CENTRAL PACIFIC FINANCIAL CORP
Form 424B5
July 14, 2009

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)
Registration No. 333-157166

SUBJECT TO COMPLETION DATED JULY 14, 2009

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated February 23, 2009)

$100,000,000

Central Pacific Financial Corp.
Common Stock

We are offering $100,000,000 in aggregate public offering price of our common stock, no par value per share. We have granted the underwriter an option to purchase up to an additional $15,000,000 in aggregate public offering price of our common stock to cover over-allotments, if any.

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "CPF." The last reported sale price of our common stock on July 13, 2009 was $3.53 per share.

You should read both this prospectus supplement and the accompanying prospectus, as well as any documents incorporated by reference in this prospectus supplement and/or the accompanying prospectus, before you make your investment decision.

Investing in our common stock involves risks. You should carefully consider the risks described under "Risk Factors" beginning on page S-10 of this prospectus supplement and page 5 of the accompanying prospectus before making any decision to invest in our common stock.

	Per Share	Total
Public offering price	$	$ 100,000,000
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

The underwriters expect to deliver shares of common stock in book-entry form only, through the facilities of The Depository Trust Company against payment on or about July , 2009.

None of the Securities and Exchange Commission, the Hawaii Division of Financial Institutions (the "DFI"), the Federal Deposit Insurance Corporation (the "FDIC"), the Board of Governors of the Federal Reserve System, any state securities commission or any

other federal or state bank regulatory agency has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The shares of common stock offered by this prospectus supplement are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the FDIC or any other governmental agency.

The date of this prospectus supplement is July , 2009

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Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information, and you should not rely on any information not contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus. We, and the underwriters, are offering to sell shares of our common stock and seeking offers to buy shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date of each document regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sale of the shares of our common stock. In case there are any differences or inconsistencies between this prospectus supplement, the accompanying prospectus and the information incorporated by reference in them, you should rely on the information in the document with the latest date.

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ABOUT THIS PROSPECTUS SUPPLEMENT

Unless the context indicates otherwise, all references in this prospectus supplement to "we," "us" and "our" refer to Central Pacific Financial Corp. and its subsidiaries, including Central Pacific Bank, on a consolidated basis. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission ("SEC") using a shelf registration process. Under the shelf registration process, we may offer shares of common stock and other securities specified in the accompanying prospectus for an aggregate maximum offering price of $165 million in one or more offerings. The shelf registration statement also registered 135,000 shares of our fixed rate cumulative perpetual preferred stock, a warrant to purchase 1,585,748 shares of our common stock and shares of common stock issuable from time to time upon exercise of such warrant for resale by the United States Department of Treasury ("U.S. Treasury") or its transferees.

Both this prospectus supplement and the accompanying prospectus include or incorporate by reference important information about us, our common stock and other information you should know before investing. This prospectus supplement also adds, updates and changes information contained in the accompanying prospectus. You should read both this prospectus supplement and the accompanying prospectus as well as additional information described under "Where You Can Find More Information" on page S-40 of this prospectus supplement before investing in our common stock.

PROSPECTUS SUPPLEMENT SUMMARY

This prospectus supplement summary contains basic information about us and this offering. Because it is a summary, it does not contain all the information that you should consider before investing in our common stock. To understand this offering fully, you should carefully read this entire prospectus supplement, including the "Risk Factors" section beginning on page S-10, the accompanying prospectus and the information incorporated by reference herein and therein, including our consolidated financial statements and the accompanying notes included in our filings with the SEC. Unless otherwise indicated, all share information in this prospectus supplement assumes no exercise of the underwriters' over-allotment option.

Our Company

Central Pacific Financial Corp. ("CPF") is one of the largest financial institutions headquartered in Honolulu, Hawaii, with $5.5 billion in assets and $4.0 billion in total deposits as of June 30, 2009. Through our bank and its subsidiaries, we offer full-service commercial banking with 39 bank branches and more than 100 ATMs located throughout the State of Hawaii. Our administrative and main offices are located in Honolulu, and we have a total of 32 branches on the island of Oahu. We operate four branches on the island of Maui, two branches on the island of Hawaii and one branch on the island of Kauai. We also have offices in California serving customers there. Our principal executive office is located at 220 South King Street, Honolulu, Hawaii 96813, telephone number: (808) 544-0500.

Our insured depositary subsidiary, Central Pacific Bank, is a full-service community bank offering a broad range of banking products and services. We accept time and demand deposits and originate loans, including commercial loans, construction loans, mortgage loans for commercial and residential properties and consumer loans. We derive our income primarily from the interest and fees we receive on loans we originate, interest on investment securities we own and fees received in connection with deposit and other services. The majority of our operating expenses arise from the interest paid by our bank on deposits and borrowings, salaries and employee benefits and general operating expenses. Our bank relies on a foundation of locally generated deposits. Our operations, like those of other financial institutions that operate in our markets, are significantly influenced by economic conditions in the States of Hawaii and California, including the condition of the real estate market in those states.

We are committed to maintaining a premier, relationship-based community bank in Hawaii that serves the needs of small to medium-sized businesses and the owners and employees of those businesses. We aim to deliver a focused set of value-added products and services that satisfy the primary needs of our customers, and we emphasize superior customer service and the importance of strong customer relationships. We provide our customers with an array of commercial and consumer loan products, including residential mortgages, commercial real estate and construction financing, as well as commercial and consumer loans. At June 30, 2009, our loan and lease portfolio totaled $3.7 billion, which was comprised of $2.9 billion in our Hawaii loan portfolio, $0.7 billion in our California portfolio, and $0.1 billion in our Washington portfolio. In addition to our lending products, we also offer a full array of deposit products and services including checking, savings and time deposits, cash management and internet banking services, wealth management, trust services and retail brokerage services. At June 30, 2009, our total deposits were $4.0 billion, which included $3.2 billion of non-interest-bearing demand, interest-bearing demand and savings deposits and certificates of deposit less than $100,000, which we refer to as our core deposits.

Due to the continued slowdown in economic activity in the markets we serve, increased charge-offs in our commercial real estate portfolio and our ongoing efforts to improve liquidity, our loan and lease portfolio decreased by $130.4 million from March 31, 2009 to June 30, 2009, comprised of decreases in our Hawaii and California loan portfolios of $53.1 million and $77.7 million, respectively, partially offset by an increase of $0.4 million in our Washington portfolio. At the same time, from March 31, 2009 to June 30, 2009, our core deposits increased by $201.7 million and total deposits increased by $189.6 million. During the second quarter of 2009, a large customer of our bank converted at our request $225.7 million of time deposits into repurchase agreements, which was not reflected in the total deposits amount as of June 30, 2009. The increase in our deposits was fueled by strong growth in our Super Savings product.

