



**CENTRAL PACIFIC  
FINANCIAL CORP**

Second Quarter 2020  
Earnings Supplement

July 29, 2020

# FORWARD LOOKING STATEMENTS

*This document may contain forward-looking statements concerning: projections of revenues, expenses, income or loss, earnings or loss per share, capital expenditures, the payment or nonpayment of dividends, capital position, credit losses, net interest margin or other financial items; statements of plans, objectives and expectations of Central Pacific Financial Corp. or its management or Board of Directors, including those relating to business plans, use of capital resources, products or services and regulatory developments and regulatory actions; statements of future economic performance including anticipated performance results from our RISE2020 initiative; or any statements of the assumptions underlying or relating to any of the foregoing. Words such as "believes," "plans," "anticipates," "expects," "intends," "forecasts," "hopes," "targeting," "continue," "remain," "will," "should," "estimates," "may" and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.*

*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 differ materially from those statements or projections for a variety of reasons, including, but not limited to: the adverse effects of the COVID-19 pandemic virus on local, national and international economies, including, but not limited to, the adverse impact on tourism and construction in the State of Hawaii, our borrowers, customers, third-party contractors, vendors and employees as well as the effects of government programs and initiatives in response to COVID-19; the increase in inventory or adverse conditions in the real estate market and deterioration in the construction industry; 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; our ability to successfully implement our RISE2020 initiative; the impact of local, national, and international economies and events (including natural disasters such as wildfires, volcanic eruptions, hurricanes, tsunamis, storms, earthquakes and pandemic virus and disease, including COVID-19) 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 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 (the "Dodd-Frank Act"), changes in capital standards, other regulatory reform and federal and state legislation, including but not limited to regulations promulgated by the Consumer Financial Protection Bureau (the "CFPB"), government-sponsored enterprise reform, and any related rules and regulations which affect our business operations and competitiveness; the costs and effects of legal and regulatory developments, including legal proceedings or regulatory or other governmental inquiries and proceedings and the resolution thereof, the results of regulatory examinations or reviews and the effect of, and our ability to comply with, any regulatory orders or actions we are or may become subject to; 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 (the "FRB" or the "Federal Reserve"); inflation, interest rate, securities market and monetary fluctuations, including the anticipated replacement of the London Interbank Offered Rate ("LIBOR") Index and the impact on our loans and debt which are tied to that index; 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; pandemic virus and disease, including COVID-19; changes in consumer spending, borrowings and savings habits; failure to maintain effective internal control over financial reporting or disclosure controls and procedures; cybersecurity and data privacy breaches and the consequence therefrom; the ability to address deficiencies in our internal controls over financial reporting or disclosure controls and procedures; technological changes and developments; 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 ("FASB") and other accounting standard setters and the cost and resources required to implement such changes; 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 with respect to factors that could cause actual results to materially differ from the expectations or projections stated in the forward-looking statements, 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. We urge investors to consider all of these factors carefully in evaluating the forward-looking statements contained in this Form 8-K. Forward-looking statements speak only as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events except as required by law.*

## SBA PAYCHECK PROTECTION PROGRAM (PPP)

**Originated**

Over 7,200 loans

**Total funded**

Over \$550 million

**Average loan size**

\$0.1 million

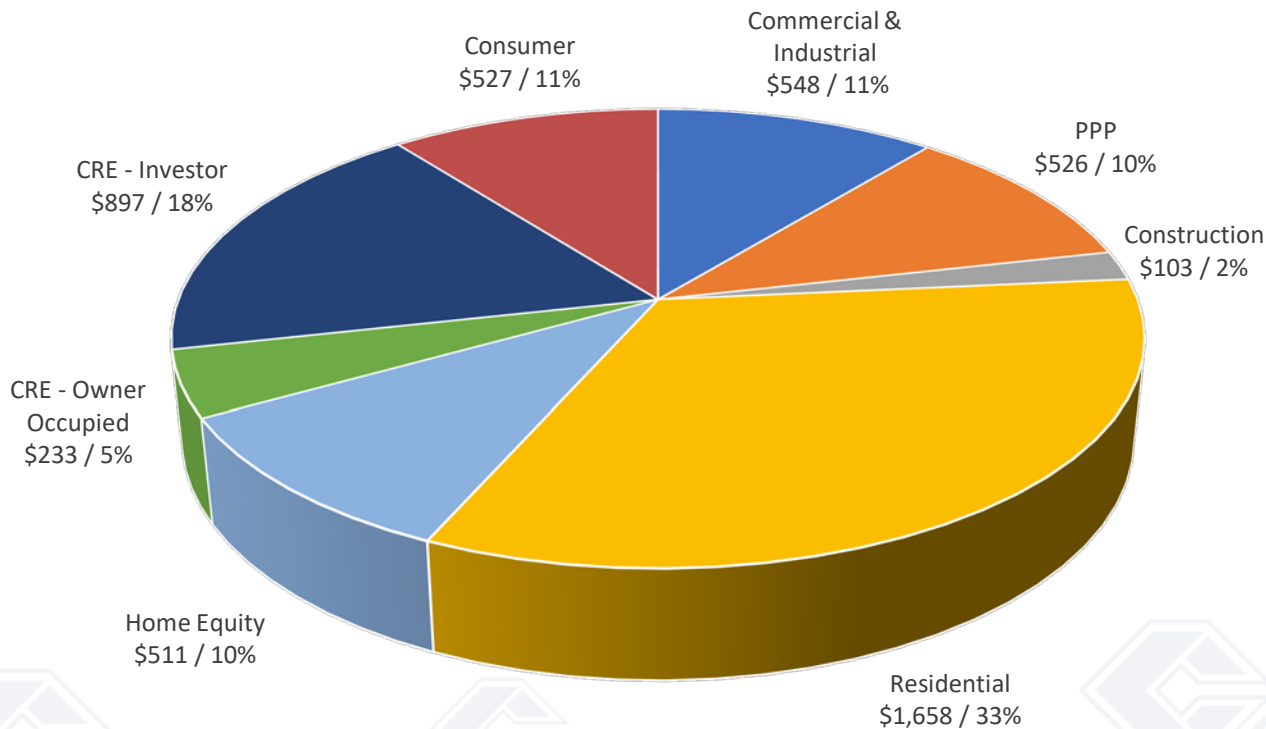
**Total fee income**

\$21 million

- Significant funds deposited in CPB contributing to over \$400MM growth in DDA balances in the second quarter of 2020
- New business relationships generated provides future opportunities
- Developing PPP forgiveness portal to assist customers through the process

