	0.0	0	0.0	0 0.0
	2021	0.0	--	0	0.0	0 0.0
Totals						
	2019	100.0	100.0	569	100.0	171,744 100.0
	2020	100.0	100.0	699	100.0	235,624 100.0
	2021	100.0	--	820	100.0	282,258 100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Lending is generally consistent with aggregate reported data and slightly below demographic levels in low-income tracts but modestly below aggregate and demographic data in moderate-income tracts. The performance is a decline from the prior evaluation and consistent with adequate performances at comparable institutions.

Borrower Profile

Overall, the distribution of borrowers reflects excellent penetration among businesses of different revenue sizes and individuals of different income levels in the Hawaii non-metropolitan assessment area.

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. Refer to the following table for the distribution of loans by borrower revenue level

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Hawaii Non-Metropolitan						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	86.4	46.4	405	52.5	32,469	42.0
2020	86.5	38.8	919	53.6	41,175	22.9
2021	87.7	--	704	52.4	38,099	26.5
>\$1,000,000						
2019	4.0	--	257	33.3	39,995	51.7
2020	3.8	--	586	34.1	125,499	69.8
2021	3.3	--	414	30.8	88,223	61.3
Revenue Not Available						
2019	9.6	--	110	14.2	4,827	6.2
2020	9.7	--	211	12.3	13,159	7.3
2021	9.0	--	226	16.8	17,646	12.3
Totals						
2019	100.0	100.0	772	100.0	77,291	100.0
2020	100.0	100.0	1,716	100.0	179,833	100.0
2021	100.0	--	1,344	100.0	143,968	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Performance moderately exceeded aggregate data in 2018 and 2019; in 2020, the lending was stable as aggregate lending levels decreased from prior years' levels. While the decrease in aggregate lending levels is partially attributable to institutions making large volumes of PPP loans with no reported revenues and may not be indicative of lower small business credit demand, FHB's lending still represents a consistent performance from prior years. The performance also significantly increased from the performance at the prior evaluation.

The performance is significantly below demographic data; however, many small businesses do not have credit needs or are not creditworthy. Given this, although it does not capture all small business lending in the assessment area, aggregate data can be a better indicator of credit demand and opportunities in the area.

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration among individuals of different income levels. Refer to the following table for the distribution of loans by borrower income category.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Hawaii Non-Metropolitan						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	22.4	3.4	28	4.9	2,377	1.4
2020	22.4	2.9	26	3.7	2,188	0.9
2021	22.4	--	39	4.8	4,595	1.6
Moderate						
2019	16.0	9.3	55	9.7	6,816	4.0
2020	16.0	9.7	59	8.4	8,753	3.7
2021	16.0	--	97	11.8	17,779	6.3
Middle						
2019	20.4	18.7	93	16.3	17,864	10.4
2020	20.4	19.2	131	18.7	28,319	12.0
2021	20.4	--	146	17.8	32,358	11.5
Upper						
2019	41.3	55.8	386	67.8	141,357	82.3
2020	41.3	52.5	479	68.5	194,537	82.6
2021	41.3	--	535	65.2	224,248	79.4
Not Available						
2019	0.0	12.7	7	1.2	3,331	1.9
2020	0.0	15.8	4	0.6	1,827	0.8
2021	0.0	--	3	0.4	3,278	1.2
Totals						
2019	100.0	100.0	569	100.0	171,744	100.0
2020	100.0	100.0	699	100.0	235,624	100.0
2021	100.0	--	820	100.0	282,258	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Lending to low- and moderate-income borrowers is generally consistent with aggregate reported data. The distribution of borrowers falls below demographic data, especially to low-income borrowers. However, the disparity between aggregate and demographic data, especially among low-income borrowers, is indicative of the limited opportunities to make home mortgage loans to low- and moderate-income individuals. With elevated housing costs in the assessment area, many low-income families, who made less than \$39,400 in 2021, cannot afford to purchase a home. By generally matching aggregate data, FHB demonstrated good performance. The lending distribution is also similar to the good performance at the prior evaluation.

Innovative or Flexible Lending Practices

FHB makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs. In addition to the programs detailed at the institution-wide and statewide level, FHB exclusively offers the Lava Zone Loan Program in the Hawaii non-metropolitan assessment area. This flexible mortgage-financing program provides borrowers with the ability to purchase a home or refinance an existing loan for a property located in a designated lava zone, specifically zones 1 and 2. Properties located in these two lava zones in Hawaii County are closer to volcanic activity and exposes FHB to greater risk for collateral damage or loss in the event of a volcanic eruption. FHB is one of the few lenders offering mortgage financing for

properties located in lava zones 1 and 2. However, as of November 2021, properties in lava zone 1 are no longer eligible for financing, and FHB booked no loans during the evaluation period under the program.

Community Development Loans

FHB is a leader in making community development loans. The table below shows the community development lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/5/2018 - 12/31/2018	0	0	0	0	2	2,083	1	2,911	3	4,994
2019	3	1,655	5	1,228	4	8,343	5	12,158	17	23,384
2020	4	34,512	9	1,844	56	30,849	38	13,145	107	80,350
2021	3	37,668	4	597	34	22,381	19	11,585	60	72,231
Total	10	73,835	18	3,669	96	63,656	63	39,799	187	180,959
<i>Source: Bank Data</i>										

The total of loans includes 140 PPP loans totaling \$47.8 million. PPP loans and other loans that supported small businesses and community services were particularly responsive to credit needs of during the COVID-19 pandemic in 2020 and 2021.

At the prior evaluation, FHB made 47 loans totaling \$75.6 million. Excluding PPP loans and controlling for the length of the evaluation period, the current performance decreased by number of loans since prior evaluation but increased by dollar volume and is superior to comparable institutions. When considering PPP lending, the performance significantly exceeds comparable institutions by dollar volume and especially by number of loans.

The plurality of lending by dollar volume benefitted affordable housing. Although housing costs in the assessment area are lower than elsewhere in the state, they are still elevated, and affordable housing remains a critical need in the assessment area. FHB made 5 loans totaling \$71.3 million to finance the construction of residential buildings with 418 income-restricted housing units for low- and moderate-income individuals. Some of the units will be set-aside for very low-income individuals, individuals receiving federal or local housing benefits, or homeless individuals. FHB's support of affordable housing is illustrative of excellent responsiveness and leadership in community development lending.

Below are other examples of community development loans that benefitted the assessment area.

- FHB made an \$8.5 million loan to finance the construction of a warehouse for a distribution center in Hawaii County. The business is located in the Hilo-Puna Enterprise Zone and is adjacent to multiple low-income tracts. Wholesaling and distribution activity is one of the goals of the area's formal development plan; the loan will help revitalize and stabilize the

low-income areas in the designated enterprise zone.

- The bank made 2 loans totaling \$2.3 million to finance the construction of a commercial building in a low-income area of Hawaii County. The building will include six offices, with one being owner-occupied and the rest being leased to other businesses. The construction will help revitalize and stabilize the low-income area by attracting new businesses.
- In 2021, the bank made a \$4.4 million loan to support the purchase, renovation, and expansion of a hotel in a distressed area of Kauai County. The loan will help revitalize and stabilize the distressed area by attracting new and retaining existing businesses and residents.

INVESTMENT TEST

The Investment Test performance in the Hawaii non-metropolitan assessment area is excellent. The excellent level and responsiveness of qualified investments support this conclusion.

Investment and Grant Activity

FHB has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. In the assessment area, the bank made 104 qualified investments, including qualified grants and donations, totaling \$63.6 million. This total does not include qualified investments that benefitted multiple assessment areas in Hawaii; refer to the statewide section for information on these investments.

FHB's level of qualified investments at the prior evaluation included 171 investments for \$34.1 million. Accounting for the length of the evaluation period, the current performance exceeds the dollar volume of qualified investments at the prior evaluation and far exceeds comparable institutions with excellent performances.

The qualified investments include 2 prior-period low-income housing tax credit investments with outstanding balances of \$23.3 million as of December 31, 2021, and 4 current period low-income housing tax credit investments totaling \$39.7 million. These complex investments provide affordable housing for low- and moderate-income individuals and are not commonly provided by private investors.

Qualified investments also include 98 grants and donations totaling \$644,000. The level of qualified grants and donations decreased since the prior evaluation by number but is similar by dollar volume. The following below shows qualified grant and donation activity by year and purpose.

