



**CENTRAL PACIFIC
FINANCIAL CORP**

Third Quarter 2017 Earnings Release Supplement

Reconciliations of Non-GAAP Financial Measures

October 25, 2017

Non-GAAP Financial Measures – Efficiency Ratio

The Company's efficiency ratio was positively impacted by net interest recoveries on nonaccrual loans recorded in net interest income and death benefit income from bank-owned life insurance recorded in other operating income during the nine months ended September 30, 2017. Offsetting these amounts were non-recurring salaries and employee benefits and expenses related to a core deposit gathering campaign in the third quarter of 2017 and investment securities losses related to the investment portfolio repositioning strategy completed during the second quarter of 2017. The following table presents a reconciliation of the efficiency ratio, excluding the impact of the aforementioned items, which is a non-GAAP financial measure.

Management believes this presentation provides a clearer indication of these financial measures for comparative purposes.

		Three months ended		Year-to-date
		September 30, 2017	June 30, 2017	September 30, 2017
Efficiency Ratio				
Numerator:				
GAAP total other operating expense	[A]	\$ 33,511	\$ 32,335	\$ 97,306
Less: Non-recurring salaries and employee benefits		(411)	-	(411)
Less: Core deposit gathering campaign expenses		(588)	-	(588)
Adjusted total other operating expense	[B]	<u>\$ 32,512</u>	<u>\$ 32,335</u>	<u>\$ 96,307</u>
Denominator:				
GAAP net interest income plus total other operating income	[C]	\$ 51,564	\$ 49,499	\$ 152,332
Add: Investment securities losses		-	1,640	1,640
Less: Net interest recoveries on nonaccrual loans		(539)	(436)	(1,914)
Less: Death benefit income from bank-owned life insurance		(446)	-	(1,035)
Adjusted net interest income plus total other operating income	[D]	<u>\$ 50,579</u>	<u>\$ 50,703</u>	<u>\$ 151,023</u>
Efficiency ratio, as reported	[A]/[C]	64.99%	65.32%	63.88%
Net impact of adjustments listed above		-0.71%	-1.55%	-0.11%
Efficiency ratio, as adjusted	[B]/[D]	<u>64.28%</u>	<u>63.77%</u>	<u>63.77%</u>

Non-GAAP Financial Measures – Net Interest Margin

The Company's net interest income and net interest margin in 2017 was positively impacted by net interest recoveries on nonaccrual loans. The following table presents a reconciliation of net interest income and net interest margin, excluding the impact of the net interest recoveries on nonaccrual loans, which is a non-GAAP financial measure.

Management believes this presentation provides a clearer indication of these financial measures for comparative purposes.

	Three months ended		Year-to-date
	September 30,	June 30,	September 30,
	2017	2017	2017
Net Interest Income and Net Interest Margin			
GAAP interest income	\$ 45,993	\$ 45,080	\$ 135,286
GAAP interest expense	3,998	3,451	10,407
GAAP net interest income	41,995	41,629	124,879
Less: Net interest recoveries on nonaccrual loans	(539)	(436)	(1,914)
Adjusted net interest income	\$ 41,456	\$ 41,193	\$ 122,965
Net interest margin, as reported	3.25%	3.29%	3.28%
Less: Impact of net interest recoveries on nonaccrual loans	-0.04%	-0.04%	-0.05%
Net interest margin, as adjusted	3.21%	3.25%	3.23%

Non-GAAP Financial Measures – Tangible Common Equity Ratio

The tangible common equity ratio is a non-GAAP financial measure which should be read in conjunction with the Company's GAAP financial information. Comparison of our ratio with those of other companies may not be possible because other companies may calculate the ratio differently.

		Sept 30, 2017	June 30, 2017	March 31, 2017	Dec 31, 2016	Sept 30, 2016
Tangible Common Equity Ratio:						
Numerator:						
Total shareholders' equity		\$ 509,846	\$ 512,930	\$ 511,536	\$ 504,650	\$ 519,466
Less: Other intangible assets		(2,674)	(3,343)	(4,012)	(4,680)	(5,349)
Tangible common equity	[A]	<u>\$ 507,172</u>	<u>\$ 509,587</u>	<u>\$ 507,524</u>	<u>\$ 499,970</u>	<u>\$ 514,117</u>
Denominator:						
Total assets		\$ 5,569,230	\$ 5,533,135	\$ 5,443,181	\$ 5,384,236	\$ 5,319,947
Less: Other intangible assets		(2,674)	(3,343)	(4,012)	(4,680)	(5,349)
Tangible assets	[B]	<u>\$ 5,566,556</u>	<u>\$ 5,529,792</u>	<u>\$ 5,439,169</u>	<u>\$ 5,379,556</u>	<u>\$ 5,314,598</u>
Tangible common equity to tangible assets	[A]/[B]	<u>9.11%</u>	<u>9.22%</u>	<u>9.33%</u>	<u>9.29%</u>	<u>9.67%</u>