# TOTAL LOAN PORTFOLIO

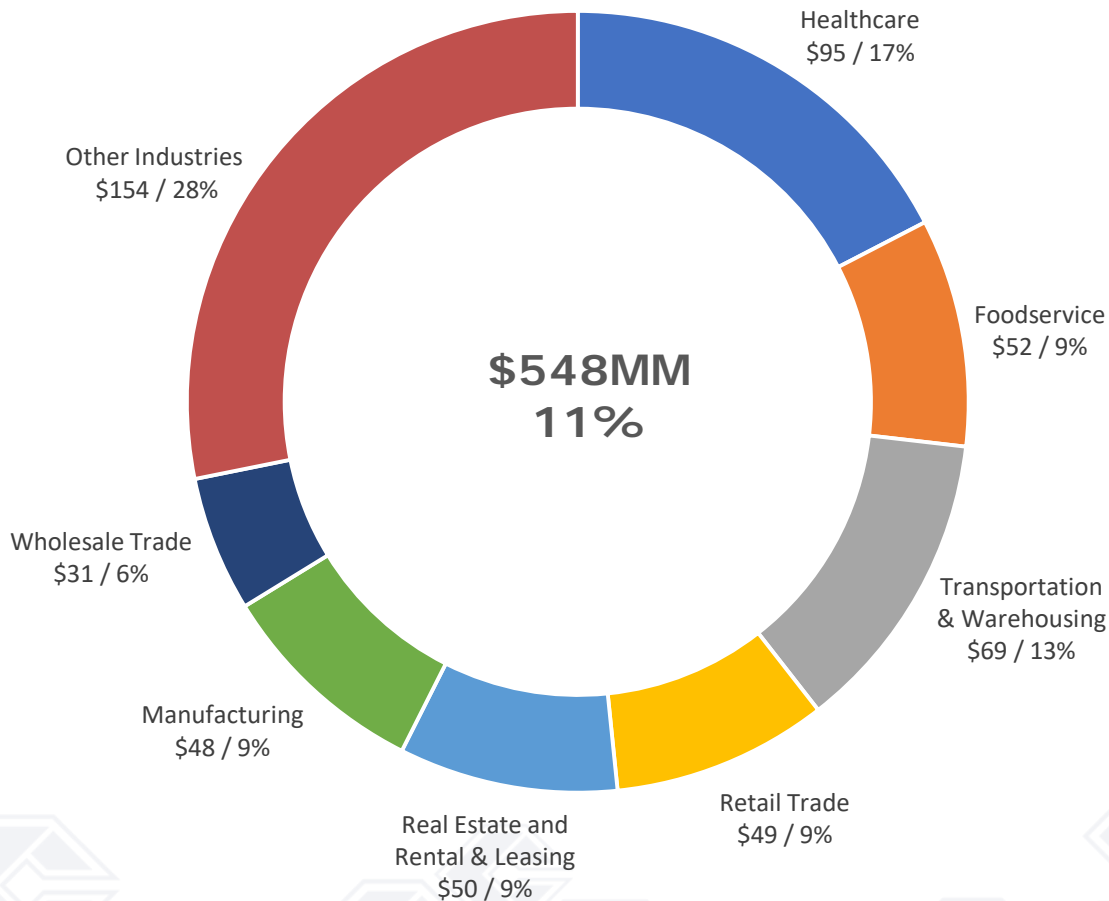
## Total Loan Portfolio of \$5,003MM Outstanding Balance as of 6/30/20 \$ in Millions



### Loan Portfolio Highlights

- Diversified Loan Portfolio
  - 46% Commercial
  - 54% Consumer
- Predominantly Hawaii Focused
  - 89% Hawaii
  - 11% Mainland
- 76% Real Estate Secured (excluding PPP loan balances from total loan portfolio balance)
- Conservative Loan Portfolio

# COMMERCIAL & INDUSTRIAL – INDUSTRY COMPOSITION

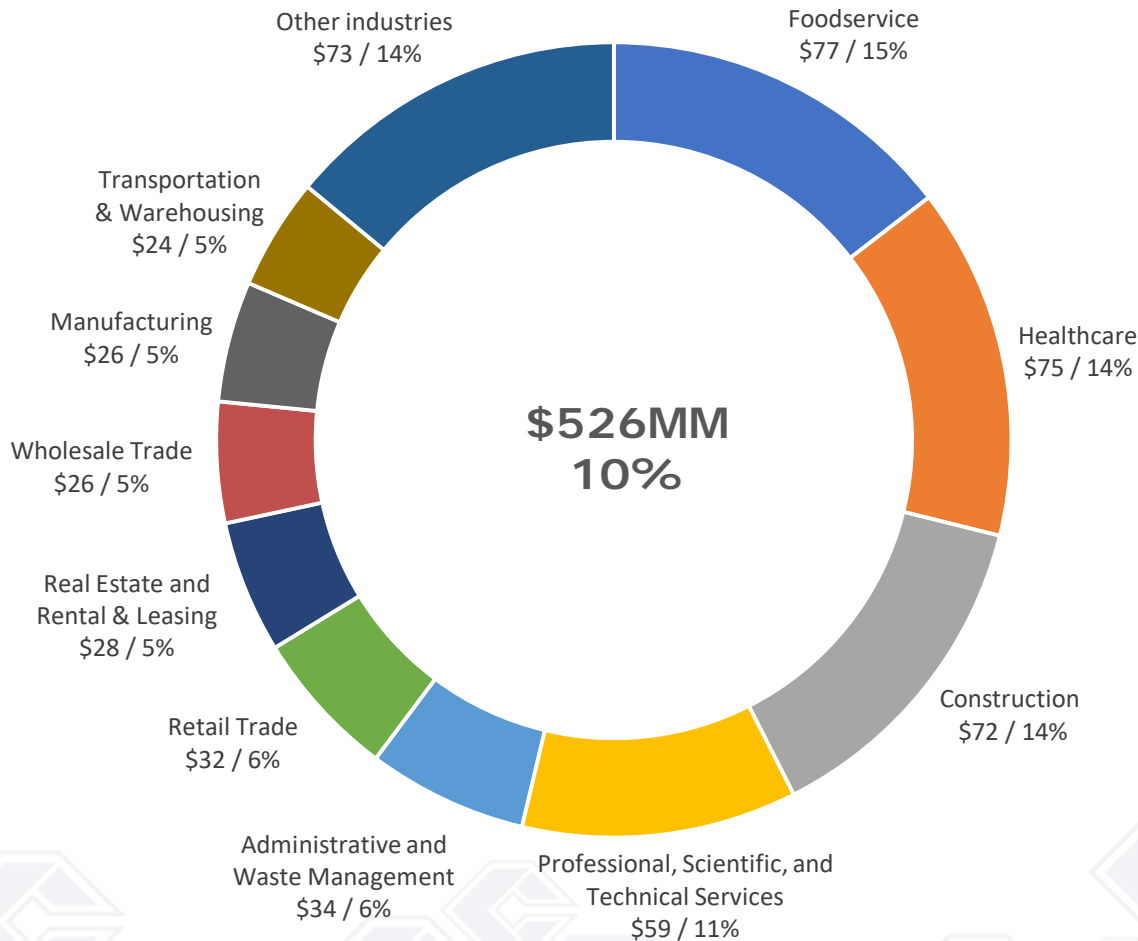


## Loan Portfolio Details

- Strong borrowers; many are essential businesses
- Well established, locally owned and operated by strong management
- Borrowers have access to capital with good liquidity
- Long term relationships averaging 12 years
- Granular with average outstanding loan amount of \$150,000
- Criticized loan exposure of 1.1%; majority COVID-19 related
- Total undrawn commitments of \$354MM