Our Strategy

As the economic conditions in which we operate continue to deteriorate, we have realigned our strategy to best position ourselves to emerge from this financial crisis. Despite these challenging times, our core values, mission and vision have not changed. To guide us through the current turmoil and ensure the long-term sustainability of our franchise, we have developed and implemented a dual strategy focused on growing core deposits and reducing the risk in our existing loan portfolio. We have made tactical changes within our organization to adapt to this strategic focus and the economic conditions we are facing. Consistent with this overall strategy, specific areas of focus are:

Expand Operations in Hawaii. We are focusing our efforts on expanding our business operations in Hawaii. We have implemented a community-based banking model, which empowers our employees to become fully integrated within defined communities in Hawaii. The objective of community-based banking is to create and sustain an environment built on developing long-term profitable customer relationships through exceptional people, competitive products, and high-touch customer service. Despite the deteriorating local economy, we believe this strategy will provide us with a competitive advantage in responding to our customers and will allow us to capitalize on new business opportunities.

Continue to Grow Deposits, Particularly Core Deposits. We are growing and intend to continue growing our core deposit base. We differentiate ourselves from our local competitors through high-quality service and innovative products that meet our customers' needs, like our Super Savings, Exceptional Checking and Free *Plus* Checking. In addition, the maintenance of a broad branch and ATM network in the State of Hawaii and our cash management services afford us the opportunity to gather other retail and commercial deposits.

Focus on Liquidity. In light of these challenging economic times, we have established and implemented a framework to drive a careful and disciplined approach to managing our balance sheet. The overall objective of this approach is to maintain adequate liquidity and ensure the long-term sustainability of our organization. We have employed a number of measures to improve liquidity, which include reducing our reliance on non-core funding sources and decreasing our loan-to-deposit ratio from 103.0% at December 31, 2008 to 93.0% at June 30, 2009.

Preserve Asset Quality and Strengthen Risk Management Infrastructure. We plan to improve asset quality and are continuing to execute a disciplined approach to identifying and managing problem or potentially problematic loans, as well as closely controlling our balance sheet growth. Our approach includes the enforcement of a conservative lending culture and strict underwriting guidelines. Specifically, in June 2009, we appointed a new interim Chief Credit Officer with more than 28 years of Credit Administration and Risk Management experience. Additionally, we have reassigned a number of senior management personnel to focus exclusively on monitoring our loan portfolio and working closely with our borrowers during this challenging economic environment. These additional resources have allowed us to place a greater focus on proactively managing our credit relationships to minimize portfolio degradation and to work closely with those credits showing signs of potential weakness. Some of the steps we are taking to manage our credit relationships include pursuing workouts and loan modifications, reducing commitments, increasing collateral, and strengthening guarantees. We have recently completed a

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thorough review of our loan portfolio under the supervision of our Chief Credit Officer and we are continuing to identify and examine opportunities to reduce our problem assets through loan sales, restructurings and paydowns. Beyond improving our asset quality, we also plan to bolster our overall enterprise risk management function. During the first half of 2009, we laid the groundwork to adopt and implement a centralized enterprise risk management function dedicated to identifying and responding to all forms of risk facing our institution. The objective of our enterprise risk management function is to establish a culture of risk identification and assessment that enables us to make judicious use of our resources while balancing risk and creating shareholder value.

Downsize Our Mainland Operations. To reduce our mainland credit exposure in the weakened California real estate market, we have ceased making new loans in California and continue to decrease our mainland loan portfolio. In addition, we have significantly reduced our mainland operations and transferred various functions to our Hawaii offices. Given the continuing uncertainty of the California real estate market, we believe this approach is the most appropriate.

Enhance Operating Efficiency. We have always sought to run our organization as efficiently as possible without sacrificing the high-touch, personalized service that our customers have come to expect from us. Our weighted average efficiency ratio from 2006 through the first half of 2009 of 52.08% reflects our efforts in this area. While our non-interest expense has been adversely impacted by credit related charges and costs associated with the maintenance and disposition of certain mainland assets, we will continue to look for ways to maintain and improve our operating efficiency by identifying and implementing process improvements, enforcing a culture of financial discipline, maximizing resources and prioritizing commitments. Specifically, as mentioned above, we have downsized our mainland operations and continue to look for ways to increase efficiency by implementing cost saving technology improvements, realigning operating processes to enhance workflow, and further streamlining our operations through the selective restructuring of certain functions within our bank. In addition, our executive management team took a 10% reduction in base pay and did not receive cash bonuses in 2007 and 2008. Furthermore, our directors took a 20% reduction in their retainer fees and we did not grant annual merit increases or incentive compensation to the majority of our employees during 2008.

Diversify and Expand Non-Interest Income Sources. We are diversifying our revenue stream by growing fee income and reducing our dependence on interest income. We are expanding our wealth management business segment and have hired two principals from Pacific Island Financial Management, LLP with over 20 years of asset management experience to complement our wealth management business; identifying ways to increase fee income from our core deposit base; continuing to invest in Central Pacific HomeLoans, our wholly owned subsidiary; and placing a greater emphasis on products and services that generate meaningful fee revenue.

Our Strengths

We believe we are well positioned to take advantage of opportunities in our primary Hawaii market to grow core deposits and strengthen our loan portfolio.

Established Market Position in the Hawaii Market. We have operated in the Hawaii market for over 50 years. Our deposit market share in Hawaii as of March 31, 2009 was 13.8%. We are positioned in the marketplace as a local community bank that is large enough to provide a wide range of banking services, yet small enough to deliver personalized service to our customer base.

Experienced Management Team. Our management team includes executives with extensive experience in the banking industry in general, and specifically in the Hawaii market. Ronald K. Migita, our Chairman, President and Chief Executive Officer, has over forty years of banking

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experience, primarily with Hawaii-based banking institutions. Dean Hirata, our Vice Chairman and Chief Financial Officer, Blenn Fujimoto, our Vice Chairman overseeing the Hawaii Market, Denis Isono, our Executive Vice President of Operations, and Mary Weisman, our Executive Vice President and interim Chief Credit Officer, each have over 25 years of banking experience, a majority of which has been in our core Hawaii market.

Strong Core Deposit Base. Our team of experienced commercial and retail bankers, diverse suite of products and services, and the convenience of our branch network have allowed us to establish a large, stable base of core deposits that provides cost-effective funding for our lending operations. At June 30, 2009, core deposits accounted for approximately 80.2% of our total deposits.

High-Quality Customer Service. Our business model is designed to create a competitive advantage with high-touch, personalized customer service. Our goal is to provide the highest level of customer service to all of our customers by focusing on a relationship-based banking approach.

Innovative and Attractive Products and Services. In addition to high-quality customer service, we differentiate ourselves with an innovative and diverse suite of products and services. Some of our flagship products include Super Savings, Exceptional Checking, Exceptional Money Market Savings and Free *Plus* Checking. Attractive deposit products such as those mentioned above led to growth in our core deposits of $374.9 million during the first two quarters of 2009.

Leading Hawaii Lender. Our wholly owned subsidiary Central Pacific HomeLoans originates residential mortgages in the State of Hawaii. Through Central Pacific HomeLoans, we have established ourselves as the leading residential mortgage lender in the State of Hawaii.

Hawaii and California Markets

Our operations are primarily concentrated in the States of Hawaii and California. Accordingly, our business performance is directly affected by conditions in the banking industry, macro economic conditions and the real estate market in those states.

General economic conditions in Hawaii are expected to contract in 2009, albeit at a slower rate than the rest of the nation, according to the Hawaii Department of Business Economic Development & Tourism (the "DBEDT").

