



**CENTRAL PACIFIC
FINANCIAL CORP**

Second Quarter 2017 Earnings Release Supplement

Reconciliations of Non-GAAP Financial Measures

July 26, 2017

Non-GAAP Financial Measures – Efficiency Ratio

The Company's efficiency ratio in the second quarter of 2017 was negatively impacted by the investment securities loss of \$1.6 million recorded in total other operating income related to the investment portfolio repositioning strategy completed during the quarter. This was partially offset by net interest recoveries on nonaccrual loans recorded in net interest income in the first and second quarters of 2017 and death benefit income from bank-owned life insurance recorded in total other operating income in the first 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.

(\$ in Thousands)	Three months ended		Six months ended	
	June 30, 2017	March 31, 2017	June 30, 2017	
Efficiency Ratio				
<u>Numerator:</u>				
GAAP total other operating expense	[A]	\$32,335	\$31,460	\$63,795
<u>Denominator:</u>				
GAAP net interest income plus total other operating income	[B]	49,499	51,269	100,768
Add: Investment securities losses		1,640	0	1,640
Less: Net interest recoveries on nonaccrual loans		-436	-939	-1,375
Less: Death benefit income from bank-owned life insurance		0	-589	-589
Adjusted net interest income plus total other operating income	[C]	50,703	49,741	100,444
Efficiency ratio, as reported	[A]/[B]	65.32%	61.36%	63.31%
Net impact of adjustments listed above		-1.55%	1.89%	0.20%
Efficiency ratio, as adjusted	[A]/[C]	63.77%	63.25%	63.51%

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.

(\$ in Thousands)	Three months ended		Six months ended
	June 30, 2017	March 31, 2017	June 30, 2017
Net Interest Income and Net Interest Margin			
GAAP Net interest income			
GAAP interest income	\$45,080	\$44,213	\$89,293
GAAP interest expense	<u>3,451</u>	<u>2,958</u>	<u>6,409</u>
GAAP net interest income	\$41,629	\$41,255	\$82,884
Less: Net interest recoveries on nonaccrual loans	<u>-436</u>	<u>-939</u>	<u>-1,375</u>
Adjusted net interest income	<u>\$41,193</u>	<u>\$40,316</u>	<u>\$81,509</u>
Net interest margin, as reported	3.29%	3.30%	3.29%
Less: Impact of net interest recoveries on nonaccrual loans	<u>-0.04%</u>	<u>-0.08%</u>	<u>-0.05%</u>
Net interest margin, as adjusted	<u>3.25%</u>	<u>3.22%</u>	<u>3.24%</u>

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.

(\$ in Thousands)	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Tangible Common Equity Ratio:					
<u>Numerator:</u>					
Total shareholders' equity	\$512,930	\$511,536	\$504,650	\$519,466	\$517,607
Less: Other intangible assets	<u>-3,343</u>	<u>-4,012</u>	<u>-4,680</u>	<u>-5,349</u>	<u>-6,018</u>
Tangible common equity	<u>\$509,587</u>	<u>\$507,524</u>	<u>\$499,970</u>	<u>\$514,117</u>	<u>\$511,589</u>
<u>Denominator:</u>					
Total assets	\$5,533,135	\$5,443,181	\$5,384,236	\$5,319,947	\$5,282,967
Less: Other intangible assets	<u>-3,343</u>	<u>-4,012</u>	<u>-4,680</u>	<u>-5,349</u>	<u>-6,018</u>
Tangible assets	<u>\$5,529,792</u>	<u>\$5,439,169</u>	<u>\$5,379,556</u>	<u>\$5,314,598</u>	<u>\$5,276,949</u>
Tangible common equity to tangible assets	<u>9.22%</u>	<u>9.33%</u>	<u>9.29%</u>	<u>9.67%</u>	<u>9.69%</u>