Other Industries include: Other Services; Professional, Scientific and Technical; Construction; Utilities; Finance and Insurance; Information

# PAYCHECK PROTECTION PROGRAM [PPP] – INDUSTRY COMPOSITION



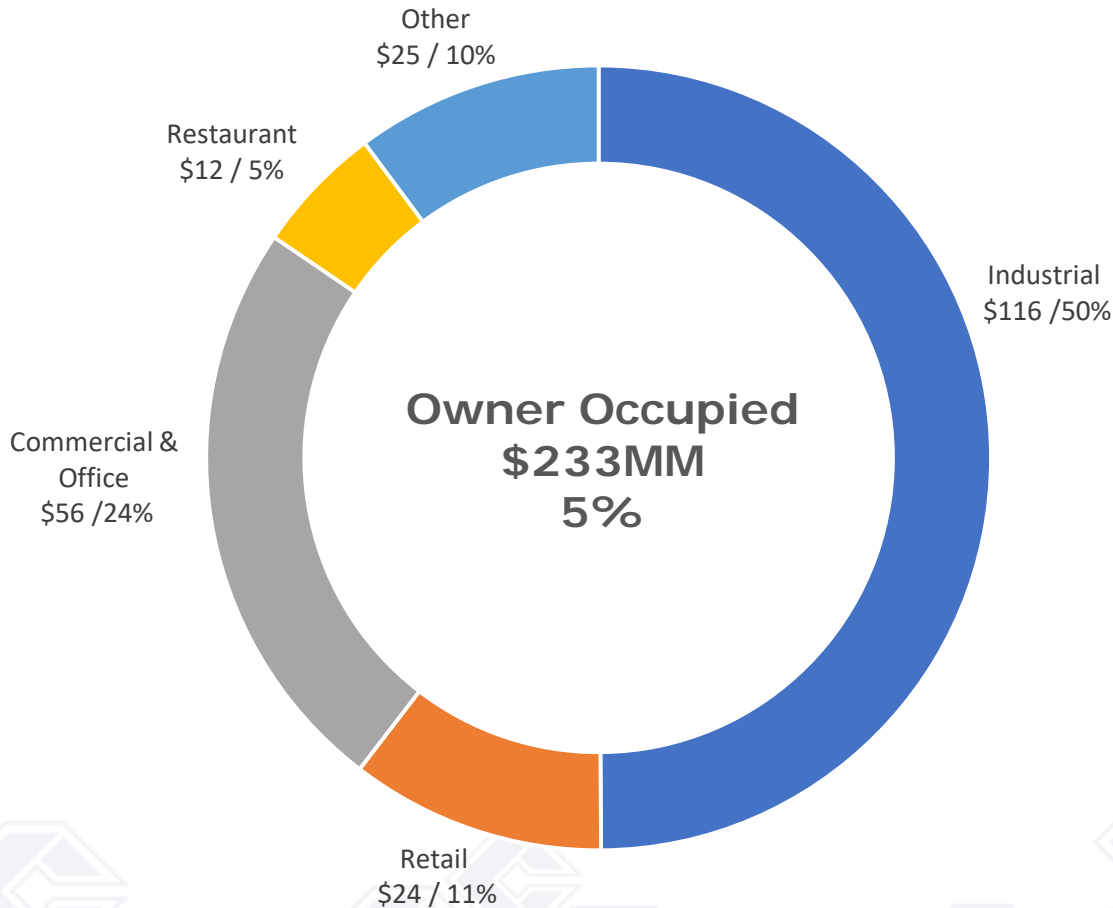
## Loan Portfolio Details

- Over 7,200 loans made
- Granular with average outstanding loan amount of \$76,000
- \$389MM to existing customers (74%)
- \$137MM to new customers (26%)

Other Industries include: Other Services; Utilities; Finance and Insurance; Information; Educational Services

Represents balances net of deferred loan fees/costs

# COMMERCIAL REAL ESTATE – PROPERTY TYPE COMPOSITION

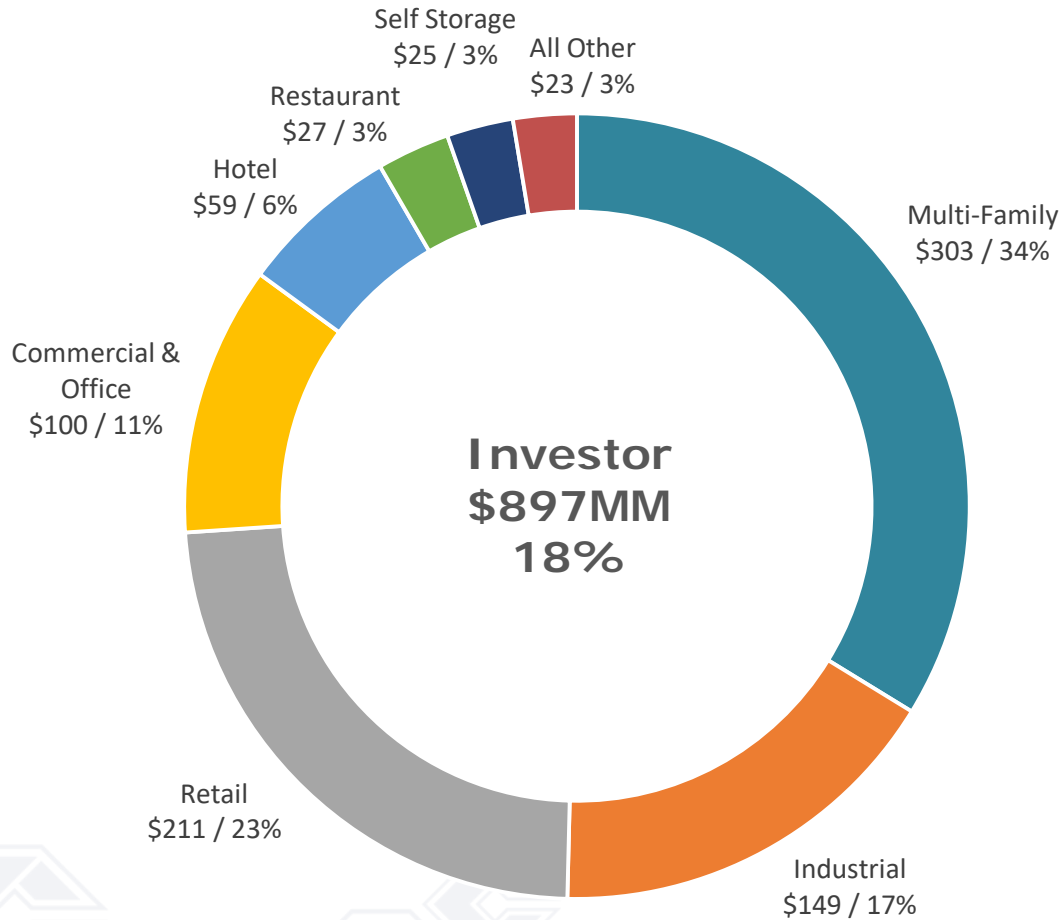


## Loan Portfolio Details

- Strong borrowers that operate out of their own properties
- Well-collateralized with WA LTV of 66%<sup>1</sup>
- 77% secured in Hawaii and 23% in Mainland
  - HI WA LTV 67%<sup>1</sup>
  - ML WA LTV 55%<sup>1</sup>
- Long term relationships averaging 14 years
- Average outstanding loan amount of \$1.2MM
- Criticized loan exposure of 0.8%; majority COVID-19 related

<sup>1</sup>Based on LTV at origination.