Gross Domestic Product. The DBEDT projects the Hawaii gross domestic product ("GDP") to contract by 1.6% in 2009 compared to a contraction of 2.8% for the rest of the nation. GDP by state is derived as the sum of the GDP originating in all industries in the state. The estimates of real GDP are derived by applying national implicit price deflators by detailed industry to the current-dollar GDP estimates by detailed industry. Then, in order to capture the differences across states that reflect the relative differences in the mix of goods and services that the states produce, the same chain-type index formula used in the national accounts is used to calculate the estimates of total real GDP and real GDP by major industry.

Unemployment Rate. Hawaii's unemployment rate ranks as the eighteenth lowest in the nation. According to the Hawaii Department of Labor and Industrial Relations, Hawaii's seasonally adjusted unemployment rate was 7.4% in May 2009, compared to 9.4% at the national level.

Housing Prices. With size limitations of being an island state, Hawaii in general, and Honolulu in particular, are subject to tight housing market conditions. Median price levels in Hawaii have remained well above the national average while inventory overhang remains relatively low.

Military Spending. According to the Military Affairs Council of the Chamber of Commerce of Hawaii, the U.S. Department of Defense is the second largest source of revenue to the state, after the tourism industry. Hawaii is the third ranked state in annual per capita federal defense

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expenditures of approximately $4,260 per person. Additionally, ongoing programs to privatize construction, renovation and operation of military housing are expected to contribute an additional $3.0 billion to Hawaii's economy over the next 8 to 10 years.

California's economy is expected to contract as the effects of falling home prices, limited credit availability, shrinking equity values and growing unemployment continue to linger. The outlook for the California economy calls for negative growth in 2009, followed by weak growth in 2010 and improving slightly in 2011. According to the State of California Employment Development Department, California's unemployment rate increased to 11.5% in May 2009 and nonfarm jobs decreased by 4.9% from May 2008.

The California Association of Realtors (the "CAR") reported that May 2009 unit home sales increased by 35.2%, while the median price plunged 30.4% from levels a year ago primarily driven by a significant rise in distressed sales in the low end of the housing market. The CAR expects this trend of slightly higher sales activity with declining median prices to continue for the remainder of 2009 as increases in distressed sales activity is anticipated and affordability for first-time buyers continues to increase.

Recent Developments

Second Quarter 2009 Results

On July 14, 2009, we announced that we expect to report a net loss of approximately $33.0 million to $37.0 million, or approximately $1.22 to $1.35 per diluted common share, for the second quarter of 2009, compared to net income of $2.6 million, or $0.03 per diluted share, in the first quarter of 2009. The estimated net loss includes total credit costs of approximately $77.0 million to $83.0 million compared to $29.6 million in the first quarter of 2009.

The higher credit costs are the result of an increase in the allowance for loan and lease losses in light of the challenging economic environment. We expect the allowance for loan and lease losses as a percentage of total loans to be approximately 4.4% to 4.6% at June 30, 2009, a significant increase from the March 31, 2009 level of 3.2%. In addition, we expect net loan charge-offs for the second quarter of 2009 to be approximately $28.0 million to $33.0 million compared to $24.3 million in the first quarter of 2009 and nonperforming assets to be approximately $256.0 million to $266.0 million at June 30, 2009 compared to $159.9 million at March 31, 2009. The increase in nonperforming assets was primarily due to the addition of four Hawaii residential construction loans totaling $36.4 million, five Hawaii commercial construction loans totaling $30.3 million and four California commercial construction loans totaling $25.1 million. We also expect accruing loans delinquent for 30 days or more to decrease from $107.9 million at March 31, 2009 to approximately $20 million to $22 million at June 30, 2009.

Assuming a receipt of $100.0 million of gross proceeds from this offering, our pro forma Tier 1 risk-based capital, total risk-based capital and leverage capital ratios as of June 30, 2009 would have been approximately 15.6%, 16.9% and 12.5%, respectively, and our tangible common equity ratio would have been approximately 7.5%. We continue to exceed the capital levels required for a "well-capitalized" regulatory designation.

Stress Test

We recently stress tested our loan portfolio utilizing the Supervisory Capital Assessment Program ("SCAP") methodology the stress test methodology designed by the U.S. federal banking supervisors to ensure large bank holding companies have sufficient capital should the economy weaken more than expected. As defined in the SCAP methodology, the "Baseline" scenario assumed a path for the economy that followed the consensus forecast and the "More Adverse" scenario was a deeper and

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more protracted downturn than the consensus forecast. Following the completion of the offering, and based on certain assumptions and targets for our company which we currently believe are reasonable, we expect to have more than sufficient capital to absorb the potential losses in the "More Adverse" scenario of the SCAP test while maintaining "well capitalized" regulatory capital ratios.

Summary of the Offering

Issuer	Central Pacific Financial Corp., a Hawaii corporation
Common Stock Offered by Us(1)	$100,000,000 in aggregate public offering price
Common Stock to be Outstanding after this Offering(2)	shares
Use of Proceeds	We expect to receive net estimated proceeds from this offering of approximately $94.4 million, after deducting the estimated underwriting discounts and commissions and our estimated expenses (or approximately $108.6 million if the underwriters exercise their over-allotment option in full). We intend to use the net proceeds from this offering for general corporate purposes which may include contributing all or substantially all the net proceeds to Central Pacific Bank.
NYSE Symbol	"CPF"

(1) Does not include proceeds from sales of common stock that may be issued upon exercise of the underwriters' over-allotment option, which would result in up to an additional $15,000,000 in aggregate public offering price of our common stock issued.

(2) The number of shares of common stock to be outstanding after the offering is based on actual shares outstanding as of June 30, 2009, and assumes no exercise of the underwriters' over-allotment option.

Risk Factors

Investing in our common stock involves risks. You should carefully consider the information under "Risk Factors" beginning on page S-10 and page 5 of the accompanying prospectus the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before investing in our common stock.

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Summary Historical Financial Data

Our summary consolidated financial data presented below as of and for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 are derived from our audited consolidated financial statements. The summary consolidated financial data presented below as of and for the three months ended March 31, 2009 and March 31, 2008 are derived from our unaudited consolidated financial statements and consist of all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation thereof. Interim results are not necessarily indicative of year-end results. The following summary consolidated financial data should be read in conjunction with our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K/A for the year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 filed with the SEC and incorporated herein by reference.

