

CENTRAL PACIFIC FINANCIAL CORP
Form 10-Q
November 05, 2010

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, 2010

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 0-10777

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

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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 2, 2010 was 30,364,809 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, earnings 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”, “anticipate”, “forecasts” 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 limited to: 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 legislation affecting the banking industry (including the Dodd-Frank Wall Street Reform and Consumer Protection Act); the impact of regulatory action on the Company and Central Pacific Bank; the impact of competitive products, services, pricing, and other competitive forces; movements in interest rates; loan delinquency rates and changes in asset quality; adverse conditions in the public debt market, the stock market or other capital markets, including any adverse changes in the price of the Company's stock; and a general deterioration or malaise in economic conditions, including the continued destabilizing factors in the financial industry and continued 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 and in financial institutions in general and in particular our bank. 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. The Company does not update any of its forward-looking statements.

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

	September 30, 2010	December 31, 2009
(Dollars in thousands)		
Assets		
Cash and due from banks	\$ 72,109	\$ 87,897
Interest-bearing deposits in other banks	852,306	400,470
Investment securities:		
Trading, at fair value	22,237	-
Available for sale, at fair value	579,969	919,655
Held to maturity (fair value of \$3,420 at September 30, 2010 and \$4,804 at December 31, 2009)	3,298	4,704
Total investment securities	605,504	924,359
Loans held for sale	54,842	83,830
Loans and leases	2,367,320	3,041,980
Less allowance for loan and lease losses	217,602	205,279
Net loans and leases	2,149,718	2,836,701
Premises and equipment, net	71,144	75,189
Accrued interest receivable	11,323	14,588
Investment in unconsolidated subsidiaries	15,413	17,395
Other real estate	51,958	26,954
Goodwill	-	102,689
Other intangible assets	44,774	45,390
Bank-owned life insurance	141,587	139,811
Federal Home Loan Bank stock	48,797	48,797
Income tax receivable	39,757	39,839
Other assets	14,009	25,613
Total assets	\$ 4,173,241	\$ 4,869,522
Liabilities and Equity		
Deposits:		
Noninterest-bearing demand	\$ 590,064	\$ 638,328
Interest-bearing demand	631,842	588,396
Savings and money market	1,076,213	1,195,815
Time	889,214	1,146,377
Total deposits	3,187,333	3,568,916
Short-term borrowings	201,674	242,429
Long-term debt	616,869	657,874
Other liabilities	76,850	54,314
Total liabilities	4,082,726	4,523,533
Equity:		

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Preferred stock, no par value, authorized 1,000,000 shares; issued and outstanding 135,000 shares at September 30, 2010 and December 31, 2009	130,086	128,975
Common stock, no par value, authorized 185,000,000 shares, issued and outstanding 30,364,680 shares at September 30, 2010 and 30,328,764 shares at December 31, 2009	406,291	405,355
Surplus	63,183	63,075
Accumulated deficit	(513,088)	(257,931)
Accumulated other comprehensive loss	(5,966)	(3,511)
Total shareholders' equity	80,506	335,963
Non-controlling interest	10,009	10,026
Total equity	90,515	345,989
Total liabilities and equity	\$ 4,173,241	\$ 4,869,522

See accompanying notes to consolidated financial statements.

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

(Amounts in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Interest income:				
Interest and fees on loans and leases	\$ 33,456	\$ 48,594	\$ 106,556	\$ 159,317
Interest and dividends on investment securities:				
Taxable interest	3,885	9,768	15,639	27,555
Tax-exempt interest	184	937	889	3,254
Dividends	3	2	8	7
Interest on deposits in other banks	510	106	1,307	117
Interest on Federal funds sold and securities purchased under agreements to resell	-	3	-	9
Total interest income	38,038	59,410	124,399	190,259
Interest expense:				
Interest on deposits:				
Demand	181	364	689	1,040
Savings and money market	1,323	3,250	4,459	9,527
Time	3,666	6,218	11,455	24,331
Interest on short-term borrowings	387	144	882	416
Interest on long-term debt	5,112	5,982	15,280	18,960
Total interest expense	10,669	15,958	32,765	54,274
Net interest income	27,369	43,452	91,634	135,985
Provision for loan and lease losses	79,893	142,496	159,142	243,570
Net interest income (loss) after provision for loan and lease losses	(52,524)	(99,044)	(67,508)	(107,585)
Other operating income:				
Service charges on deposit accounts	2,793	4,052	8,982	11,537
Other service charges and fees	4,110	3,549	11,445	10,453
Income from fiduciary activities	751	874	2,373	2,843
Equity in earnings of unconsolidated subsidiaries	197	134	328	613
Fees on foreign exchange	171	170	502	431
Investment securities gains (losses)	-	(169)	831	(318)
Other than temporary impairment on securities (net of \$7,323 recognized in other comprehensive loss for the nine months ended 2009)	-	-	-	(2,565)

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Loan placement fees	130	188	307	748
Net gain on sales of residential loans	2,036	3,060	5,313	11,608
Income from bank-owned life insurance	1,062	1,599	4,136	4,183
Other	400	1,982	2,934	6,189
Total other operating income	11,650	15,439	37,151	45,722
Other operating expense:				
Salaries and employee benefits	14,370	16,582	43,614	50,526
Net occupancy	3,196	3,260	9,803	9,640
Equipment	1,333	1,497	4,115	4,571
Amortization of other intangible assets	2,215	1,582	5,204	4,553
Communication expense	1,041	1,087	3,099	3,201
Legal and professional services	3,267	2,957	14,333	8,519
Computer software expense	856	818	2,632	2,570
Advertising expense	574	948	2,177	2,416
Goodwill impairment	-	50,000	102,689	50,000
Foreclosed asset expense	(1,017)	5,523	4,918	7,952
Write down of assets	-	-	940	1,339
Other	5,835			