# COMMERCIAL REAL ESTATE – PROPERTY TYPE COMPOSITION



## Loan Portfolio Details

- Seasoned real estate investors
- Well-collateralized with WA LTV of 59%<sup>1</sup>
- 94% secured in Hawaii and 6% in Mainland/Guam
  - HI WA LTV 60%<sup>1</sup>
  - ML/Guam WA LTV 54%<sup>1</sup>
- Long term relationships averaging 11 years
- Average outstanding loan amount of \$2.5MM
- Criticized loan exposure of 1.2%; majority is COVID-19 related

<sup>1</sup>Based on LTV at origination.



## HIGH RISK INDUSTRIES

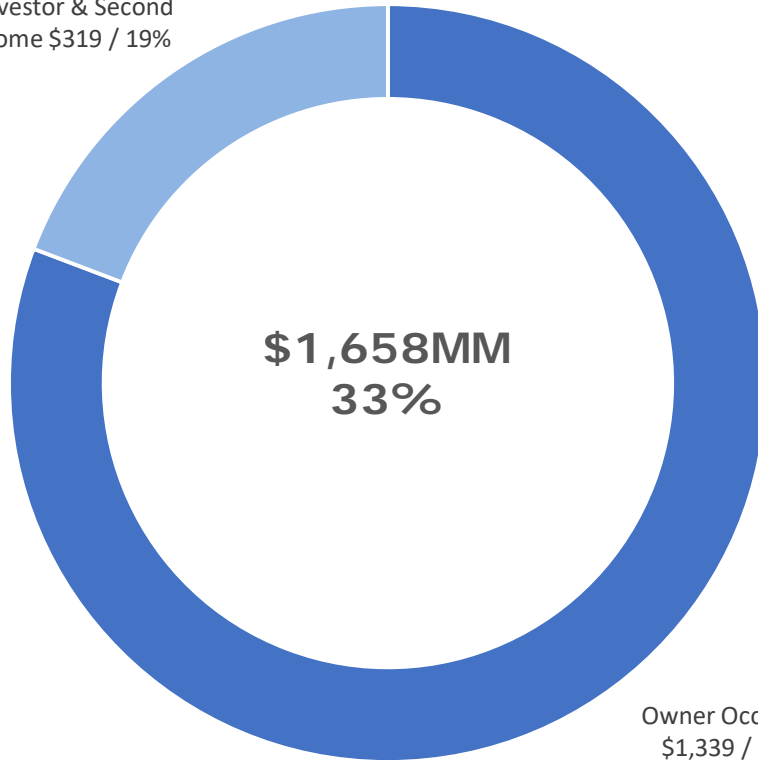
\$ Millions	Outstanding Balance (Excl. PPP)	% of Total Loans (Excl. PPP)	Criticized as % of Total Loans (Excl. PPP)	C&I	CRE	PPP
Healthcare	\$ 108	2.4%	0.1%	\$ 95	\$ 13	\$ 75
Retail Trade	71	1.6%	0.3%	49	22	32
Manufacturing	69	1.5%	0.3%	48	21	26
Foodservice	65	1.4%	0.2%	52	13	77
Accommodation	60	1.3%	0.4%	0	60	4
Wholesale Trade	39	0.9%	0.1%	31	8	26
<b>Total</b>	<b>\$ 412</b>	<b>9.2%</b>	<b>1.4%</b>	<b>\$ 275</b>	<b>\$ 137</b>	<b>\$ 240</b>

### Loan Portfolio Details

- Well established, locally owned and operated by strong management
- Borrowers have access to capital with good liquidity
- Long term relationships averaging 11 years
- Granular with average outstanding loan amount of \$179,000
- Criticized loan exposure of 1.4%; majority COVID-19 related
- Total undrawn commitments of \$140MM

# RESIDENTIAL MORTGAGE

Investor & Second Home \$319 / 19%



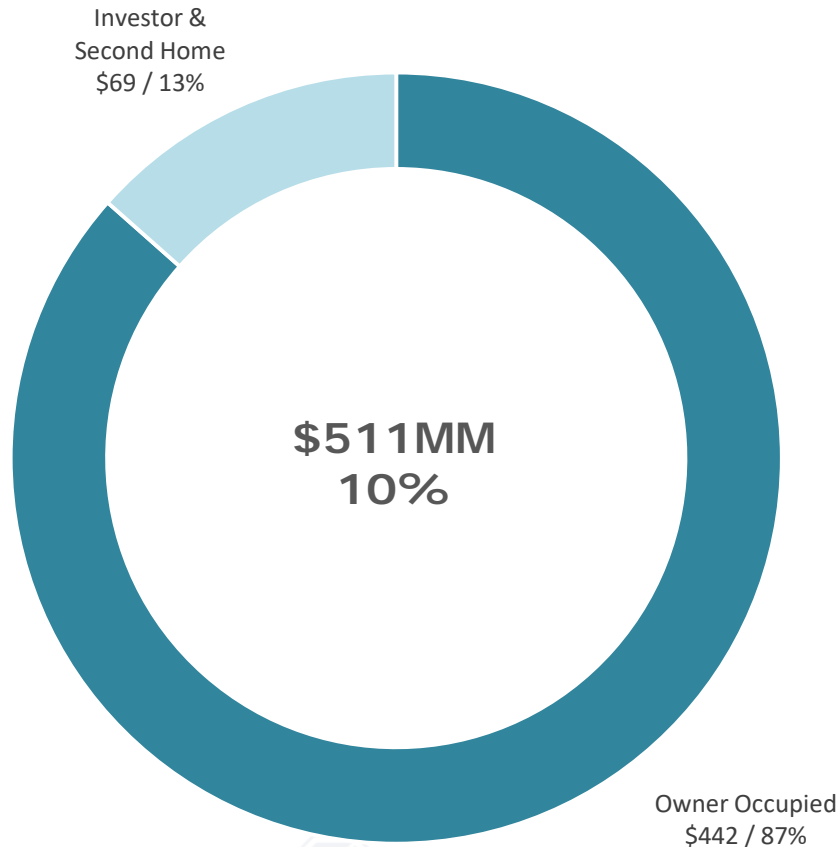
Owner Occupied  
\$1,339 / 81%

## Loan Portfolio Details

- 100% in Hawaii; 90% on Oahu
- 83% of loan balance are loans <\$1.0MM
- Average outstanding loan amount of \$436,000
- WA LTV 61%<sup>1</sup>
- WA FICO 773

<sup>1</sup>Based on LTV at origination.