	As of or For the Three Months Ended March 31,		As of or For the Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(Dollars in thousands, except per share data)						
Statement of Income Data:							
Total interest income	$ 66,408	$ 81,125	$ 303,952	$ 349,877	$ 320,381	$ 263,250	$ 150,389
Total interest expense	19,935	30,268	101,997	137,979	109,532	66,577	30,217
Net interest income	46,473	50,857	201,955	211,898	210,849	196,673	120,172
Provision for loan and lease losses	26,750	34,272	171,668	53,001	1,350	3,917	2,083
Net interest income after provision for loan and lease losses	19,723	16,585	30,287	158,897	209,499	192,756	118,089
Other operating income	15,684	14,279	54,808	45,804	43,156	41,002	22,018
Goodwill impairment			94,279	48,000			
Other operating expense (excluding goodwill impairment)	37,698	31,460	178,543	128,556	132,163	124,772	86,131
Income (loss) before income taxes	(2,291)	(596)	(187,727)	28,145	120,492	108,986	53,976
Income taxes	(4,920)	(2,254)	(49,313)	22,339	41,312	36,527	16,582
Net income (loss)	2,629	1,658	(138,414)	5,806	79,180	72,459	37,394
Balance Sheet Data (Year-End):							
Interest-bearing deposits in other banks	$ 10,199	$ 106	$ 475	$ 241	$ 5,933	$ 9,813	$ 52,978
Investment securities(1)	940,738	879,570	751,297	881,254	898,358	925,285	850,821
Loans and leases	3,818,900	4,176,596	4,030,266	4,141,705	3,846,004	3,552,749	3,099,830
Allowance for loan and lease losses	122,286	72,108	119,878	92,049	52,280	52,936	50,703
Goodwill	152,689	244,702	152,689	244,702	298,996	303,358	284,712
Core deposit premium	25,407	28,082	26,076	28,750	31,898	35,795	49,188
Total assets	5,431,559	5,800,037	5,432,361	5,680,386	5,487,192	5,239,139	4,651,902
Core deposits(2)	2,978,464	2,723,288	2,805,347	2,833,317	2,860,926	2,814,435	2,716,973
Total deposits	4,002,573	3,780,021	3,911,566	4,002,719	3,844,483	3,642,244	3,327,026
Long-term debt	623,903	915,514	649,257	916,019	740,189	749,258	587,380
Total shareholders' equity	657,339	674,663	526,291	674,403	738,139	676,234	567,862
Per Common Share Data:							
Basic earnings (loss) per common share	$ 0.03	$ 0.06	$ (4.83)	$ 0.19	$ 2.60	$ 2.42	$ 1.90
Diluted earnings (loss) per common share	0.03	0.06	(4.83)	0.19	2.57	2.38	1.87
Cash dividends declared per common share		0.25	0.70	0.98	0.88	0.73	0.64
Book value per common share	18.42	23.50	18.32	23.45	24.04	22.22	20.17
Diluted weighted average shares outstanding (in thousands)	28,692	28,801	28,669	30,406	30,827	30,487	20,017
Financial Ratios:							
Return on average assets	0.19%	0.12%	(2.45)%	0.10%	1.50%	1.48%	1.25%
Return on average shareholders' equity	1.70%	0.96%	(23.07)	0.77	11.16	11.16	12.37
Net income (loss) to average tangible shareholders' equity	2.40	1.59	(37.00)	1.35	21.01	22.88	18.45
Average equity to average assets	11.28	12.01	10.61	13.58	13.45	13.29	10.08
Efficiency ratio(3)	57.85	42.81	53.93	47.80	49.67	49.59	57.77
Net interest margin(4)	3.82	3.99	4.02	4.33	4.55	4.63	4.51
Net charge-offs to average loans	2.42	5.11	3.42	0.33	0.05	0.05	0.06
Nonperforming assets to total loans and leases, loans held for sale & other real estate(5)	4.10	2.78	3.52	1.47	0.23	0.35	0.35

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	As of or For the Three Months Ended March 31,		As of or For the Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(Dollars in thousands, except per share data)						
Allowance for loan and lease losses to total loans and leases	$ 3.20	$ 1.73	$ 2.97	$ 2.22	$ 1.36	$ 1.49	$ 1.64
Allowance for loan and lease losses to nonaccrual loans	85.30	61.76	90.43	149.57	583.61	421.77	492.79
Dividend payout ratio	N/A	416.67	N/A	515.79	33.85	30.17	33.68
Tangible common equity ratio(6)	6.66%	7.27%	6.59%	7.42%	7.90%	6.88%	5.42%
Leverage capital ratio(7)	11.3%	9.6%	8.8%	9.8%	10.9%	10.0%	8.11%
Tier 1 risk-based capital	13.9%	10.9%	10.4%	11.5%	12.3%	10.7%	9.67%
Total risk-based capital	15.2%	12.2%	11.7%	12.7%	13.6%	11.9%	10.93%

(1) Held-to-maturity securities at amortized cost, available-for-sale securities at fair value.

(2) Non-interest-bearing demand, interest-bearing demand and savings deposits, and time deposits under $100,000.

(3) Efficiency ratio is derived by dividing other operating expense excluding amortization, impairment and write-down of intangible assets, goodwill, loans held for sale and foreclosed property, loss on investment transaction and loss on sale of commercial real estate loans by net operating revenue (net interest income on a taxable equivalent basis plus other operating income before securities transactions).

(4) Computed on a taxable equivalent basis using an assumed income tax rate of 35%.

(5) Nonperforming assets include nonaccrual loans, nonaccrual loans held for sale and other real estate.

(6) Tangible common equity ratio is derived by dividing tangible equity by tangible assets.

(7) Leverage capital ratio is derived by dividing Tier 1 capital by average assets.

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RISK FACTORS

Investing in our common stock involves risk. In deciding whether to invest in our common stock, you should carefully consider the risk factors set forth below, which should be read together with the risk factors and other disclosures in our Annual Report on Form 10-K/A for the year ended December 31, 2008, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 and the accompanying prospectus. The risks and uncertainties described below and in these other documents are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occurs, our business, financial condition or results of operations could be materially and adversely affected. In that case, the value of our common stock and your investment could decline.

Factors That May Affect Our Business

We have incurred significant losses and cannot assure you that we will be profitable.

We incurred a net loss of $138.4 million, or $4.83 loss per common share, for the year ended December 31, 2008, and expect to incur a net loss of between $33.0 million and $37.0 million, or between $1.22 and $1.35 per diluted common share, for the quarterly period ended June 30, 2009 (and a related decrease in stockholders' equity as of such date), in each case due primarily to credit costs, including a significant provision for loan and lease losses. Although we have taken a significant number of steps to reduce our credit exposure, we likely will continue to incur significant credit costs through 2010 which we anticipate will continue to adversely impact our overall financial performance and results of operations.

Difficult economic and market conditions have adversely affected our industry.

The global and U.S. economies continue to experience a protracted slowdown in business activity as a result of disruptions in the financial system, including a lack of confidence in the worldwide credit markets. Currently, the U.S. economy remains in the midst of one of its longest economic recessions since the Great Depression of the 1930s. Dramatic declines in the housing market, along with decreasing home prices and increasing delinquencies and foreclosures, have negatively impacted the credit performance of mortgage and construction loans and resulted in significant write-downs of assets by many financial institutions. General downward economic trends, reduced availability of commercial credit and increasing unemployment have negatively impacted the credit performance of commercial and consumer credit, resulting in additional write-downs. Concerns over the stability of the financial markets and the economy have resulted in decreased lending by financial institutions to their customers and to each other. This market turmoil and tightening of credit has led to increased commercial and consumer deficiencies, lack of customer confidence, increased market volatility and widespread reduction in general business activity. Financial institutions have experienced decreased access to deposits and borrowings. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets may adversely affect our business, financial condition, results of operations and stock price. We do not expect that the difficult conditions in the financial markets are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial institutions industry. In particular, we may face the following risks in connection with these events:

- We potentially face increased regulation of our industry. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.