Qualified Grants and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/5/2018 - 12/31/2018	0	0	8	29	0	0	0	0	8	29
2019	1	2	24	128	13	17	3	15	41	162
2020	0	0	20	202	5	10	1	25	26	237
2021	1	50	18	159	4	7	0	0	23	216
Total	2	52	70	518	22	34	4	40	98	644
<i>Source: Bank Data</i>										

Grant and donation activity increased by dollar volume in response to the COVID-19 pandemic in 2020. Examples of donations that benefitted the assessment area are described below.

- The bank made 5 total donations equaling \$67,000 to 2 organizations in Kauai County that provide free food to low- and moderate-income individuals. One organization distributes approximately 200,000 pounds of food annually to feed over 435,000 individuals while the other also distributes free household and personal care items.
- FHB made 9 donations totaling \$166,240 to 2 affiliated organizations that serve Hawaii and Kauai Counties. The organizations support a variety of services to primarily low- and moderate-income individuals include homelessness prevention, youth educational programs, and social and counseling services.
- FHB made 3 donations totaling \$75,000 to a hospital in Hawaii County. The donations will help fund the construction of a new emergency room. The donation will support critical healthcare services in a rural area, and the majority of patients served are low- and moderate-income.
- The bank made 2 donations totaling \$25,000 to an organization that provides youth services including education, counseling, and professional development. The services are provided at Title I schools in Kauai County where a majority of students are low- or moderate-income.

Responsiveness to Credit and Community Development Needs

The institution exhibits excellent responsiveness to credit and community development needs in the assessment area. Refer to the statewide and bank-wide section for additional details.

Community Development Initiatives

FHB makes significant use of innovative and/or complex investments to support community development initiatives in the assessment area. Refer to the bank-wide section for details.

SERVICE TEST

The Service Test performance in the Hawaii non-metropolitan assessment area is excellent. The leadership role in providing community development services and retail banking support this conclusion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the Hawaii non-metropolitan assessment area. The branch distribution in the assessment area is consistent with the institution overall. The table below shows the distribution of census tracts, population, branches, and ATMs in the assessment area by tract income level.

Branch and ATM Distribution by Geography Income Level								
Assessment Area: Hawaii Non-Metropolitan								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	3	4.5	16,185	6.2	2	16.7	9	18.0
Moderate	6	9.0	35,749	13.7	0	0.0	2	4.0
Middle	29	43.3	151,269	57.9	9	75.0	31	62.0
Upper	8	11.9	57,970	22.2	1	8.3	8	16.0
NA	21	31.3	0	0.0	0	0.0	0	0.0
Totals	67	100.0	261,173	100.0	12	100.0	50	100.0
<i>Source: 2015 ACS & Bank Data</i>								
<i>Due to rounding, totals may not equal 100.0%</i>								

All institutions operating within the assessment area had 18.8 percent and 1.6 percent of their branches located within low- and moderate-income tracts, respectively. FHB's branch distribution is just below aggregate data. Four of the branches are located in distressed areas. The ATM distribution is favorable with more ATMs located in low- and moderate-income tracts, increasing accessibility throughout the assessment area.

Alternate delivery systems are also consistent with the institution overall. Refer to the institution-wide section for details on alternate delivery systems.

Changes in Branch Locations

The opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income geographies and/or individuals. During the evaluation period, FHB closed two branches as detailed in the following list.

- In July 2019, FHB closed the Hanapepe-Eleele branch, which was located in an upper-income area bordered by middle- and upper-income tracts. The ATM at this location remains open with the nearest branch located 6.8 miles away in a middle-income tract. There was limited impact to low- and moderate-income areas and individuals.

- In December 2021, FHB closed the Kukui Grove branch, which was located in an upper-income area surrounded by middle- and upper-income tracts. The nearest branch is about a mile away in a middle-income tract. The full-service ATM at the closed branch is still in operation. The closure had limited impact to low- and moderate-income areas and individuals.

Reasonableness of Business Hours and Services

Services and business hours are tailored to the convenience and needs of the assessment areas, particularly to low- and moderate-income geographies and/or individuals. Of the 12 branches, 4 are open on Saturdays.

Community Development Services

FHB is a leader in providing community development services in the Hawaii non-metropolitan assessment area. During the evaluation period, 38 employees provided 93 instances of community development services. When controlling for the length of the evaluation period, service hours increased from the prior evaluation, where FHB had 1,347 hours within this assessment area. The level of services also exceeds comparable institutions. The majority of services provided supported community services targeted to low- and moderate-income individuals and families. This total does not include services that benefitted multiple assessment areas in Hawaii; refer to the statewide section for more information on those services.

The following table details community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
9/5/2018 – 12/31/2018	14	138	68	16	236
2019	51	538	420	34	1,043
2020	83	461	97	43	684
2021	60	321	88	4	473
Total	208	1,458	673	97	2,436
<i>Source: Bank Data</i>					

The following are notable examples of community development services in the Hawaii non-metropolitan assessment area.

- During the evaluation period, an employee contributed nearly 700 hours serving as chapter president, chairperson, and member of the budget and finance committee for an organization that provides need-based scholarships to women whose education has been interrupted. This supports community services targeted to low- or moderate-income individuals to assist them with returning to school to support themselves and/or their families.

- In 2019, FHB hosted a free SBA resource day to provide small businesses with free consultations to help them navigate the SBA programs and services. The event was a joint effort between FHB's Small Business Development Department, the SBA, and a small business development corporation held at FHB branches. Twelve employees participated during this event for a total of 96 hours.
- In 2020 and 2021, an employee provided 121 hours serving as treasurer for a non-profit housing development corporation. The corporation's mission is to provide affordable housing for low- and moderate-income families on the island of Kauai.

MAUI ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MAUI ASSESSMENT AREA

The Maui assessment area contains Maui County, which includes the islands of Maui, Lanai, Kahoolawe, and most of Molokai. The assessment area comprises the Kahului-Wailuku-Lahaina MSA. Refer to the appendices for more for economic, demographic, and competition information in the Maui assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE MAUI ASSESSMENT AREA

LENDING TEST

The lending performance in the Maui assessment area is below the performance in Hawaii, but it does not change the rating in the state. From 2018 through 2021, FHB originated or purchased 2,604 small business loans totaling \$292.2 million and 2,353 home mortgage loans totaling \$1.0 billion, which represents excellent responsiveness to assessment area credit needs. The adequate Geographic Distribution and good Borrower Profile performances are below the performances statewide. Refer to the appendices for tables illustrating the performance under the Geographic Distribution and Borrower Profile criteria in the Maui assessment area. FHB also originated 123 community development loans in the assessment area totaling \$156.7 million, primarily to support economic development, affordable housing, and revitalization and stabilization of moderate-income areas. This total includes 85 PPP loans totaling \$51.1 million. The level of community development lending is excellent and consistent with the performance in Hawaii.

INVESTMENT TEST

The investment performance in the Maui assessment area is below the performance in Hawaii, but it does not change the rating in the state. During the evaluation period, FHB made 66 qualified investments in the assessment area equaling \$18.6 million. The total includes 2 prior-period investments with outstanding balances of \$2.1 million as of December 31, 2021; 3 current period low-income housing tax credit investments totaling \$16.1 million; and 61 grants and donations totaling \$433,000. The level of qualified investments is good but below the performance of Hawaii.

SERVICE TEST

The service performance in the Maui assessment area is below the performance in Hawaii, but it does not change the rating in the state. The branch distribution and alternative delivery systems are consistent with the institution overall. Products, services, and business hours are the same as those offered at the institution level. FHB closed one branch in the assessment area in November 2020; the branch was located in a middle-income tract surrounded by other middle- and upper-income areas, and the closure had limited impacts to low- and moderate-income areas and individuals. Employees provided 75 community development services totaling 1,109 hours of financial and technical assistance to various qualified community development organizations in the assessment area. The level of community development services is good but below the performance in Hawaii overall.

TERRITORY OF GUAM

CRA RATING FOR GUAM: OUTSTANDING

The Lending Test is rated: Outstanding

The Investment Test is rated: Outstanding

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN GUAM

FHB delineated one assessment area comprising the entire territory of Guam. The assessment area is non-metropolitan and contains the whole island. There were no changes in the assessment area since the prior evaluation.