# HOME EQUITY



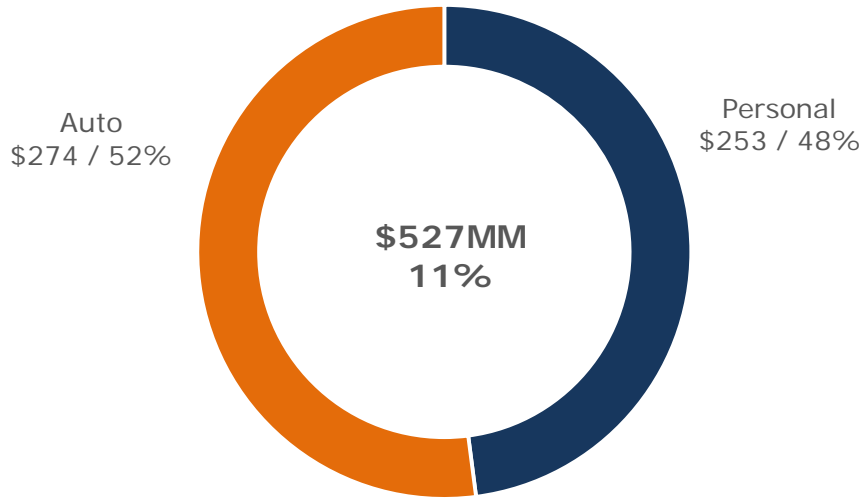
## Loan Portfolio Details

- 100% in Hawaii; 85% on Oahu
- 52% of loan balance are lines/loans <\$250 thousand
- Average outstanding loan amount of \$133,000
- 52% are 1<sup>st</sup> mortgages
- 21% are 2<sup>nd</sup> mortgages behind CPB 1<sup>st</sup> mortgage
- WA CLTV 63%<sup>1</sup>
- WA FICO 788
- Total undrawn commitments of \$528MM

<sup>1</sup>Based on LTV at origination.

# CONSUMER

## Total Consumer

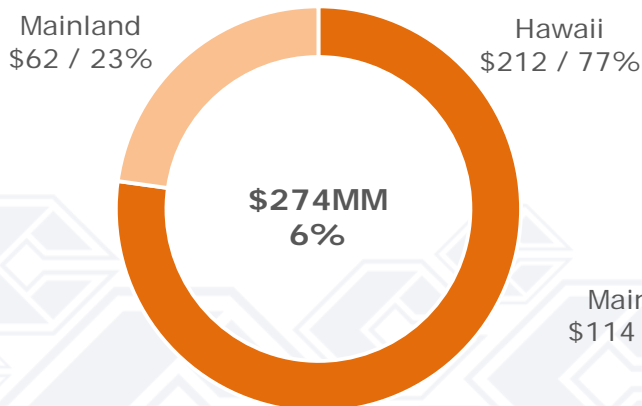


## Loan Portfolio Details

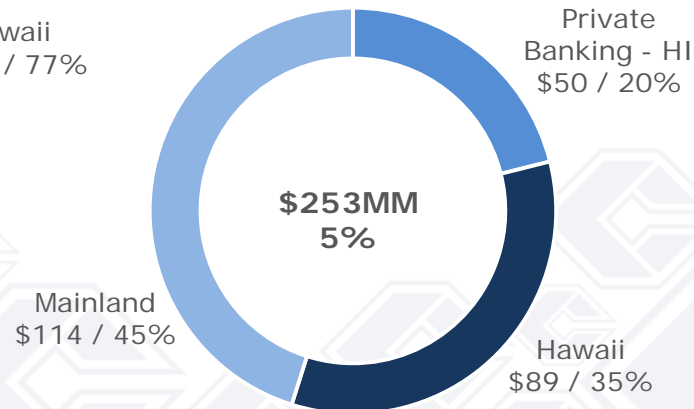
- Total Consumer
  - HI WA FICO 737
  - ML WA FICO 759<sup>1</sup>
- Auto
  - HI WA FICO 729
  - ML WA FICO 750<sup>1</sup>
- Personal
  - HI WA FICO 755
  - ML WA FICO 764<sup>1</sup>
- Total undrawn commitments of \$111MM

<sup>1</sup>Based on origination score.

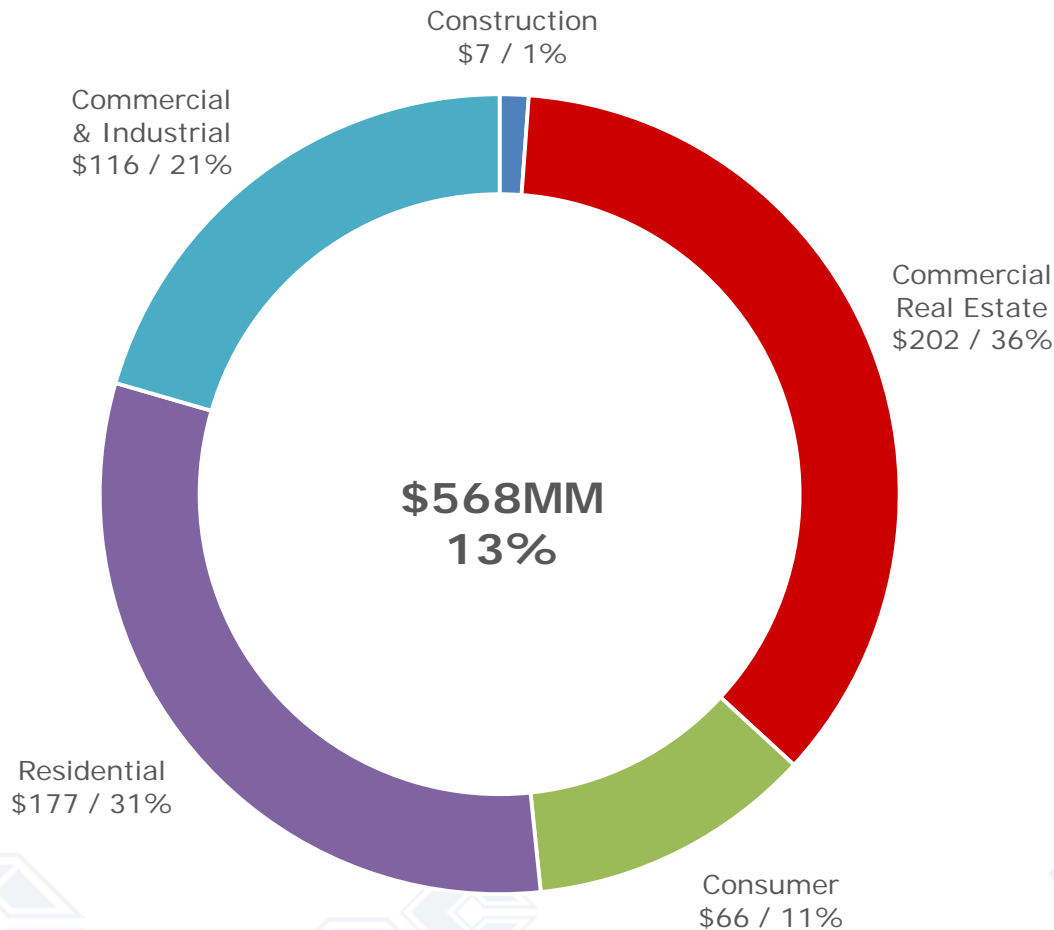
## Auto



## Personal



# LOAN PAYMENT DEFERRALS



## Loan Portfolio Details

\$568MM Deferrals Booked;