- The process we use to estimate losses inherent in our credit exposure requires difficult, subjective and complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The level of

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uncertainty concerning economic conditions may adversely affect the accuracy of our estimates which may, in turn, impact the reliability of the process.

We may be required to pay significantly higher premiums to the FDIC because market developments have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits.

Continued economic slowdowns in Hawaii, California or Washington would materially hurt our business.

Our business is directly affected by factors such as economic, political and market conditions, broad trends in industry and finance, legislative and regulatory changes, changes in government monetary and fiscal policies and inflation, all of which are beyond our control. The current deterioration in economic conditions in the United States generally, and in Hawaii, California and Washington in particular, could result in the following consequences, any of which would materially hurt our business:

- Loan delinquencies may continue to increase;
- Problem assets and foreclosures may continue to increase leading to more loan charge-offs;
- Demand for our products and services may decline;
- Low cost or non-interest bearing deposits may continue to decrease; and
- Collateral for loans made by us, especially involving real estate, may continue to decline in value, in turn reducing customers' borrowing power and reducing the value of assets and collateral associated with our existing loans.

A large percentage of our real estate loans are construction loans which involve the additional risk that a project may not be completed, increasing the risk of loss.

Approximately 30% of our real estate loan portfolio as of June 30, 2009 was comprised of construction loans. Sixty-three percent of these construction loans were in Hawaii, 30% in California and the remaining 7% in Washington. Repayment of construction loans is dependent upon the successful completion of the construction project, on time and within budget, and the successful sale of the completed project. If a borrower is unable to complete a construction project or if the marketability of the completed development is impaired, proceeds from the sale of the subject property may be insufficient to repay the loan. Further deterioration in any of the real estate markets we serve is likely to damage the marketability of these projects; as a result, we may incur loan losses which will adversely affect our results of operations.

Our ability to maintain adequate sources of funding and liquidity and required capital levels may be negatively impacted by the current economic environment which may, among other things, impact our ability to pay dividends or satisfy our obligations.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of investments or loans, and other sources could have a substantial negative affect on our liquidity. Our access to funding sources in amounts adequate to finance our activities on terms which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the markets in which our loans or deposits are concentrated or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial industry in light of the recent turmoil faced by banking organizations and the continued deterioration in credit markets.

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The management of liquidity risk is critical to the management of our business and to our ability to service our customer base. In managing our balance sheet, our primary source of funding is customer deposits. Our ability to continue to attract these deposits and other funding sources is subject to variability based upon a number of factors including volume and volatility in the securities markets, our credit rating and the relative interest rates that we are prepared to pay for these liabilities. The availability and level of deposits and other funding sources is highly dependent upon the perception of the liquidity and creditworthiness of the financial institution, which perception can change quickly in response to market conditions or circumstances unique to a particular company. Concerns about our financial condition, or concerns about our credit exposure to other persons could adversely impact our sources of liquidity, financial position, including regulatory capital ratios, results of operations and our business prospects.

If the level of deposits were to materially decrease, we would have to raise additional funds by increasing the interest that we pay on certificates of deposits or other depository accounts, seek other debt or equity financing or draw upon our available lines of credit. We rely on commercial and retail deposits, and to a lesser extent, brokered deposits, advances from the Federal Home Loan Bank of Seattle ("FHLB-Seattle") and the Fed discount window, to fund our operations. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future if, among other things, our results of operations or financial condition or the results of operations or financial condition of the FHLB-Seattle or market conditions were to change.

We constantly monitor our activities with respect to liquidity and evaluate closely our utilization of our cash assets; however, there can be no assurance that our liquidity or the cost of funds to us may not be materially and adversely impacted as a result of economic, market or operational considerations that we may not be able to control.

In addition, Central Pacific Financial Corp. must provide for its own liquidity. Substantially all of Central Pacific Financial Corp.'s revenues are obtained from dividends declared and paid by Central Pacific Bank. If Central Pacific Bank is unable to pay dividends to Central Pacific Financial Corp., whether as a result of actions by regulatory authorities or otherwise, Central Pacific Financial Corp. may not be able to satisfy its own obligations, including its debt obligations. If we are unable to satisfy those obligations, we may be, among other things, required to satisfy obligations before they otherwise would have become due, prohibited from paying dividends on our outstanding capital stock or otherwise restricted in our commercial activities.

Our allowance for loan and lease losses may not be sufficient to cover actual loan losses, which could adversely affect our results of operations. Additional loan losses will likely occur in the future and may occur at a rate greater than we have experienced to date.

As a lender, we are exposed to the risk that our loan customers may not repay their loans according to their terms and that the collateral or guarantees securing these loans may be insufficient to assure repayment. During 2008, our provision for loan and lease losses amounted to $171.7 million, compared to $53.0 million in 2007 and $1.4 million in 2006. During the second quarter of 2009, our provisions for loan and lease losses amounted to approximately $72.0 million to $76.0 million, compared to $87.8 million and $1.0 million in the comparable periods in 2008 and 2007. Our current allowance may not be sufficient to cover future loan losses. We may experience significant loan losses that could have a material adverse effect on our operating results. Management makes various assumptions and judgments about the collectibility of our loan portfolio, which are regularly reevaluated and are based in part on:

- Current economic conditions and their estimated effects on specific borrowers;

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- An evaluation of the existing relationships among loans, potential loan losses and the present level of the allowance for loan and lease losses;

- Results of examinations of our loan portfolios by regulatory agencies; and

- Management's internal review of the loan portfolio.

In determining the size of the allowance, we rely on an analysis of our loan portfolio, our experience and our evaluation of general economic conditions. If our assumptions prove to be incorrect, our current allowance may not be sufficient. With the volatility of the economic decline and unprecedented nature of the events in the credit and real estate markets during the latter part of 2008, we made significant adjustments to our allowance in 2008. In the second quarter of 2009, we made significant additional adjustments to our allowance due to the ongoing economic downturn and the resultant deterioration in the Hawaii and California real estate markets. We expect to have to make additional adjustments in our allowance for the next several quarters, expected to be through 2010, and possibly beyond, due to the anticipated ongoing deterioration in the local or national real estate markets and economies. In addition, federal regulators periodically evaluate the adequacy of our allowance and may require us to increase our provision for loan and lease losses or recognize further loan charge-offs based on judgments different than those of our management. Any further increase in our allowance or loan charge-offs could have a material adverse effect on our results of operations. In addition, we may be subject to further regulatory action as a result of the quality of our loan portfolio and our overall allowance for loan losses.

During the second quarter of 2008, we wrote off all of the remaining goodwill associated with our Commercial Real Estate reporting segment as it was considered to be impaired. We continue to evaluate goodwill assigned to our Hawaii Market reporting segment for impairment. Estimates of fair value of our Hawaii Market reporting segment are determined based on a complex model using cash flows and company comparisons. If management's estimates of future cash flows are inaccurate, the fair value determined could be inaccurate and impairment may not be recognized in a timely manner. Furthermore, market conditions affecting our Hawaii Market reporting segment may deteriorate which could result in a material adverse effect on the operating results of the Hawaii Market reporting segment. If this were to occur, the goodwill assigned to our Hawaii Market reporting segment may be considered to be impaired.