Economic and Demographic Data

Guam has limited economic and demographic data available. The following table details available economic and demographic information of the Guam assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Guam						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	57	0.0	14.0	61.4	14.0	10.5
Population by Geography	159,358	0.0	10.8	74.7	14.5	0.0
Housing Units by Geography	50,567	0.0	11.9	72.0	16.1	0.0
Owner-Occupied Units by Geography	21,140	0.0	8.7	73.0	18.3	0.0
Occupied Rental Units by Geography	20,886	0.0	12.8	73.2	14.0	0.0
Vacant Units by Geography	8,541	0.0	17.6	66.6	15.5	0.2
Median Family Income Non-MSAs GU		\$50,607				
Source: 2015 ACS						
Due to rounding, totals may not equal 100.0%						
(*) The NA category consists of geographies that have not been assigned an income classification.						

According to the Guam Economic Development Authority, Guam Visitor's Bureau, University of Guam, and CIA World Factbook, tourism is the primary industry in the assessment area and accounts for approximately 60 percent of the island's businesses revenues. Much of the tourism is international, primarily from East Asia. Beginning in March 2020, the COVID-19 pandemic decreased tourism arrivals by 95 percent, leading to less spending, revenues, and jobs. Private sector businesses saw revenues decline by 66 percent from 2017 to 2020, although the construction industry fared better and federal financial stimulus and pandemic assistance mitigated some of the economic harm. The defense industry in Guam is also significant, and the island is the home of thousands of military personnel.

According to Moody's Analytics as of November 2021, Guam's economy is trending in the right direction. The COVID-19 pandemic took a significant toll on the economy due to the territory's heavy reliance on international tourism; tourism accounts for most service exports, and consumer industries account for nearly one in four jobs on the island. However, the potential increase in travel over the coming months will pave the way for increased hiring in consumer industries. Guam's government will receive additional direct federal assistance through congressional financial stimulus to help mitigate the ongoing loss of tourism revenue over the next year, with the hope that tourism will return to near pre-pandemic levels soon after. However, Guam's location makes it vulnerable to natural disasters including sea level rise, typhoons, earthquakes, and tsunamis. The islands heavy reliance on consumer industries and tourism amplifies the fallout from natural disasters. The Federal Emergency Management Agency declared major disasters in October 2018 and May 2019 due to typhoons.

Ongoing construction at Marine Corps Base Camp Blaz has been a strong economic positive. Camp Blaz was officially activated in October 2020 and will house up to 5,000 Marines by 2025. Total costs for ongoing and planned projects is more than \$2.0 billion, and the backlog of projects ensures that Camp Blaz will remain an economic driver over the next several years. The top five employers in the territory are Andersen Air Force Base, Ken Corporation, Continental Micronesia, Imperial Pacific International LLC, and Calvo Enterprises.

According to the Guam Bureau of Labor Statistics, the unemployment rate in the territory in September 2021 was 8.1 percent. While significantly lower than the rate of 17.9 percent in September 2020, unemployment is still much higher than the national average. The FFIEC designated 35 middle-income census tracts as distressed throughout the evaluation period due to poverty and unemployment. This total represents all of the middle-income tracts in Guam and 61.4 percent of all tracts in the assessment area. The territory has no low-income tracts.

The FFIEC-updated median family incomes for Guam throughout the evaluation period are detailed in the table below.

Median Family Income Ranges				
Assessment Area: Guam				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018 (\$59,600)	<\$29,800	\$29,800 to <\$47,680	\$47,680 to <\$71,520	≥\$71,520
2019 (\$62,600)	<\$31,300	\$31,300 to <\$50,080	\$50,080 to <\$75,120	≥\$75,120
2020 (\$65,000)	<\$32,500	\$32,500 to <\$52,000	\$52,000 to <\$78,000	≥\$78,000
2021 (\$66,200)	<\$33,100	\$33,100 to <\$52,960	\$52,960 to <\$79,440	≥\$79,440
<i>Source: FFIEC</i>				

Generally, foreign individuals cannot own real estate except for a single piece of owner-occupied residential property. However, these restrictions have a limited impact on the demand for residential and commercial real estate loans. Most Guam residents are still able to acquire real estate, as can corporations incorporated in Guam, and Guam receives a significant amount of foreign investment for economic development.

Competition

Guam has a modestly competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 5 financial institutions operating 18 full-service branches within Guam. Of these institutions, FHB ranked first with 36.2 percent deposit market share. The top 3 institutions, including FHB and a local institution, hold 91.8 percent of the deposit market share.

Community Contact

Examiners reviewed one existing community contact for the Guam assessment area. The contact is an organization that provides free business management counseling, including business plan development, marketing, record keeping, financial and human resource management, operations management, and access to capital. The contact stated that financial education is a big need for small businesses, especially start-up businesses, in Guam. Funding for small businesses, particularly down payment assistance, is also a need. The contact also noted that there has been a shortage of construction labor for home building and as a result, the prices of homes have doubled.

Credit and Community Development Needs and Opportunities

Based on economic and demographic data, community contact, and bank information, examiners determined that small business lending, financial education, and affordable housing are primary needs in the Guam assessment area. There is also a need for community services and financial assistance to individuals and businesses faced with financial hardship because of the pandemic. The territory has high levels of unemployment and, according to bank information, the pandemic affected one in five Guam residents and one in four businesses have had to temporarily or permanently close.

SCOPE OF EVALUATION – GUAM

Examiners reviewed the Guam assessment area using full-scope evaluation procedures. Refer to the institution-wide Scope of Evaluation section for a breakdown of activity in Guam and information on the activities reviewed. Aggregate reported HMDA data, D&B business demographic data, and some ACS Census data is not available in this rated area. Because FHB's small business market share is dominant and can distort aggregate data, examiners removed FHB from aggregate reported CRA data in this assessment area; all uses of aggregate data only include non-FHB lenders.

CONCLUSIONS ON PERFORMANCE CRITERIA IN GUAM

LENDING TEST

The Lending Test performance in the Guam assessment area is rated "Outstanding." The excellent distribution of borrowers and level of community development lending primarily support this conclusion.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. During the evaluation period, FHB originated 2,237 small business loans totaling \$261.1 million and 499 home mortgage loans totaling \$142.9 million in the Guam assessment area. At the prior evaluation, the bank originated 1,006 small business loans totaling \$117.6 million and 214 home mortgage loans totaling \$52.3 million. Based on an annual average, FHB's small business and home mortgage lending activity increased by number and dollar volume from the prior evaluation after considering that the current evaluation analyzed four years of lending activity while the prior evaluation analyzed two years of activity. The significant increase in lending is largely attributable to effects of the COVID-19 pandemic such as low interest rates and the PPP, indicating a strong responsiveness to credit needs.

FHB is the largest small business lender in the assessment area. In 2018, FHB ranked first out of 9 lenders who reported 1,072 originated or purchased small business loans in the Guam assessment area, giving FHB a market share of 50.8 percent by number. In 2019, FHB continued to rank first out of 8 lenders who reported 1,220 small business loans, giving FHB a market share of 31.2 percent. In 2020, FHB ranked first of 11 lenders who reported 2,001 small business loans, resulting in a market share of 37.4 percent. The small business market share ranking remained the same as the prior evaluation's

ranking of first in 2016. Small business market share data for 2021 is not yet available, and home mortgage market share data is not available for Guam.

Geographic Distribution

Overall, the geographic distribution of loans represents good penetration throughout the Guam assessment area. There are no low-income census tracts in the territory, so examiners focused on lending in moderate-income tracts.

Small Business Loans

The geographic distribution of small business loans represents good penetration. Refer to the table below for the distribution of loans by tract income level.

Geographic Distribution of Small Business Loans						
Assessment Area: Guam						
Tract Income Level		Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
	2019	5.9	40	10.6	6,294	13.3
	2020	11.2	107	14.4	12,654	14.2
	2021	--	83	14.5	10,264	14.8
Middle						
	2019	61.0	271	71.9	32,648	68.9
	2020	67.6	484	65.0	58,379	65.3
	2021	--	375	65.7	44,485	64.2
Upper						
	2019	31.5	66	17.5	8,422	17.8
	2020	21.0	153	20.5	17,954	20.1
	2021	--	113	19.8	14,590	21.0
Not Available						
	2019	1.5	0	0.0	0	0.0
	2020	0.2	1	0.1	371	0.4
	2021	--	0	0.0	0	0.0
Totals						
	2019	100.0	377	100.0	47,364	100.0
	2020	100.0	745	100.0	89,358	100.0
	2021	--	571	100.0	69,339	100.0
<i>Source: Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Aggregate data does not include FHB's reported loans. Due to rounding, totals may not equal 100.0%</i>						

The lending was slightly less than aggregate reported data in 2018 but exceeded aggregate data in 2019 and 2020. The performance is a slight improvement from the prior evaluation's adequate performance and consistent with good performance at comparable institutions.