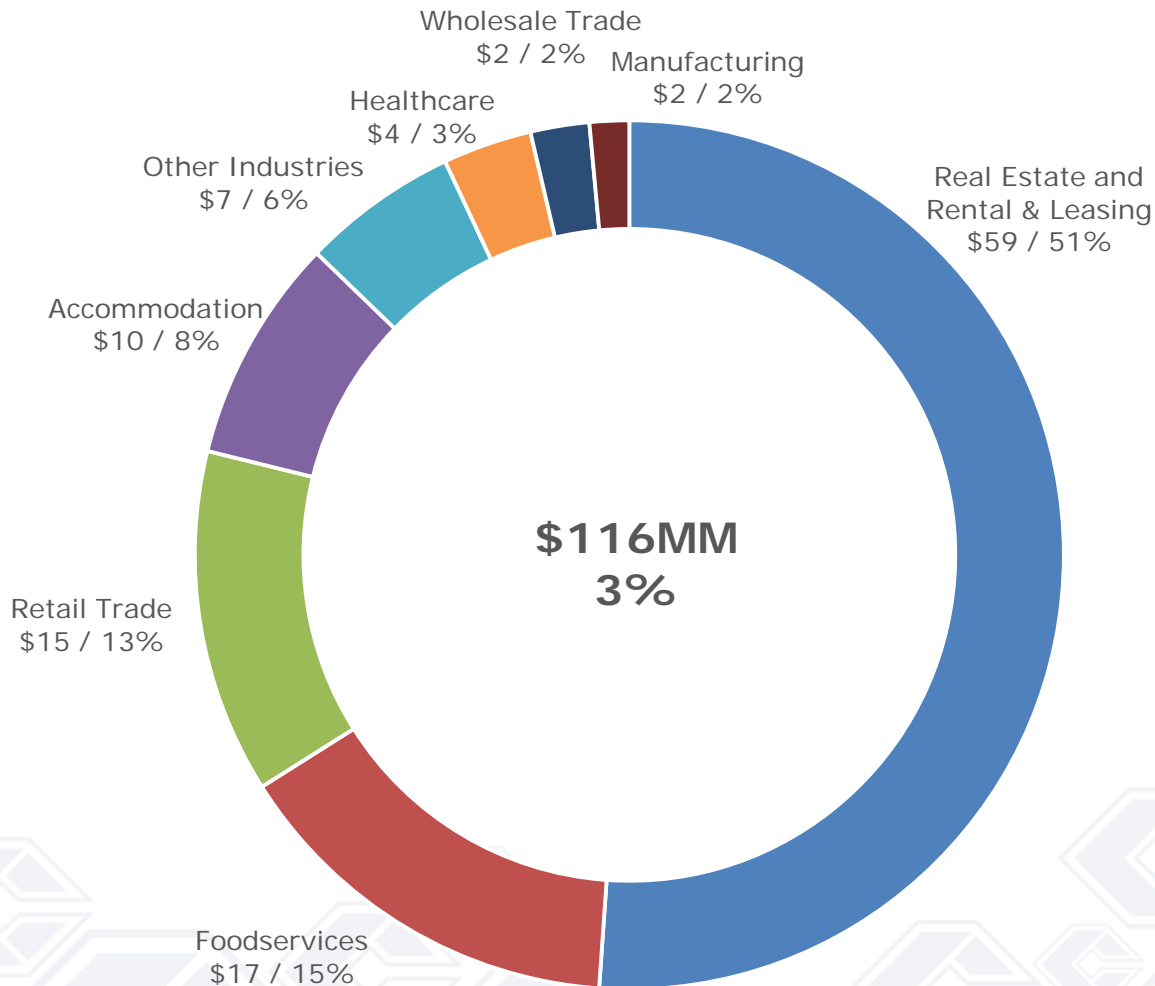
13% of Total Loan Portfolio (excl PPP)

- Commercial Real Estate, Construction, and Commercial & Industrial Loans
  - 3-6 months principal or principal & interest deferrals
  - 14% of \$2.3B Outstanding Bal.
- Residential Loans
  - 3 months principal & interest forbearance
  - 11% of \$1.7B Outstanding Bal.
- Consumer Loans
  - 3 months principal & interest deferral w/maturity extended
  - 13% of \$0.5B Outstanding Bal.
- Loan deferrals peaked in May at \$605MM and have since declined primarily in the residential portfolio

## LOAN PAYMENT DEFERRALS – C&I AND CRE BY INDUSTRIES

C&I and CRE \$ Millions	Loan Count	Loan Balance	% of Total Loans (Excl. PPP)
Real Estate and Rental & Leasing	129	\$ 167	3.7%
Foodservice	68	45	1.0%
Transportation & Warehousing	51	20	0.5%
Healthcare	115	20	0.4%
Manufacturing	107	13	0.3%
Retail Trade	47	12	0.3%
Wholesale Trade	23	3	0.1%
Accommodation	5	2	0.0%
Other Industries	231	35	0.8%
<b>Total</b>	<b>776</b>	<b>\$ 318</b>	<b>7.1%</b>

# LOANS RATED SPECIAL MENTION



## Loan Portfolio Details

\$116MM Special Mention Loans;  
3% of Total Loan Portfolio (excl PPP)

## Credit Risk Management Approach

- Strong asset quality prior to COVID-19
- After COVID-19, some weakening
- Additional monitoring of all risk rated loans and frequent high-touch of majority borrowers
- Assessment for risk rating migration based on:
  - ✓ Management strength and actions taken
  - ✓ Business cash burn
  - ✓ Access to cash liquidity
  - ✓ Payment deferral
  - ✓ Application of Federal support programs