If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

Recent legislative and regulatory initiatives to address difficult market and economic conditions may not stabilize the U.S. banking system. On October 3, 2008, President Bush signed into law the Emergency Economic Stabilization Act of 2008 (the "EESA") in response to the current crisis in the financial sector. The U.S. Treasury and banking regulators are implementing a number of programs under this legislation to address capital and liquidity issues in the banking system. Additionally, on June 17, 2009, the U.S. Treasury released a white paper proposing sweeping financial reforms, including the creation of a Consumer Financial Protection Agency with extensive powers. If enacted, the proposals would significantly alter not only how financial firms are regulated but also how they conduct their business. There can be no assurance, however, as to the actual impact that the EESA will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of the EESA to help stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, access to credit or the value of our securities.

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Recent market disruptions and related governmental actions could materially and adversely affect our business, financial condition, results of operations or prospects.

Our business is affected by global economic conditions, political uncertainties and volatility and other developments in the financial markets. Factors such as interest rates and commodity prices, regional and national rates of economic growth, liquidity and volatility of fixed income, credit and other financial markets and investors' confidence can significantly affect the businesses in which we and our customers are engaged. Such factors have affected, and may further unfavorably affect, both economic growth and stability in markets where we and our customers operate, creating adverse effects on many companies, including us, in ways that are not predictable or that we may fail to anticipate. Since mid-2007 credit and other financial markets have suffered substantial stress, volatility, illiquidity and disruption. These forces reached unprecedented levels in September and October of 2008, resulting in the bankruptcy or acquisition of, or government assistance to several major domestic and international financial institutions. These events have continued in 2009 and have significantly diminished overall confidence in the financial markets and in financial institutions, generally. This reduced confidence could further exacerbate the overall market disruption and increase risks to market participants including us.

The recent market developments and the potential for increased and continuing disruptions present a material risk to our business and that of other financial institutions. Further deterioration or a continuation of recent market conditions may lead to a decline in the value of the assets that we hold or in the creditworthiness of our borrowers. In response to recent market disruptions, legislators and financial regulators implemented a number of mechanisms designed to add stability to the financial markets, including the provision of direct and indirect assistance to distressed financial institutions, assistance by the banking authorities in arranging acquisitions of weakened banks and broker dealers, implementation of programs by the Federal Reserve Board to provide liquidity to the commercial paper markets and other matters. The overall effects of legislative and regulatory efforts on the financial markets are uncertain, and they may not have the intended stabilization effects. While these measures have been implemented to support and stabilize the markets, these actions may have unintended consequences on the financial system or our business, including reducing competition or increasing the general level of uncertainty in the markets. Should these or other legislative or regulatory initiatives fail to stabilize and add liquidity to the financial markets, our business, financial condition, results of operations and prospects could be adversely affected.

A large percentage of our loans are collateralized by real estate and continued deterioration in the real estate market may result in additional losses and adversely affect our profitability.

Our results of operations have been and in future periods will continue to be significantly impacted by the economies in Hawaii, California and other markets we serve. Approximately 86% of our loan portfolio as of June 30, 2009 was comprised of loans primarily collateralized by real estate, 74% of these loans were concentrated in Hawaii, 21% in California and 5% in Washington. Deterioration of the economic environment in Hawaii, California or other markets we serve, including a continued decline in the real estate market, further declines in single-family home resales or a material external shock, may significantly impair the value of our collateral and our ability to sell the collateral upon foreclosure. In the event of a default with respect to any of these loans, amounts received upon sale of the collateral may be insufficient to recover outstanding principal and interest on the loan. As a result, we expect that our profitability would be negatively impacted by an adverse change in the real estate market.

The value of certain securities in our investment securities portfolio may be negatively affected by disruptions in the market for these securities.

The market for certain investment securities held within our investment portfolio has become much less liquid over the past several quarters. This, coupled with uncertainty surrounding the credit

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risk associated with the underlying collateral has caused discrepancies in valuation estimates obtained from third parties. We value some of our investments using cash flow and valuation models which include certain subjective estimates that we believe are reflective of the estimates a purchaser of such securities would use if such a transaction were to occur. The volatile market or changes in the estimates we use to model the value of certain of our securities may affect the value of these securities, such as through reduced valuations due to the perception of heightened credit and liquidity risks, in addition to interest rate risk typically associated with these securities. There can be no assurance that declines in value associated with these disruptions will not result in impairment of these assets that may result in accounting charges that could have a material adverse effect on consolidated financial statements and capital ratios.

Our California operations have a considerable effect on our results of operations, and sustaining these operations may be difficult, which could adversely affect our results of operations.

The performance of our California operations depends on a number of factors, including improvement of the California real estate market. As we have seen in the California residential construction market throughout 2008, the strength of the real estate market and the results of our operations could continue to be negatively affected by an economic downturn.

At June 30, 2009, loans originated in our California loan production offices totaled $0.7 billion, or 18.5% of our total loan portfolio. The payment on such loans is typically dependent on the cash flows generated by the projects, which are affected by the supply and demand for commercial and residential property within the relevant market. Declines in the market for commercial property are causing commercial borrowers to suffer losses on their projects and they may be unable to repay their loans. Defaults of these loans or further deterioration in the credit worthiness of any of these borrowers would further negatively affect our financial condition, results of operations and prospects. Declines in housing prices and the supply of existing houses for sale are causing residential developers who are our borrowers to also suffer losses on their projects and encounter difficulty in repaying their loans. Since the third quarter of 2007, we have significantly increased our provision for loan losses as a result of these challenging conditions.

Governmental regulation and regulatory actions against us may impair our operations or restrict our growth.

We are subject to significant governmental supervision and regulation. These regulations are intended primarily for the protection of depositors. Statutes and regulations affecting our business may be changed at any time and the interpretation of these statutes and regulations by examining authorities may also change. Within the last several years, Congress and the President have passed and enacted significant changes to these statutes and regulations. There can be no assurance that such changes to the statutes and regulations or to their interpretation will not adversely affect our business. In addition to governmental supervision and regulation, we are subject to changes in other federal and state laws, including changes in tax laws, which could materially affect the banking industry. We are subject to the rules and regulations of the Federal Reserve Board. If we fail to comply with federal and state bank regulations, the regulators may limit our activities or growth, fine us or ultimately put us out of business. Banking laws and regulations change from time to time. Bank regulations can hinder our ability to compete with financial services companies that are not regulated in the same manner or are less regulated. Federal and state bank regulatory agencies regulate many aspects of our operations. These areas include:

- The capital that must be maintained;
- The kinds of activities that can be engaged in;
- The kinds and amounts of investments that can be made;

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The locations of offices;

Insurance of deposits and the premiums that we must pay for this insurance; and

How much cash we must set aside as reserves for deposits.

