

CENTRAL PACIFIC FINANCIAL CORP
Form 10-Q
August 09, 2012
[Table of Contents](#)

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 June 30, 2012

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
(State or other jurisdiction of
incorporation or organization)

99-0212597
(I.R.S. Employer
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 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

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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 August 1, 2012 was 41,868,600 shares.

Table of Contents

CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES

Table of Contents

Part I. **Financial Information**

Item 1. Financial Statements (Unaudited)

Consolidated Balance Sheets June 30, 2012 and December 31, 2011

Consolidated Statements of Income Three and six months ended June 30, 2012 and 2011

Consolidated Statements of Comprehensive Income Three and six months ended June 30, 2012 and 2011

Consolidated Statements of Cash Flows Six months ended June 30, 2012 and 2011

Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

Part II. **Other Information**

Item 1A. Risk Factors

Item 6. Exhibits

Signatures

Exhibit Index

Table of Contents

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, 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 forward-looking statements for a variety of reasons, to include, but not limited to: the effect of, and our failure to comply with all of the requirements of, the Memorandum of Understanding with the Federal Deposit Insurance Corporation (FDIC) and the Hawaii Division of Financial Institutions (DFI), effective May 5, 2011, the Written Agreement with the Federal Reserve Bank of San Francisco (FRBSF) and DFI, dated July 2, 2010, and any further regulatory orders or regulatory agreements we may become subject to; our ability to continue making progress on our recovery plan; oversupply of inventory and adverse conditions in the Hawaii and California real estate markets and recurring weakness in the construction industry; adverse changes in the financial performance and/or condition of our borrowers and, as a result, increased loan delinquency rates, further deterioration in asset quality and further losses in our loan portfolio; our ability to utilize all or part of our deferred tax assets; the impact of local, national, and international economies and events (including natural disasters such as wildfires, tsunamis 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; the impact of the European debt crisis; deterioration or malaise in economic conditions, including the continued destabilizing factors 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, other regulatory reform, including but not limited to 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; 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 shares; political instability; acts of war or terrorism; changes in consumer spending, borrowings and savings habits; 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 skilled employees; 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, and the Company's Form 10-Q for the last fiscal quarter. The Company does not update any of its forward-looking statements except as required by law.

Table of Contents

CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Amounts in thousands, except share data)	June 30, 2012	December 31, 2011
Assets		
Cash and due from banks	\$ 72,967	\$ 76,233
Interest-bearing deposits in other banks	100,544	180,839
Investment securities:		
Available for sale, at fair value	1,632,524	1,492,994
Held to maturity (fair value of \$495 at June 30, 2012 and \$976 at December 31, 2011)	487	931
Total investment securities	1,633,011	1,493,925
Loans held for sale	30,831	50,290
Loans and leases	2,101,163	2,064,447
Less allowance for loan and lease losses	103,814	122,093
Net loans and leases	1,997,349	1,942,354
Premises and equipment, net	50,195	51,414
Accrued interest receivable	12,596	11,674
Investment in unconsolidated subsidiaries	11,538	12,697
Other real estate	49,379	61,681
Other intangible assets	39,700	41,986
Bank-owned life insurance	145,940	144,474
Federal Home Loan Bank stock	48,797	48,797
Other assets	34,223	16,501
Total assets	\$ 4,227,070	\$ 4,132,865
Liabilities and Equity		
Deposits:		
Noninterest-bearing demand	\$ 769,010	\$ 729,149
Interest-bearing demand	626,613	569,371
Savings and money market	1,161,066	1,136,180
Time	1,005,628	1,008,828
Total deposits	3,562,317	3,443,528
Short-term borrowings		34
Long-term debt	108,289	158,298
Other liabilities	65,982	64,585
Total liabilities	3,736,588	3,666,445
Equity:		
Common stock, no par value, authorized 185,000,000 shares, issued and outstanding 41,867,892 and 41,749,116 shares at June 30, 2012 and December 31, 2011, respectively	784,512	784,539
Surplus	67,933	66,585
Accumulated deficit	(372,558)	(396,848)
Accumulated other comprehensive income	626	2,164
Total shareholders' equity	480,513	456,440
Non-controlling interest	9,969	9,980

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Total equity		490,482		466,420
Total liabilities and equity	\$	4,227,070	\$	4,132,865

See accompanying notes to consolidated financial statements.

Table of Contents

CENTRAL PACIFIC FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Amounts in thousands, except per share data)	Three Months Ended June 30, 2012	Six Months Ended June 30,
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