Home Mortgage Loans

The geographic distribution of home mortgage loans represents adequate penetration. Refer to the following table for the distribution of loans by tract income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Guam						
Tract Income Level		% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate						
	2019	8.7	5	4.2	1,283	3.5
	2020	8.7	7	6.5	1,505	5.1
	2021	8.7	6	3.3	2,225	4.1
Middle						
	2019	73.0	86	72.3	22,730	62.8
	2020	73.0	70	64.8	18,402	62.5
	2021	73.0	117	64.6	28,678	52.7
Upper						
	2019	18.3	28	23.5	12,189	33.7
	2020	18.3	31	28.7	9,540	32.4
	2021	18.3	58	32.0	23,553	43.3
Not Available						
	2019	0.0	0	0.0	0	0.0
	2020	0.0	0	0.0	0	0.0
	2021	0.0	0	0.0	0	0.0
Totals						
	2019	100.0	119	100.0	36,202	100.0
	2020	100.0	108	100.0	29,447	100.0
	2021	100.0	181	100.0	54,456	100.0
Source: 2015 ACS; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Performance is generally slightly below demographic levels. The performance is consistent with the prior evaluation's adequate performance and with adequate lending at comparable institutions.

Borrower Profile

Overall, the distribution of borrowers reflects excellent penetration among businesses of different revenue sizes and individuals of different income levels in the Guam assessment area.

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. Refer to the following table for the distribution of loans by borrower revenue level.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Guam					
Gross Revenue Level	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000					
2019	44.2	182	48.3	12,657	26.7
2020	21.4	427	57.3	20,046	22.4
2021	--	317	55.5	16,258	23.4
>\$1,000,000					
2019	--	182	48.3	33,560	70.9
2020	--	288	38.7	67,242	75.3
2021	--	181	31.7	46,466	67.0
Revenue Not Available					
2019	--	13	3.4	1,147	2.4
2020	--	30	4.0	2,070	2.3
2021	--	73	12.8	6,615	9.5
Totals					
2019	100.0	377	100.0	47,364	100.0
2020	100.0	745	100.0	89,358	100.0
2021	--	571	100.0	69,339	100.0
<i>Source: Bank Data; 2019, & 2020 CRA Aggregate Data; "--" data not available.</i> <i>Aggregate data does not include FHB's reported loans.</i> <i>Due to rounding, totals may not equal 100.0%</i>					

Performance moderately exceeded aggregate data in 2018 and 2019 before increasing in 2020 and 2021. In 2020, the performance far exceeded aggregate data, which decreased from prior years' levels. While the decrease in aggregate lending levels is partially attributable to institutions making large volumes of PPP loans with no reported revenues and may not be indicative of lower small business credit demand, FHB's lending still represents an increased performance from prior years. The lending is also significantly improved from the good performance at the prior evaluation and comparable to a peer bank with excellent performance.

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration among individuals of different income levels. Refer to the following table for the distribution of loans by borrower income category.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: Guam					
Borrower Income Level		#	%	\$(000s)	%
Low					
	2019	1	0.8	390	1.1
	2020	5	4.6	427	1.5
	2021	4	2.2	640	1.2
Moderate					
	2019	15	12.6	2,456	6.8
	2020	6	5.6	925	3.1
	2021	22	12.2	4,564	8.4
Middle					
	2019	21	17.6	4,436	12.3
	2020	22	20.4	4,869	16.5
	2021	40	22.1	8,692	16.0
Upper					
	2019	75	63.0	23,924	66.1
	2020	69	63.9	19,129	65.0
	2021	112	61.9	37,800	69.4
Not Available					
	2019	7	5.9	4,995	13.8
	2020	6	5.6	4,097	13.9
	2021	3	1.7	2,760	5.1
Totals					
	2019	119	100.0	36,202	100.0
	2020	108	100.0	29,447	100.0
	2021	181	100.0	54,456	100.0
Source: Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%					

There is no aggregate or demographic data available, but the performance is superior to adequate performance at the prior evaluation and at a comparable institution.

Innovative or Flexible Lending Practices

FHB makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs. In addition to the programs detailed at the institution level, FHB offers two innovative and/or flexible lending programs in Guam as detailed below.

- Guam Financing Program – The program includes two loan products that provide flexible mortgage loan underwriting. One mortgage product allows borrowers to finance up to 95.0 percent of the sales price or appraised value, whichever is lower, under a fixed rate. A second product is for homeowners who want to refinance and lower their interest rate on their primary residence with 95.0 percent financing. During the evaluation period, FHB originated 25 loans totaling \$9.8 million under the program.
- Guam Housing Corporation Community Affordable Housing Action Trust Program – The program assists Guam residents purchase their primary residence by providing down payment assistance to those meeting certain eligibility requirements. FHB has collaborated

with Guam Housing Corporation since December 2008 to administer this program. Eligibility requirements for the \$40,000 interest-free loan include the borrower being a first-time homebuyer; having an annual income of \$95,800 or less; and living in the property for at least 5 years. Loan features include a combined loan-to-value ratio up to 95.0 percent, a 30-year loan term, monthly payments of principal only, and a \$5.00 monthly processing fee. During the evaluation period, FHB originated 2 loans totaling \$596,000.

Community Development Loans

FHB is a leader in making community development loans. The table below shows the community development lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/5/2018 - 12/31/2018	0	0	0	0	0	0	2	8,510	2	8,510
2019	2	10,040	0	0	2	12,000	11	22,406	15	44,446
2020	3	28,235	0	0	4	4,959	30	40,820	37	74,014
2021	3	11,159	0	0	4	142	23	33,347	30	44,648
Total	8	49,434	0	0	10	17,101	66	105,083	84	171,618
<i>Source: Bank Data</i>										

The total of loans includes 34 PPP loans totaling \$27.1 million. PPP loans and other loans that supported small businesses and community services were particularly responsive to credit needs during the COVID-19 pandemic in 2020 and 2021.

At the prior evaluation, FHB was a leader in community development lending in the assessment area, making 49 loans totaling \$313.7 million. Excluding PPP loans and controlling for the length of the evaluation period, the current performance is below the performance at the prior evaluation but exceeds comparable institutions by dollar volume and especially by number of loans. When considering PPP lending, the performance significantly exceeds comparable institutions.

Below are notable examples of community development loans that benefitted the assessment area. All of the loans supported the revitalization and stabilization of distressed areas by attracting new or retaining existing businesses and residents.

- FHB made a loan for \$3.0 million to finance the construction of a grocery store, warehouse, and commercial space in a distressed area, in addition to 2 loans totaling \$3.0 million to purchase equipment and vehicles. The grocery store will serve as an anchor business in the area.
- The bank made 3 loans totaling \$9.0 million to build 2 large commercial buildings in distressed areas. The construction creates additional space for commercial and retail businesses in the area.

- The bank made a loan for \$3.1 million to construct a large medical office in a distressed area. The loan will increase the availability of medical services in the community.

INVESTMENT TEST

The Investment Test performance in the Guam assessment area is rated “Outstanding.” The excellent level of qualified investments supports this conclusion.

Investment and Grant Activity

FHB has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. In the assessment area, the bank made 50 qualified investments, including qualified grants and donations, totaling \$30.2 million.

FHB’s adequate level of qualified investments at the prior evaluation included 105 investments for \$141,000; all qualified investments were grants and donations. The current performance far exceeds the dollar volume of qualified investments at the prior evaluation and at comparable institutions.

The qualified investments include 1 current period low-income housing tax credit investment totaling \$30.0 million. This complex investment provides affordable housing for low- and moderate-income individuals and is not commonly provided by private investors. Many peer institutions struggle to make qualified investments in Guam due to limited opportunities; FHB’s level of investments illustrates the bank’s leadership position.

Qualified investments also include 49 grants and donations totaling \$244,000. The level of qualified grants and donations are decreased since the prior evaluation by number but significantly increased by dollar volume. The table below shows qualified grant and donation activity by year and purpose.

Qualified Grants and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/5/2018 - 12/31/2018	0	0	2	1	0	0	1	6	3	7
2019	1	1	18	26	6	11	4	10	29	48
2020	0	0	7	170	2	1	0	0	9	171
2021	0	0	5	9	3	9	0	0	8	18
Total	1	1	32	206	11	21	5	16	49	244
<i>Source: Bank Data</i>										

Grant and donation activity increased significantly by dollar volume in response to the COVID-19 pandemic in 2020. Notable examples of donations that benefitted the assessment area are described below.