In December 2008, the members of the board of directors of Central Pacific Bank entered into a memorandum of understanding with the FDIC and the DFI to address certain issues that arose in the bank's most recent regulatory examination in August 2008. The issues required to be addressed by management include, among other matters, to review and establish more comprehensive policies and methodologies relating to the adequacy of the allowance for loan and lease losses, the re-evaluation, development and implementation of strategic and other plans, to increase the bank's leverage capital ratio to 9% within 120 days and to obtain approval of the FDIC and the DFI for the payment of cash dividends by the bank to us. We have entered into a memorandum of understanding with the Federal Reserve Board and the DFI that parallels the memorandum of understanding Central Pacific Bank's directors entered into with the FDIC and the DFI. Effective April 1, 2009, CPF, the DFI and the Federal Reserve Board have set forth certain similar terms in a memorandum of understanding and the board of directors additionally has agreed to obtain the approval of the Federal Reserve Board and the DFI for CPF to increase, renew, incur or guarantee indebtedness.

In addition, due to the ongoing economic downturn and the resultant deterioration in the Hawaii and California commercial real estate markets and adverse impact on our loan portfolio and financial results, we may be the subject of additional regulatory actions in the future and face further limitations on our business, which would impair our operations and restrict our growth. Bank regulatory authorities have the authority to bring enforcement actions against banks and bank holding companies for unsafe or unsound practices in the conduct of their businesses or for violations of any law, rule or regulation, any condition imposed in writing by the appropriate bank regulatory agency or any written agreement with the authority. Possible enforcement actions against us could include the issuance of a cease-and-desist order that could be judicially enforced, the imposition of civil monetary penalties, the issuance of directives to increase capital or enter into a strategic transaction, whether by merger or otherwise, with a third party, the appointment of a conservator or receiver, the termination of insurance of deposits, the issuance of removal and prohibition orders against institution-affiliated parties, and the enforcement of such actions through injunctions or restraining orders.

Our business could be adversely affected by unfavorable actions from rating agencies.

Ratings assigned by ratings agencies to us, our affiliates or our securities may impact the decision of certain customers, in particular, institutions, to do business with us. A rating downgrade or a negative rating could adversely affect our deposits and our business relationships. On June 26, 2009, Fitch Ratings downgraded the ratings for us, Central Pacific Bank and our preferred stock and placed our ratings on Rating Watch Negative. This ratings downgrade may contribute to a loss of deposits and further downgrades to us, our affiliates or our securities could further reduce deposits and result in the loss of relationships.

Future dividend payments and common stock repurchases are restricted by the terms of the U.S. Treasury's equity investment in us.

Under the terms of the Treasury Asset Relief Program's ("TARP") Capital Purchase Program ("CPP"), for so long as any fixed rate cumulative perpetual preferred stock ("Preferred Shares") issued under the CPP remains outstanding, we are prohibited from increasing quarterly cash dividends on our common stock above $0.10 per share, and from making certain repurchases of equity securities, including our common stock, without the U.S. Treasury's consent until the third anniversary of the U.S. Treasury's investment or until the U.S. Treasury has transferred all of the Preferred Shares it purchased under the CPP to third parties. Furthermore, as long as the Preferred Shares issued to the U.S. Treasury is outstanding, dividend payments and repurchases or redemptions relating to certain equity securities, including our common stock, are prohibited until all accrued and unpaid dividends are paid on such Preferred Shares, subject to certain limited exceptions. These restrictions, together with the potentially dilutive impact of the warrant issued to the U.S. Treasury, could have a negative effect on the value of our common stock.

The Preferred Shares issued to the U.S. Treasury impacts net income available to our common shareholders and earnings per common share, and the ten-year warrant issued to the U.S. Treasury to purchase up to 1,578,748 shares of our voting common stock at an exercise price of $12.77 per share ("TARP Warrant") may be dilutive to holders of our common stock.

The dividends declared and the accretion on discount on the Preferred Shares issued to the U.S. Treasury will reduce the net income available to common shareholders and our earnings per common share. The Preferred Shares will also receive preferential treatment in the event of liquidation, dissolution or winding up of our company. Additionally, the ownership interest of the existing holders of our common stock will be diluted to the extent the TARP Warrant is exercised. Although the U.S. Treasury has agreed not to vote any of the shares of common stock it receives upon exercise of the TARP Warrant, a transferee of any portion of the TARP Warrant or of any shares of common stock acquired upon exercise of the TARP Warrant is not bound by this restriction.

If we are unable to redeem the Preferred Shares within five years, the cost of this capital to us will increase substantially.

If we are unable to redeem the Preferred Shares prior to February 15, 2014, the cost of this capital to us will increase substantially on that date, from 5.0% (approximately $6.8 million annually) to 9.0% per annum (approximately $12.2 million annually), further reducing the net income available to common shareholders and our earnings per common share.

Because of our participation in the TARP's CPP, we are subject to several restrictions including restrictions on compensation paid to our executives.

Pursuant to the terms of the TARP CPP, we adopted certain standards for executive compensation and corporate governance for the period during which the U.S. Treasury holds an investment in us. These standards generally apply to our Chief Executive Officer, Chief Financial Officer and the three next most highly compensated senior executive officers. The standards include (1) ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the financial institution; (2) required clawback of any bonus or incentive compensation paid to a senior executive based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate; (3) prohibition on making golden parachute payments to senior executives; and (4) agreement not to deduct for tax purposes executive compensation in excess of $0.5 million for each senior executive. In particular, the change to the deductibility limit on executive compensation will likely increase the overall cost of our compensation programs in future periods and may make it more difficult to attract suitable candidates to serve as executive officers.

Our business is subject to interest rate risk and fluctuations in interest rates may adversely affect our earnings.

The majority of our assets and liabilities are monetary in nature and subject to risk from changes in interest rates. Like most financial institutions, our earnings and profitability depend significantly on our net interest income, which is the difference between interest income on interest-earning assets, such as loans and investment securities, and interest expense on interest-bearing liabilities, such as deposits and borrowings. We expect that we will periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. If market interest rates should move contrary to our position, this "gap" will work against us and our earnings may be negatively affected. In light of our current volume and mix of interest-earning assets and interest-bearing liabilities, our interest rate margin could be expected to increase during periods of rising interest rates and, conversely, to decline during periods of falling interest rates. We are unable to predict or control fluctuations of market interest rates, which are affected by many factors including the following:

- Inflation;
- Recession;
- Changes in unemployment;
- The money supply;
- International disorder and instability in domestic and foreign financial markets; and
- Governmental actions.

Our asset/liability management strategy may not be able to control our risk from changes in market interest rates and it may not be able to prevent changes in interest rates from having a material adverse effect on our results of operations and financial condition. From time to time, we may reposition our investment portfolio to reduce our net interest income volatility. See "Asset/Liability Management and Interest Rate Risk" included in Part II, Item 7 of our Annual Report on Form 10-K/A for a further discussion of our sensitivity to interest rate changes.

We operate in a highly competitive industry and market area.

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources. Such competitors primarily include national, regional and community banks within the various markets we operate. Additionally, various out-of-state banks conduct significant business in the market areas in which we currently operate. We also face competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries.

The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks such as automatic transfer and automatic payment systems. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than we can.

Our ability to compete successfully depends on a number of factors, including, among other things:

- The ability to develop, maintain and build upon long-term customer relationships based on top quality service, high ethical standards and safe, sound assets;
- The ability to expand our market position;

The scope, relevance and pricing of products and services offered to meet customer needs and demands;

The rate at which we introduce new products and services relative to its competitors;

Customer satisfaction with our level of service; and

Industry and general economic trends.