## SECOND QUARTER 2020 HIGHLIGHTS

**Net Income** **\$9.9 Million**

**Diluted EPS** **\$0.35**

**Pre-Tax,  
Pre-Provision  
Earnings** **\$23.5 Million**

**Loan Growth** **+\$491 Million**  
**+10.9%**

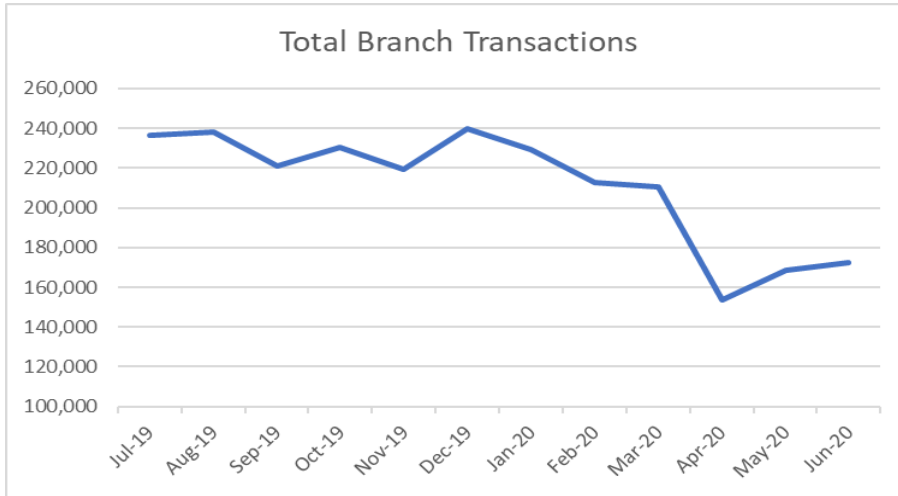
**Normalized  
Net Interest  
Margin\*** **3.31%**

- Quarterly results impacted by provision for credit loss expense due to COVID-19
- Pre-tax, Pre-provision earnings remained strong
- Loan growth driven by PPP loans of over \$525 million at 6/30/20
- Solid liquidity and capital; balance sheet well positioned
- Committed to supporting our employees, customers and community

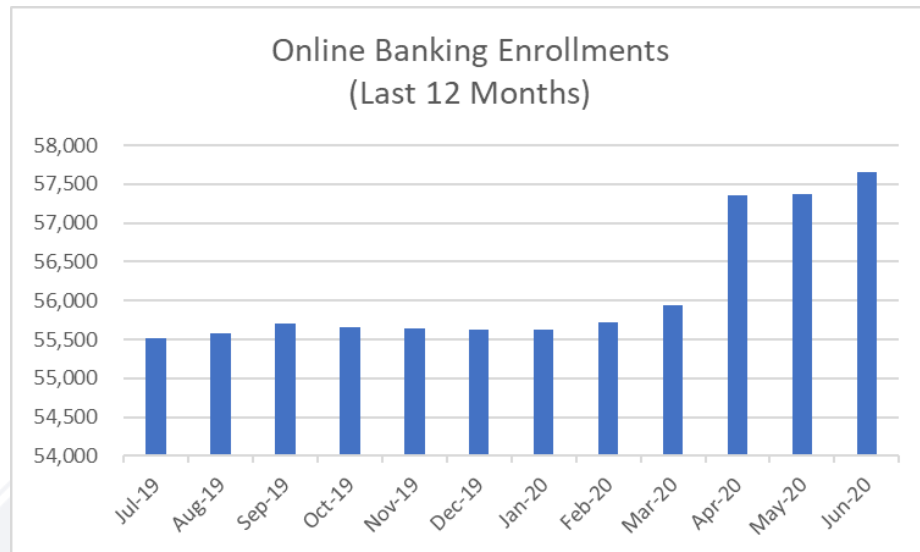
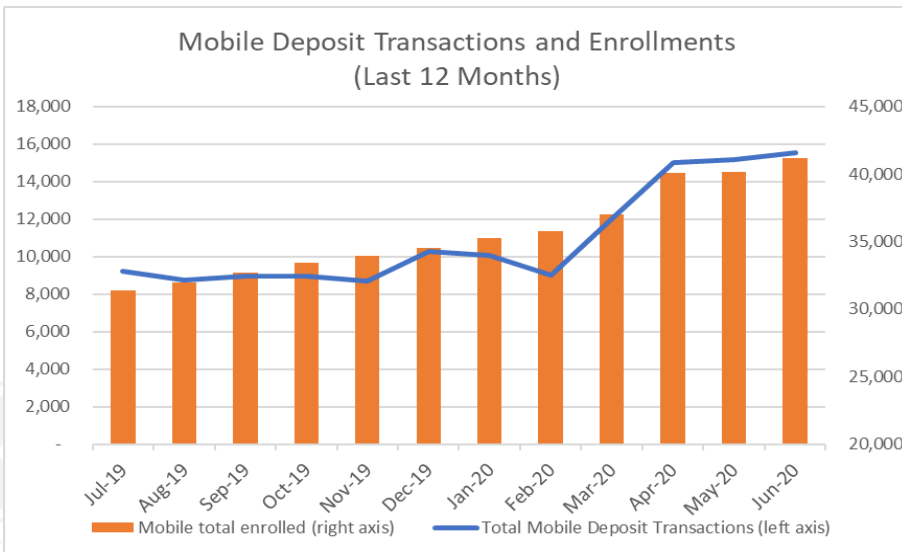
\* Normalized for PPP impact to NII refer to slide 22 for additional details.



# COVID-19 IMPACT ON CUSTOMER BEHAVIOR



- COVID-19 accelerated the migration to digital banking
- Strong momentum and ideal timing for the RISE2020 digital banking new product launch in August 2020



## COMMUNITY SUPPORT



CPB Foundation is actively helping the community



Timely and creative solutions to meet urgent needs during the pandemic

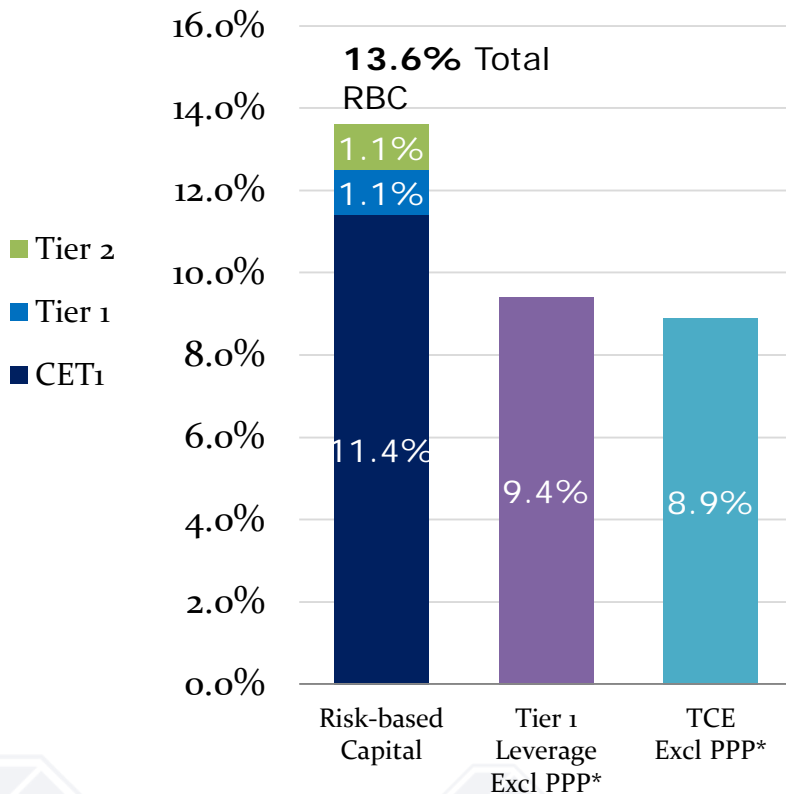


**CENTRAL PACIFIC  
FINANCIAL CORP**

**APPENDIX**

# SOLID CAPITAL & LIQUIDITY POSITION

## Regulatory Capital Ratios As of June 30, 2020



## STRONG CAPITAL

- \$150 million capital cushion to the well-capitalized Total RBC minimum of 10% at 6/30/20
- 2Q2020 PTPP earnings of \$23.5 million