- FHB donated \$62,200 in 2020 to support the assessment area's only public hospital. The hospital serves the entire island, which is primarily composed of moderate-income and distressed areas. The majority of patients served by the hospital are uninsured or covered by government healthcare programs for low- and moderate-income individuals.
- The bank made 4 donations totaling \$16,000 to an organization that provides scholarships for low- and moderate-income individuals at a local college. The organization also supports resources for academic programs and campus facilities.
- The bank made 3 donations totaling \$14,000 in 2018 and 2019 to an organization that provided disaster relief. Typhoons struck the assessment area in 2018 and 2019 that resulted in major disaster declarations; the donations supported essential disaster recovery, primarily in moderate-income and distressed areas.

Responsiveness to Credit and Community Development Needs

The institution exhibits good responsiveness to credit and community development needs in Guam. The majority of qualified investments by dollar volume supported affordable housing, a credit and community development need. Qualified grants and donations primarily support community services for low- and moderate-income individuals, especially in 2020, when such grants increased significantly by dollar volume and were responsive to the increased need for community services during the COVID-19 pandemic. FHB's qualified investments supported other credit needs such as economic development, small business assistance, disaster relief, and revitalization to a lesser degree. Refer to the bank-wide section for additional details.

Community Development Initiatives

FHB makes significant use of innovative and/or complex investments to support community development initiatives in Guam. Refer to the bank-wide section for details.

SERVICE TEST

The Service Test performance in the Guam assessment area is rated "Low Satisfactory." The adequate level of community development and retail banking services support this rating.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the Guam assessment area. The branch distribution is inconsistent with the institution overall given that Guam does not have any low-income tracts and there are no branches or ATMs in moderate-income tracts. However, all branches are located in distressed areas and two are located in tracts adjacent to two moderate-income areas. FHB's branch distribution is similar to aggregate data, as all institutions operating within the assessment area had 1 branch (4.8 percent) in a moderate-income tract and 20 branches (95.2 percent) in middle-income tracts.

Branch and ATM Distribution by Geography Income Level								
Assessment Area: Guam								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	8	14.0	17,176	10.8	0	0.0	0	0.0
Middle	35	61.4	119,049	74.7	3	100.0	19	90.5
Upper	8	14.0	23,127	14.5	0	0.0	2	9.5
NA	6	10.5	6	0.0	0	0.0	0	0.0
Totals	57	100.0	159,358	100.0	3	100.0	21	100.0
<i>Source: 2015 ACS & Bank Data</i>								
<i>Due to rounding, totals may not equal 100.0%</i>								

Alternate delivery systems are consistent with the institution overall. FHB was the first bank to offer mobile deposit service in Guam. Refer to the institution-wide section for details on alternate delivery systems.

Changes in Branch Locations

FHB did not open or close any branches in this assessment area during the evaluation period; therefore, examiners did not evaluate this criterion.

Reasonableness of Business Hours and Services

Services and business hours are tailored to the convenience and needs of the assessment areas, particularly to low- and moderate-income geographies and/or individuals. Products and services offered in the assessment area are consistent with the institution overall, with the exception of two lending programs exclusively offered for Guam borrowers. Details of the programs are under the Innovative and Flexible Lending Practices section of this rated area.

All three branches in Guam are open from 9:00 a.m. to 4:00 p.m. Monday to Friday and have drive-up services. Hours for the drive-up services are from 8:00 a.m. to 4:00 p.m. Monday to Friday, with extended hours until 6:00 p.m. on Friday. Due to the pandemic, FHB temporarily closed the branches on Saturdays.

Community Development Services

FHB provided an adequate level of community development services in the Guam assessment area. During the evaluation period, 17 employees provided 42 instances of community development services. Service hours slightly increased from the prior evaluation, where FHB also provided an adequate level of services with 361 hours. When controlling for the length of the evaluation period, the level of services is slightly lower than the prior evaluation. The performance is also below comparable institutions with good or excellent levels of services. The majority of services provided promoted economic development to small businesses, which is an identified need within the area. The following table details community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
9/5/2018 – 12/31/2018	10	14	0	5	29
2019	49	63	91	39	242
2020	13	22	55	16	106
2021	10	32	67	5	114
Total	82	131	213	65	491
<i>Source: Bank Data</i>					

The following are examples of community development services provided in the Guam assessment area.

- In 2019, FHB hosted a free SBA resource day to provide small businesses with free consultations to help them navigate the SBA programs and services. Ten employees participated during this event for a total of 65 hours.
- During the evaluation period, an employee served as Board member of a non-profit organization that provides free basic preventative healthcare, education, and support to low-income children and families.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

CRA RATING FOR THE NORTHERN MARIANA ISLANDS: OUTSTANDING

The Lending Test is rated: Outstanding

The Investment Test is rated: Outstanding

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NORTHERN MARIANA ISLANDS

FHB delineated one assessment area comprising the entire CNMI. The assessment area is non-metropolitan and contains the municipalities of Saipan, Tinian, Rota, and the Northern Islands. There were no changes in the assessment area since the prior evaluation.

Economic and Demographic Data

The CNMI has limited economic and demographic data available. The following table details available economic and demographic information of the CNMI assessment area.

Demographic Information of the Assessment Area						
Assessment Area: CMNI						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	25	0.0	16.0	44.0	20.0	20.0
Population by Geography	53,883	0.0	18.3	62.4	19.3	0.0
Housing Units by Geography	20,850	0.0	19.2	60.7	20.0	0.0
Owner-Occupied Units by Geography	4,537	0.0	10.4	64.2	25.4	0.0
Occupied Rental Units by Geography	11,498	0.0	22.8	60.2	17.0	0.0
Vacant Units by Geography	4,815	0.0	19.0	58.8	22.2	0.0
Median Family Income Non-MSAs - MP		\$22,455				
<i>Source: 2015 ACS</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to the CIA World Factbook, about 90 percent of the CNMI population lives on the island of Saipan. The territory is susceptible to natural disasters including typhoons and volcanic eruptions; the Federal Emergency Management Agency declared major disasters in September and October 2018 due to large typhoons. The economy is supported by tourism, largely from East Asia; the territory has been making efforts to broaden its tourism industry, especially in Saipan. The COVID-19 pandemic and associated travel and business restrictions had a significant negative impact on the tourism industry and larger economy. Other economic drivers include federal grants and a small agricultural sector.

According to the Commonwealth Development Authority, the U.S. Bureau of Economic Analysis, the Central Statistics Division of the CNMI Department of Commerce, and local media sources, Super Typhoon Yutu caused significant damage and led to the loss of visitor spending and business revenue in 2018. In 2019, the economy shrunk due to decreased visitor arrivals and spending, although construction development remained at a high level due to post-typhoon re-construction and a large casino development in Saipan. However, the pandemic led to significant economic damage in 2020 and 2021 as tourism significantly decreased, visitor spending declined, and many leisure and hospitality businesses suspended operations. The large casino in Saipan has faced many legal and financial challenges and ceased operations in March 2020.

Updated unemployment rates are not readily available for the CNMI. According to a February 2020 report from the Government Accountability Office, about half the workers in the territory are foreign. In 2018, there were approximately 28,000 employed workers in the CNMI, with slightly less than half being Americans. The FFIEC designated 11 middle-income census tracts as distressed throughout the evaluation period due to poverty and unemployment. This total represents all the middle-income tracts in the CNMI and 44.0 percent of all tracts in the territory. The territory has no low-income tracts.

Incomes in the CNMI are very low: the median family income in 2021 was \$29,400, which was lower than anywhere in the United States except Puerto Rico. The FFIEC-updated median family incomes for CNMI throughout the evaluation period are detailed in the following table.

Median Family Income Ranges				
Assessment Area: CNMI				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018 (\$26,400)	<\$13,200	\$13,200 to <\$21,120	\$21,120 to <\$31,680	≥\$31,680
2019 (\$27,800)	<\$13,900	\$13,900 to <\$22,240	\$22,240 to <\$33,360	≥\$33,360
2020 (\$28,800)	<\$14,400	\$14,400 to <\$23,040	\$23,040 to <\$34,560	≥\$34,560
2021 (\$29,400)	<\$14,700	\$14,700 to <\$23,520	\$23,520 to <\$35,280	≥\$35,280
<i>Source: FFIEC</i>				

Generally, real estate ownership is limited to individuals of Northern Mariana descent. As a result, many residents and businesses in the CNMI cannot own real estate and can only enter into long-term leases. Combined with the lack of mortgage insurance and difficulty obtaining flood insurance, mortgage lending is very challenging in the CNMI; mortgage demand and real estate transactions are limited, and many commercial and retail banks do not offer mortgage loans in the territory. While FHB does offer mortgages, volume is limited. The restrictions also affect commercial lending, as many small businesses can only receive financing that is unsecured or secured by non-real estate assets.

