

CENTRAL PACIFIC FINANCIAL CORP
Form 10-Q
November 08, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-31567

CENTRAL PACIFIC FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

Hawaii 99-0212597
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

220 South King Street, Honolulu, Hawaii 96813
(Address of principal executive offices) (Zip Code)

(808) 544-0500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of registrant’s common stock, no par value, on November 4, 2016 was 30,830,598 shares.

CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Forward-Looking Statements

This document may contain forward-looking statements concerning projections of revenues, income/loss, earnings/loss per share, capital expenditures, dividends, capital structure, net interest margin or other financial items, concerning plans and objectives of management for future operations, concerning future economic performance, or concerning any of the assumptions underlying or relating to any of the foregoing. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts, and may include the words “believes,” “plans,” “intends,” “expects,” “anticipates,” “forecasts,” “hopes,” “should,” “estimates” or words of similar meaning. While we believe that our forward-looking statements and the assumptions underlying them are reasonably based, such statements and assumptions are by their nature subject to risks and uncertainties, and thus could later prove to be inaccurate or incorrect. Accordingly, actual results could materially differ from projections for a variety of reasons, to include, but not be limited to: adverse changes in the financial performance and/or condition of our borrowers and, as a result, increased loan delinquency rates, deterioration in asset quality, and losses in our loan portfolio; the impact of local, national, and international economies and events (including natural disasters such as wildfires, tsunamis, storms and earthquakes) on the Company’s business and operations and on tourism, the military, and other major industries operating within the Hawaii market and any other markets in which the Company does business; deterioration or malaise in domestic economic conditions, including any further destabilization in the financial industry and deterioration of the real estate market, as well as the impact of declining levels of consumer and business confidence in the state of the economy in general and in financial institutions in particular; changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements; the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act, changes in capital standards, other regulatory reform, including but not limited to regulations promulgated by the Consumer Financial Protection Bureau, government-sponsored enterprise reform, and any related rules and regulations on our business operations and competitiveness; the costs and effects of legal and regulatory developments, including the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews; ability to successfully implement our initiatives to lower our efficiency ratio; the effects of and changes in trade, monetary and fiscal policies and laws, including the interest rate policies of the Board of Governors of the Federal Reserve System; inflation, interest rate, securities market and monetary fluctuations; negative trends in our market capitalization and adverse changes in the price of the Company’s common stock; political instability; acts of war or terrorism; changes in consumer spending, borrowings and savings habits; failure to maintain effective internal control over financial reporting or disclosure controls and procedures; technological changes; changes in the competitive environment among financial holding companies and other financial service providers; the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters; our ability to attract and retain key personnel; changes in our organization, compensation and benefit plans; and our success at managing the risks involved in the foregoing items. For further information on factors that could cause actual results to materially differ from projections, please see the Company’s publicly available Securities and Exchange Commission filings, including the Company’s Form 10-K for the last fiscal year and, in particular, the discussion of “Risk Factors” set forth therein. The Company does not update any of its forward-looking statements except as required by law.

CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)

(dollars in thousands)	September 30, 2016	December 31, 2015
Assets		
Cash and due from banks	\$79,647	\$71,797
Interest-bearing deposits in other banks	23,727	8,397
Investment securities:		
Available-for-sale, at fair value	1,262,224	1,272,255
Held-to-maturity, at amortized cost; fair value of: \$230,529 at September 30, 2016 and \$244,136 at December 31, 2015	226,573	247,917
Total investment securities	1,488,797	1,520,172
Loans held for sale	12,755	14,109
Loans and leases	3,439,654	3,211,532
Allowance for loan and lease losses	(59,384)	(63,314)
Net loans and leases	3,380,270	3,148,218
Premises and equipment, net	48,242	49,161
Accrued interest receivable	14,554	14,898
Investment in unconsolidated subsidiaries	7,011	6,157
Other real estate owned	791	1,962
Mortgage servicing rights	15,638	17,797
Core deposit premium	5,349	7,355
Bank-owned life insurance	155,233	153,967
Federal Home Loan Bank stock	12,173	8,606
Other assets	75,760	108,692
Total Assets	\$5,319,947	\$5,131,288
Liabilities		
Deposits:		
Noninterest-bearing demand	\$1,194,557	\$1,145,244
Interest-bearing demand	849,128	824,895
Savings and money market	1,379,484	1,399,093
Time	1,095,409	1,064,207
Total deposits	4,518,578	4,433,439
Short-term borrowings	150,000	69,000
Long-term debt	92,785	92,785
Other liabilities	39,092	41,425
Total Liabilities	4,800,455	4,636,649
Equity		
Preferred stock, no par value, authorized 1,000,000 shares; issued and outstanding: none at September 30, 2016 and December 31, 2015	—	—
Common stock, no par value, authorized 185,000,000 shares; issued and outstanding: 30,930,598 at September 30, 2016 and 31,361,452 at December 31, 2015	534,856	548,878

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Surplus	84,207	82,847
Accumulated deficit	(116,225)	(137,314)
Accumulated other comprehensive income	16,628	203
Total Shareholders' Equity	519,466	494,614
Non-controlling interest	26	25
Total Equity	519,492	494,639
Total Liabilities and Equity	\$5,319,947	\$5,131,288

See accompanying notes to consolidated financial statements.

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CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
(dollars in thousands, except per share data)	2016	2015	2016	2015
Interest income:				
Interest and fees on loans and leases	\$33,384	\$30,148	\$98,055	\$88,322
Interest and dividends on investment securities:				