## AMPLE LIQUIDITY

- At 6/30/20, over \$2 billion in alternative sources of liquidity from the FHLB/FRB and \$0.6 billion in unpledged investment securities

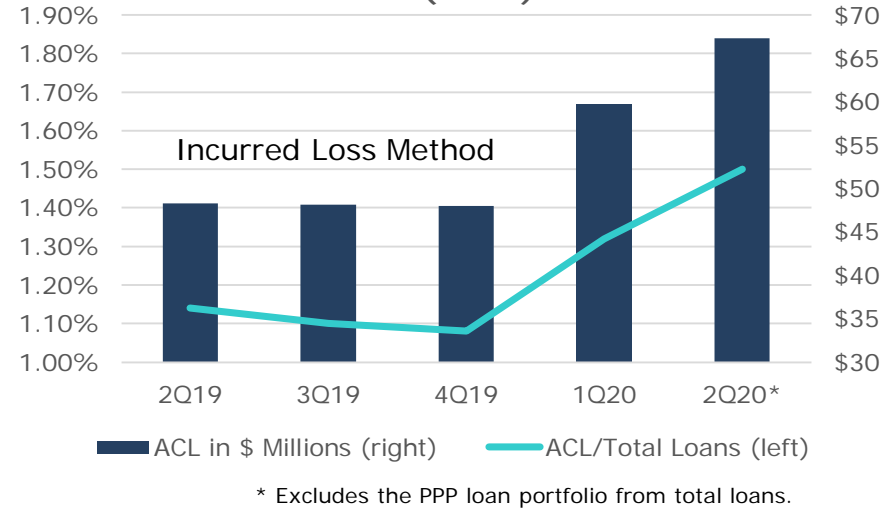
\* Excludes the PPP impact to the assets denominator, refer to slide 22 for more details.

# STRONG CREDIT METRICS

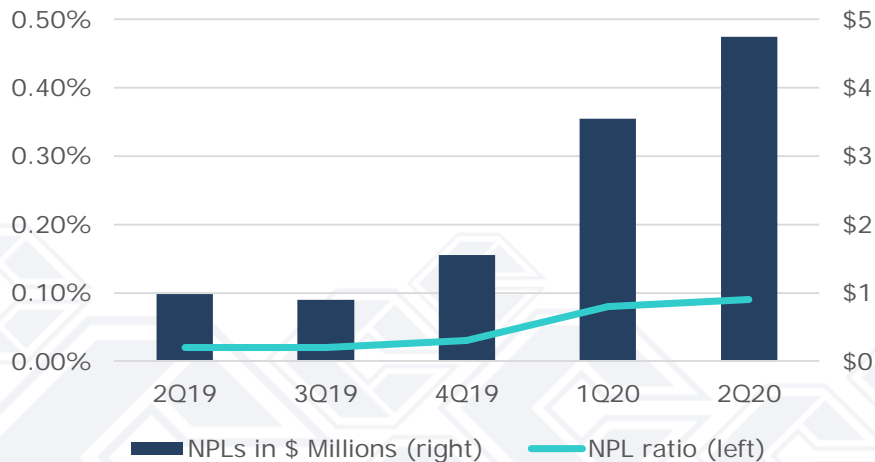
## Classified Assets



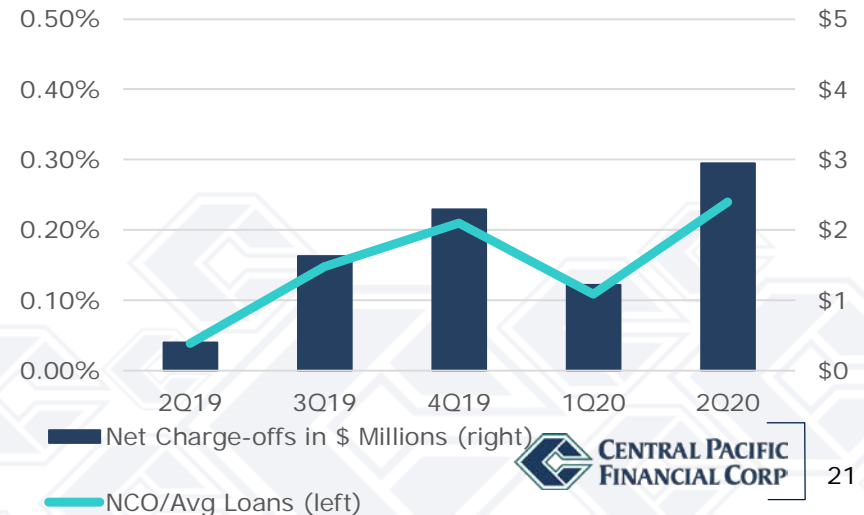
## Allowance for Credit Losses (ACL)



## Non Performing Loans



## Net Charge-Offs



## Non-GAAP Financial Measures- Excluding PPP

	Jun. 30, 2020 Actual	PPP Exclusions <sub>1</sub>	Jun. 30, 2020 Adjusted
Net Interest Income <sub>2</sub>	\$ 49.4	\$ (2.5)	\$ 47.0
Total Interest-Earnings Assets	\$ 6,073.4	\$ (379.9)	\$ 5,693.4
Net Interest Margin <sub>3</sub>	3.26%		3.31%
Tangible Common Equity <sub>4</sub>	\$ 544.3		\$ 544.3
Total Assets	\$ 6,633.0	\$ (526.4)	\$ 6,106.6
Tangible Common Equity Ratio	8.21%		8.91%
Tier 1 Capital	\$ 572.0		\$ 572.0
Average Assets for Lev. Ratio	\$ 6,407.7	\$ (344.5)	\$ 6,063.1
Leverage Capital Ratio	8.93%		9.43%

1. Net interest income excludes PPP interest income less an assumed funding cost of 0.25% and PPP net loan fee income; Total Interest-Earning Assets excludes average PPP loan balances during the quarter-ended 6/30/20; Total Assets excludes PPP loan balance at 6/30/20; Average Assets excludes average PPP loan balances less average PPPLF loan balances during the quarter ended 6/30/20.
2. Net interest income shown on a taxable equivalent basis.
3. Net interest margin calculation based on the day count interest accrual conventions at the interest-earning asset or interest-bearing liability level (i.e. 30/360, actual/actual)
4. Tangible Common Equity is equivalent to total shareholders' equity as there are no intangibles.