Competition

Competition for financial services in the CNMI is limited. According to the FDIC Deposit Market Share data as of June 30, 2021, there were four financial institutions operating eight full -service branches in CNMI. Of these institutions, FHB ranked second with 25.6 percent deposit market share. The institution that holds the largest market share operates 4 branches and controls 59.89 percent of total deposits.

Community Contact

Examiners reviewed one existing community contact for the CNMI assessment area. The contact is an organization that provides free technical assistance to small businesses and start-ups. The contact stated that financing for small businesses and start-ups is a critical need because credit options are very limited on the islands. The contact also mentioned that the community needs better responsiveness, communication from financial institutions in response to credit requests, and credit counseling.

Credit and Community Development Needs and Opportunities

Based on economic and demographic data, community contact, and bank information, examiners determined that access to capital for small businesses and start-up businesses are needs in the CNMI assessment area. The territory has high levels of economic distress and unemployment, which were exacerbated by natural disasters and the pandemic during the evaluation period. In addition, credit counseling and other community services are a need, especially during the ongoing pandemic. There is also a community development need to assist with the disaster recovery efforts such as

fixing infrastructure, housing, buildings, and public utilities; developing new single-family construction and affordable rental housing developments; and revitalizing the economy through tourism marketing, promotional activities, and workforce development.

SCOPE OF EVALUATION – NORTHERN MARIANA ISLANDS

Examiners reviewed the CNMI assessment area using full-scope evaluation procedures. Refer to the institution-wide Scope of Evaluation section for a breakdown of activity in the CNMI and information on the activities reviewed. Home mortgage lending received limited weighting in this assessment area due to the legal impediments to lending and the small loan volume. Aggregate reported HMDA data, D&B business demographic data, and some ACS Census data is not available in this rated area. Because FHB's small business market share is dominant and can distort aggregate data, examiners removed FHB from aggregate reported CRA data in this assessment area; all uses of aggregate data only include non-FHB lenders.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NORTHERN MARIANA ISLANDS

LENDING TEST

The Lending Test performance in the CNMI assessment area is rated "Outstanding." The excellent distribution of borrowers and level of community development lending primarily support this conclusion.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. During the evaluation period, FHB originated 1,001 small business loans totaling \$55.5 million and 23 home mortgage loans totaling \$3.3 million in the CNMI assessment area. At the prior evaluation, the bank originated 319 small business loans totaling \$15.9 million and 11 home mortgage loans totaling \$1.2 million. Based on an annual average, FHB's small business and home mortgage lending activity increased by number and dollar volume to the prior evaluation after considering that the current evaluation analyzed four years of lending activity while the prior evaluation analyzed two years of activity. The significant increase in lending is largely attributable to effects of the COVID-19 pandemic such as low interest rates and the PPP, indicating a strong responsiveness to credit needs.

FHB is the largest small business lender in the assessment area. In 2018, FHB ranked first out of 7 lenders who reported 232 originated or purchased small business loans in the CNMI assessment area, giving FHB a market share of 69.4 percent by number. In 2019, FHB continued to rank first out of 6 lenders who reported 186 small business loans, giving FHB a market share of 68.8 percent. In 2020, FHB ranked first of 7 lenders who reported 586 small business loans, resulting in a market share of 59.4 percent. The small business market share ranking remained similar to the prior evaluation's market share ranking of first in 2016. Small business market share data for 2021 is not yet available.

Home mortgage lending is limited in the assessment area because of legal impediments, namely the restrictions on ownership of land to individuals of Northern Mariana descent in addition to the

unavailability of mortgage insurance and difficulty obtaining flood insurance. Due to these challenges, few lenders offer home mortgages in the assessment area. Despite these challenges, FHB increased its mortgage volume since the prior evaluation. Home mortgage market share data is not available for the CNMI.

Geographic Distribution

Overall, the geographic distribution of loans represents good penetration throughout the CNMI assessment area. There are no low-income census tracts in the territory, so examiners focused on lending in moderate-income tracts.

Small Business Loans

The geographic distribution of small business loans represents good penetration. Refer to the table below for the distribution of loans by tract income level.

Geographic Distribution of Small Business Loans					
Assessment Area: CNMI					
Tract Income Level	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate					
2019	7.7	14	10.9	758	10.3
2020	20.3	74	21.1	6,337	27.5
2021	--	72	19.9	3,616	20.7
Middle					
2019	76.9	98	76.6	5,879	80.0
2020	67.0	229	65.2	13,709	59.6
2021	--	242	66.9	12,256	70.1
Upper					
2019	15.4	16	12.5	709	9.7
2020	12.7	48	13.7	2,964	12.9
2021	--	48	13.3	1,616	9.2
Not Available					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
2021	--	0	0.0	0	0.0
Totals					
2019	100.0	128	100.0	7,346	100.0
2020	100.0	351	100.0	23,010	100.0
2021	--	362	100.0	17,488	100.0
<i>Source: Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Aggregate data does not include FHB's reported loans. Due to rounding, totals may not equal 100.0%</i>					

The performance consistently exceeded aggregate reported data by slight margins. The performance is a slight improvement from the prior evaluation's good performance and consistent with comparable institutions.

Home Mortgage Loans

The geographic distribution of home mortgage loans represents adequate penetration. FHB made 1 loan for \$150,000 in a moderate-income tract during the evaluation period, accounting for 4.3 percent by number and 4.5 percent by dollar volume of all home mortgage loans in the assessment area. Comparatively, ACS Census data shows 10.4 percent of owner-occupied units are in moderate-income tracts. At the last evaluation, FHB made no home mortgage in moderate-income areas; comparable institutions also struggle to make loans in such areas. The assessment area includes four total moderate-income tracts. Given the limited number of opportunities and the legal impediments to making home mortgage loans in the CNMI, the performance is adequate.

Borrower Profile

Overall, the distribution of borrowers reflects excellent penetration among businesses of different revenue sizes and individuals of different income levels in the CNMI assessment area.

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. Refer to the table below for the distribution of loans by borrower revenue level.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: CNMI					
Gross Revenue Level	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000					
2019	31.0	71	55.5	2,126	28.9
2020	28.6	242	68.9	6,134	26.7
2021	--	279	77.1	7,477	42.8
>\$1,000,000					
2019	--	54	42.2	5,164	70.3
2020	--	105	29.9	16,452	71.5
2021	--	60	16.6	7,891	45.1
Revenue Not Available					
2019	--	3	2.3	56	0.8
2020	--	4	1.1	424	1.8
2021	--	23	6.4	2,120	12.1
Totals					
2019	100.0	128	100.0	7,346	100.0
2020	100.0	351	100.0	23,010	100.0
2021	--	362	100.0	17,488	100.0
Source: Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Aggregate data does not include FHB's reported loans. Due to rounding, totals may not equal 100.0%					

Performance significantly exceeded aggregate reported data in 2018 and 2019 before increasing further in 2020 and 2021. At the same time, aggregate lending decreased, at least partially due to institutions making large volumes of PPP loans with no reported revenues. Although the decrease in

aggregate lending may not be indicative of lower small business credit demand, FHB's lending represents an increased performance from prior years and significantly improved from the adequate performance at the prior evaluation. FHB's lending is also comparable to a peer bank with excellent performance.

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among individuals of different income levels. FHB made no home mortgage loans to low- or moderate-income borrowers in the assessment area during the evaluation period. The performance is consistent with poor performance at the prior evaluation and at comparable institutions. While home mortgage lending is challenging in the assessment area due to low incomes, legal impediments, and limited demand, this is at least the third consecutive evaluation where FHB has not made any home mortgage loans to low- or moderate-income individuals in the CNMI.

Innovative or Flexible Lending Practices

FHB makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs. In addition to the programs detailed at the institution level, FHB offers fixed-rate mortgage loans in Saipan. Few banks offer fixed-rate mortgages to Saipan homeowners because of the legal impediments to lending. After working with attorneys and developing procedures, FHB began offering mortgage products in December 2006 to eligible homeowners. FHB offers fixed- and adjustable-rate mortgage products for purchases, limited cash-out refinances, and cash-out refinances. The loan program is especially innovative and flexible given the complexities of making home mortgage loans in the assessment area. During the evaluation period, FHB originated 18 loans totaling \$2.9 million.

Community Development Loans

FHB is a leader in making community development loans. The table below shows the community development lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/5/2018 - 12/31/2018	1	27,941	0	0	0	0	0	0	1	27,941
2019	0	0	2	5,000	1	5	2	4,000	5	9,005
2020	0	0	1	10	4	237	15	7,743	20	7,990
2021	0	0	1	2,803	3	223	17	8,765	21	11,791
Total	1	27,941	4	7,813	8	465	34	20,508	47	56,727
<i>Source: Bank Data</i>										

The total of loans includes 35 PPP loans totaling \$9.0 million. PPP loans and other loans that supported small businesses and community services were particularly responsive to credit needs businesses during the COVID-19 pandemic in 2020 and 2021.

At the prior evaluation, FHB made a relatively high level of community development in the assessment area, totaling 6 loans for \$12.7 million. Excluding PPP loans and controlling for the length of the evaluation period, the current performance exceeds the performance at the prior evaluation and comparable institutions. When considering PPP lending, the performance significantly exceeds comparable institutions by dollar volume and especially by number of loans.

Below are examples of community development loans that benefitted the assessment area.

- FHB originated a \$27.9 million loan to finance the construction of a 48-unit affordable residential building where all housing units will be income-restricted for low- and moderate-income individuals.
- The bank originated 3 loans for \$7.8 million to support 4 construction and capital improvement projects at a local school system. The projects will help improve the schools and relieve student overcrowding. The majority of the assessment area is moderate-income or distressed, and all school students receive free meals through government assistance. The loans will help improve education services, primarily for families that are low- and moderate-income and/or live in moderate-income or distressed areas.

INVESTMENT TEST

The Investment Test performance in the CNMI assessment area is rated “Outstanding.” The excellent level of qualified investments support this conclusion.

Investment and Grant Activity

FHB has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. In the assessment area, the bank made 16 qualified investments, including qualified grants and donations, totaling \$23.6 million.

FHB’s excellent level of qualified investments at the prior evaluation included 25 investments for \$10.5 million. Accounting for the length of the evaluation period, the current performance exceeds the dollar volume of qualified investments at the prior evaluation and at comparable institutions.

The qualified investments include 1 prior-period low-income housing tax credit investment with an outstanding balance of \$8.5 million as of December 31, 2021, and 2 current period low-income housing tax credit investments totaling \$15.2 million. These complex investments provide affordable housing for low- and moderate-income individuals and are not commonly provided by private investors. Many peer institutions struggle to make qualified investments in the CNMI due to limited opportunities; FHB’s level of investments illustrates the bank’s leadership position.

Qualified investments also include 13 grants and donations totaling \$62,000. The level of qualified grants and donations decreased since the prior evaluation by number but significantly increased by dollar volume. The table below shows qualified grant and donation activity by year and purpose.

Qualified Grants and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
9/5/2018 - 12/31/2018	0	0	0	0	0	0	1	1	1	1
2019	0	0	4	2	0	0	3	7	7	9
2020	0	0	3	51	0	0	0	0	3	51
2021	0	0	2	1	0	0	0	0	2	1
Total	0	0	9	54	0	0	4	8	13	62
<i>Source: Bank Data</i>										

Grant and donation activity increased significantly by dollar volume in response to the COVID-19 pandemic in 2020. Examples of donations that benefitted the assessment area are described below.

- The bank made 2 donations totaling \$2,000 in 2018 and 2019 to an organization that provided disaster relief. Typhoons struck the assessment area in 2018 that resulted in major disaster declarations; the donations supported essential disaster recovery, primarily in moderate-income and distressed areas.
- FHB donated \$5,000 in 2019 to an organization that supports disaster recovery and community services for low- and moderate-income individuals in the assessment area including scholarships, social services, and healthcare.

Responsiveness to Credit and Community Development Needs

The institution exhibits good responsiveness to credit and community development needs in the CNMI. The majority of qualified investments by dollar volume supported affordable housing, a credit and community development need. Qualified grants and donations primarily support community services for low- and moderate-income individuals, especially in 2020, when such grants increased significantly by dollar volume and were responsive to the increased need for community services during the COVID-19 pandemic. FHB's qualified investments supported other credit needs such as infrastructure, economic development, revitalization, and disaster relief to a lesser degree. Refer to the bank-wide section for additional details.

Community Development Initiatives

FHB makes significant use of innovative and/or complex investments to support community development initiatives in the CNMI. Refer to the bank-wide section for details.

SERVICE TEST

The Service Test performance in the CNMI assessment area is rated “Low Satisfactory.” The adequate level of community development and retail banking services support this rating.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the CNMI assessment area. The branch distribution is inconsistent with institution overall given that the CNMI does not have any low-income tracts and there are no branches in moderate-income tracts. However, FHB’s two branches are located in distressed areas. FHB’s branch distribution is favorable when compared to aggregate data, as all institutions operating within this assessment area have 1 branch (14.3 percent) in a middle-income tract and 6 branches (95.2 percent) in upper-income tracts.

Branch and ATM Distribution by Geography Income Level								
Assessment Area: CNMI								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	4	16.0	9,883	18.3	0	0.0	2	22.2
Middle	11	44.0	33,601	62.4	2	100.0	6	66.7
Upper	5	20.0	10,399	19.3	0	0.0	1	11.1
NA	5	20.0	0	0.0	0	0.0	0	0.0
Totals	25	100.0	53,883	100.0	2	100.0	9	100.0
<i>Source: 2015 ACS & Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>								

Alternate delivery systems are consistent with the institution overall. Refer to the institution-wide section for details on alternate delivery systems.

Changes in Branch Locations

FHB did not open or close any branches in this assessment area during the evaluation period; therefore, examiners did not evaluate this criterion.

Reasonableness of Business Hours and Services

Services and business hours are tailored to the convenience and needs of the assessment areas, particularly to low- and moderate-income geographies and/or individuals. Products and services offered in the CNMI are consistent with the institution overall, with the exception of a mortgage loan program exclusively offered to Saipan borrowers. Details of the program are under the Innovative and Flexible Lending Practices section of this rated area. Both branches in the CNMI are open from 9:00 a.m. to 4:00 p.m. Monday to Friday.

Community Development Services

FHB provided an adequate level of community development services in the CNMI assessment area.

During the evaluation period, 3 employees provided 14 instances of community development services totaling 274 hours. Controlling for the length of the evaluation period, the level of community development is an improvement from the prior evaluation where it had a limited level of services with 78 hours. However, the performance is still below comparable institutions. The community development services provided within the CNMI supported community services targeted to low- and moderate-income individuals/families (114 hours) and revitalization and stabilization efforts of distressed areas (160 hours). The following are examples of community development services made within the CNMI assessment area.

- An employee contributed 94 hours serving on the Board as treasurer for a non-profit organization dedicated to sustainable development and the conservation of natural resources of the CNMI. This activity supports revitalization and stabilization efforts of the CNMI's mainly distressed areas.
- An employee provided 34 hours as a judge on a scholarship review committee. The scholarships are offered to Saipan's public school students of which the overwhelming majority are low- or moderate-income and/or live in moderate-income or distressed areas.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
Hawaii	Outstanding	Outstanding	Outstanding	Outstanding
Guam	Outstanding	Outstanding	Low Satisfactory	Outstanding
Commonwealth of the Northern Mariana Islands	Outstanding	Outstanding	Low Satisfactory	Outstanding

DESCRIPTION OF THE LIMITED SCOPE ASSESSMENT AREA

MAUI ASSESSMENT AREA

The following table details economic and demographic information of the Maui assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Maui						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	0.0	21.1	57.9	10.5	10.5
Population by Geography	160,863	0.0	16.6	72.9	10.5	0.0
Housing Units by Geography	71,157	0.0	16.8	72.4	10.8	0.0
Owner-Occupied Units by Geography	30,824	0.0	14.0	74.1	11.9	0.0
Occupied Rental Units by Geography	22,639	0.0	21.5	70.2	8.3	0.0
Vacant Units by Geography	17,694	0.0	15.5	72.3	12.2	0.0
Businesses by Geography	14,950	0.0	15.8	74.8	9.4	0.0
Farms by Geography	488	0.0	17.0	74.4	8.6	0.0
Family Distribution by Income Level	36,685	20.0	18.2	22.0	39.8	0.0
Household Distribution by Income Level	53,463	23.4	16.3	19.6	40.7	0.0
Median Family Income MSA - 27980 Kahului-Wailuku-Lahaina, HI MSA		\$76,195	Median Housing Value			\$545,668
			Median Gross Rent			\$1,330
			Families Below Poverty Level			7.7%
Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

Maui's economy is supported by a strong tourism industry. Services, including leisure and hospitality, account for 37.0 percent of businesses according to 2021 D&B data. Other large industries include retail trade at 12.4 percent and finance, insurance, and real estate at 7.1 percent.

Although a significant number of families are low-income, Maui County has no low-income census tracts. Housing costs are high in the assessment area; Maui County has the highest median housing value in the state and affordable housing is limited. The assessment area is also prone to natural disasters, as the Federal Emergency Management Agency declared major disasters in September 2018 due to a hurricane and in May 2021 due to severe storms, flooding, and landslides.

According to Moody's Analytics in July 2021, the economy in the assessment area was steadily recovering but was behind regional and national averages. Growth in private services exceeded that of the nation for much of 2021, led by gains in leisure and hospitality. Improved public health conditions, with the availability of the COVID-19 vaccine, boosted the growing travel demand. Moody's estimates that leisure and hospitality will fully recover over the next two years to pre-

pandemic levels. Housing demand remains strong, and despite higher construction costs because of supply-chain issues, builders continue to construct additional housing. Low housing stock has been an issue in the area, so continued construction may potentially take some pressure off house prices. The top five employers of the Maui assessment area are Grand Wailea, A Waldorf Astoria Resort; Ritz Carlton-Kapalua; Walmart Inc.; Kaanapali Beach Club; and The Four Seasons Maui Resort.

Unemployment in Maui fluctuated through the evaluation period due to the COVID-19 pandemic and associated travel and business restrictions. The table below shows the unemployment rates for the area throughout the evaluation period from the U.S. Bureau of Labor Statistics.

Unemployment Rates				
Area	2018	2019	2020	December 2021
	%	%	%	%
Maui County	2.3	2.4	17.8	6.3
Hawaii Statewide Average	2.4	2.5	11.6	5.7
National Average	3.9	3.7	8.1	3.7
<i>Source: Bureau of Labor Statistics</i>				

Maui County especially suffered from the loss of tourism during the pandemic; Maui County had the highest unemployment rate of any county in Hawaii and had the second highest of any metropolitan area in the nation. Unemployment fell in 2021, although it remained above pre-pandemic levels and above the national and statewide averages.

In 2021, the median family income in Maui was \$95,900. The area has one of the highest median family incomes in the nation, although it is less than Honolulu County. The table below shows the FFIEC-updated median family incomes for the assessment area during the evaluation period.

Median Family Income Ranges				
Assessment Area: Maui				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018 (\$81,400)	<\$40,700	\$40,700 to <\$65,120	\$65,120 to <\$97,680	≥\$97,680
2019 (\$83,800)	<\$41,900	\$41,900 to <\$67,040	\$67,040 to <\$100,560	≥\$100,560
2020 (\$97,500)	<\$48,750	\$48,750 to <\$78,000	\$78,000 to <\$117,000	≥\$117,000
2021 (\$95,900)	<\$47,950	\$47,950 to <\$76,720	\$76,720 to <\$115,080	≥\$115,080
<i>Source: FFIEC</i>				

The Maui assessment area is a moderately competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2021, there were 7 financial institutions operating 33 full -service branches within the Maui assessment area. FHB ranked second with 28.9 percent deposit market share. The top 4 local institutions, including FHB, control 96.6 percent of the deposit market. The following table illustrates lending competition and market share in the assessment area.

Lending Competition and Market Share							
Loan Category	First Hawaiian Bank		Aggregate Reported Data			First Hawaiian Bank Market Share (%)	First Hawaiian Bank Market Share Ranking
	Number of Loans	Dollar Volume (\$000s)	Number of Lenders	Number of Loans	Dollar Volume (\$000s)		
Small Business							
2018	467	53,282	54	5,306	178,021	8.8	4 th
2019	399	47,668	59	5,424	168,258	7.4	5 th
2020	955	104,944	85	6,723	356,438	14.2	1 st
2021	783	88,305	--	--	--	--	--
Subtotal	2,604	294,199	--	--	--	--	--
Home Mortgage							
2018	464	181,456	185	6,833	3,018,655	9.8	3 rd
2019	484	183,437	189	8,104	3,784,000	8.5	3 rd
2020	606	264,114	213	11,329	5,709,325	8.1	3 rd
2021	799	374,108	--	--	--	--	--
Subtotal	2,353	1,003,115	--	--	--	--	--
Total	4,957	1,297,314	--	--	--	--	--
Source: Bank data; 2018, 2019 & 2020 CRA Aggregate Data; 2018, 2019 & 2020 HMDA Aggregate Data; "--" data not available.							

PERFORMANCE IN THE LIMITED SCOPE ASSESSMENT AREA

MAUI ASSESSMENT AREA

Geographic Distribution

Small Business Loans

Geographic Distribution of Small Business Loans						
Assessment Area: Maui						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	16.1	14.2	60	15.0	6,913	14.5
2020	15.8	15.6	151	15.8	15,006	14.3
2021	15.0	--	114	14.6	12,879	14.6
Middle						
2019	74.7	75.3	296	74.2	33,467	70.2
2020	74.8	73.4	713	74.7	80,364	76.6
2021	74.9	--	586	74.8	65,607	74.3
Upper						
2019	9.1	10.5	43	10.8	7,288	15.3
2020	9.4	11.0	91	9.5	9,574	9.1
2021	10.1	--	82	10.5	9,769	11.1
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	1	0.1	50	0.1
Totals						
2019	100.0	100.0	399	100.0	47,668	100.0
2020	100.0	100.0	955	100.0	104,944	100.0
2021	100.0	--	783	100.0	88,305	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Maui						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	14.0	13.4	59	12.2	21,667	11.8
2020	14.0	11.8	47	7.8	12,596	4.8
2021	14.0	--	89	11.1	36,114	9.7
Middle						
2019	74.1	72.2	349	72.1	135,537	73.9
2020	74.1	75.5	471	77.7	216,461	82.0
2021	74.1	--	578	72.3	284,770	76.1
Upper						
2019	11.9	14.5	76	15.7	26,233	14.3
2020	11.9	12.7	88	14.5	35,056	13.3
2021	11.9	--	132	16.5	53,223	14.2
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	484	100.0	183,437	100.0
2020	100.0	100.0	606	100.0	264,114	100.0
2021	100.0	--	799	100.0	374,108	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Borrower Profile

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Maui						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	88.0	43.5	194	48.6	12,819	26.9
2020	88.1	36.3	520	54.5	20,026	19.1
2021	89.2	--	435	55.6	21,617	24.5
>\$1,000,000						
2019	3.6	--	133	33.3	31,948	67.0
2020	3.4	--	341	35.7	79,517	75.8
2021	2.9	--	220	28.1	58,405	66.1
Revenue Not Available						
2019	8.4	--	72	18.0	2,901	6.1
2020	8.5	--	94	9.8	5,401	5.1
2021	7.9	--	128	16.3	8,283	9.4
Totals						
2019	100.0	100.0	399	100.0	47,668	100.0
2020	100.0	100.0	955	100.0	104,944	100.0
2021	100.0	--	783	100.0	88,305	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019, & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Maui						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.0	2.2	11	2.3	749	0.4
2020	20.0	3.6	22	3.6	5,373	2.0
2021	20.0	--	29	3.6	4,430	1.2
Moderate						
2019	18.2	9.6	43	8.9	7,981	4.4
2020	18.2	14.1	79	13.0	16,751	6.3
2021	18.2	--	82	10.3	18,616	5.0
Middle						
2019	22.0	20.6	67	13.8	15,894	8.7
2020	22.0	23.9	115	19.0	36,759	13.9
2021	22.0	--	126	15.8	40,113	10.7
Upper						
2019	39.8	57.3	358	74.0	156,312	85.2
2020	39.8	45.8	385	63.5	202,775	76.8
2021	39.8	--	552	69.1	304,908	81.5
Not Available						
2019	0.0	10.4	5	1.0	2,501	1.4
2020	0.0	12.6	5	0.8	2,456	0.9
2021	0.0	--	10	1.3	6,041	1.6
Totals						
2019	100.0	100.0	484	100.0	183,437	100.0
2020	100.0	100.0	606	100.0	264,114	100.0
2021	100.0	--	799	100.0	374,108	100.0
Source: 2015 ACS; Bank Data, 2018, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.