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Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations.

Our deposit customers may pursue alternatives to deposits at our bank or seek higher yielding deposits causing us to incur increased funding costs.

We are facing increasing deposit-pricing pressures. Checking and savings account balances and other forms of deposits can decrease when our deposit customers perceive alternative investments, such as the stock market or other non-depository investments as providing superior expected returns or seek to spread their deposits over several banks to maximize FDIC insurance coverage. Furthermore, technology and other changes have made it more convenient for bank customers to transfer funds into alternative investments including products offered by other financial institutions or non-bank service providers. Additional increases in short-term interest rates could increase transfers of deposits to higher yielding deposits. Efforts and initiatives we undertake to retain and increase deposits, including deposit pricing, can increase our costs. When bank customers move money out of bank deposits in favor of alternative investments or into higher yielding deposits, or spread their accounts over several banks, we can lose a relatively inexpensive source of funds, thus increasing our funding costs.

If our investment in the FHLB-Seattle is classified as other-than-temporarily impaired or as permanently impaired, our earnings and shareholders' equity could decrease.

We own common stock of the FHLB-Seattle to qualify for membership in the Federal Home Loan Bank System and to be eligible to borrow funds under the FHLB-Seattle's advance program. The aggregate cost of our FHLB-Seattle common stock as of March 31, 2009 was $48.8 million based on its par value. There is no market for our FHLB-Seattle common stock.

Recent published reports indicate that certain member banks of the Federal Home Loan Bank System may be subject to accounting rules and asset quality risks that could result in materially lower regulatory capital levels. In an extreme situation, it is possible that the capitalization of a Federal Home Loan Bank, including the FHLB-Seattle, could be substantially diminished. Consequently, we believe that there is a risk that our investment in FHLB-Seattle common stock could be deemed other-than-temporarily impaired at some time in the future. If this occurs, it would cause our earnings and shareholders' equity to decrease by the after-tax amount of the impairment charge.

We may be unsuccessful in our federal or Hawaii state tax appeals, or ongoing tax audits may result in additional tax liabilities.

We are currently appealing certain tax assessments by the Internal Revenue Service and the State of Hawaii Department of Taxation. While we believe that we have properly applied the relevant income tax statutes and have obtained supporting opinions from tax consultants, we may be unsuccessful in one or more of our appeals. While we have established contingency reserves as deemed appropriate, adverse decisions or settlements could result in income tax and related interest exposure in excess of amounts reserved.

We rely on dividends from our subsidiaries for most of our revenue.

Because we are a holding company with no significant operations other than our bank, we currently depend upon dividends from our bank for a substantial portion of our revenues. Our ability to pay dividends will therefore continue to depend in large part upon our receipt of dividends or other capital distributions from our bank.

The ability of the bank to pay dividends or make other capital distributions to us is subject to the regulatory authority of the FDIC, the DFI, Hawaii law and the Federal Reserve Board as further described in "Business Supervision and Regulation Bank Holding Company Activities" and

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"Business Supervision and Regulation Dividends" in our most recent Annual Report on Form 10-K/A and similar sections in our future filings.

We may not be able to attract and retain skilled people.

Our success depends in large part on our ability to attract and retain key people and there are a limited number of qualified persons with knowledge of and experience in the banking industry in each of our markets. Furthermore, recent demand for skilled finance and accounting personnel among publicly traded companies has increased the importance of attracting and retaining these people. Competition for the best people can be intense given the tight labor market in Hawaii and we may not be able to hire people or to retain them. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on our business because of their skills, knowledge of our market, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

Our information systems may experience an interruption or breach in security.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of our information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

We continually encounter technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

Financial services companies depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions, we may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. We may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

We are subject to claims and litigation pertaining to fiduciary responsibility.

From time to time, customers make claims and take legal action pertaining to our performance of our fiduciary responsibilities. Regardless of whether customer claims and legal action related to our performance of our fiduciary responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant financial liability and/or adversely affect the market perception of us and our products and services, as well as impact customer demand for our products and services. Any financial liability or reputational damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations.

Recent Market, Legislative and Regulatory Events

The FDIC has imposed a special assessment on all FDIC-insured institutions, which will decrease our earnings in 2009.

In May of 2009, the FDIC announced that it had voted to levy a special assessment on insured institutions in order to facilitate the rebuilding of the Deposit Insurance Fund. The assessment is equal to five basis points of Central Pacific Bank's total assets minus Tier 1 capital as of June 30, 2009. This represents a charge of approximately $2.5 million which was recorded as a pre-tax charge during the second quarter of 2009. The FDIC has indicated that future special assessments are possible, although it has not determined the magnitude or timing of any future assessments. Any such future assessments will decrease our earnings.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. There is no assurance that any such losses would not materially and adversely affect our results of operations.

The fiscal, monetary and regulatory policies of the Federal Government and its agencies could have a material adverse effect on our results of operations.

The Board of Governors of the Federal Reserve System regulates the supply of money and credit in the United States. Its policies determine in large part the cost of funds for lending and investing and the return earned on those loans and investments, both of which affect the net interest margin. It also can materially decrease the value of financial assets we hold, such as debt securities. Its policies also can adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans. Additionally, on June 17, 2009, the U.S. Treasury Department released a white paper proposing sweeping financial reforms, including the creation of a Consumer Financial Protection Agency with extensive powers. If enacted, the proposals would significantly alter not only how financial firms are regulated but also how they conduct their business. Changes in Federal Reserve Board policies and our regulatory environment generally are beyond our control, and we are unable to predict what changes may occur or the manner in which any future changes may affect our business, financial condition and results of operation.

Risks Related to the Offering

The price of our common stock may be volatile or may decline.

The trading price of our common stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These

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broad market fluctuations could adversely affect the market price of our common stock. Among the factors that could affect our stock price are:

- actual or anticipated quarterly fluctuations in our operating results and financial condition. In particular, further deterioration of asset quality;
- changes in revenue or earnings estimates or publication of research reports and recommendations by financial analysts;
- failure to meet analysts' revenue or earnings estimates;
- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- actions by institutional shareholders;
- fluctuations in the stock price and operating results of our competitors;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- proposed or adopted regulatory changes or developments;
- anticipated or pending investigations, proceedings or litigation that involve or affect us; or
- domestic and international economic factors unrelated to our performance.

The stock market and, in particular, the market for financial institution stocks, has experienced significant volatility recently. As a result, the market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate more than usual and cause significant price variations to occur. The trading price of the shares of our common stock and the value of our other securities will depend on many factors, which may change from time to time, including, without limitation, our financial condition, performance, creditworthiness and prospects, future sales of our equity or equity related securities, and other factors identified below in "Special Note Regarding Forward-Looking Statements."

Accordingly, the shares of common stock that an investor purchases, whether in this offering or in the secondary market, may trade at a price lower than that at which they were purchased, and, similarly, the value of our other securities may decline. Current levels of market volatility are unprecedented. The capital and credit markets have been experiencing volatility and disruption for more than a year. In recent months, the volatility and disruption has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength.

A significant decline in our stock price could result in substantial losses for individual shareholders and could lead to costly and disruptive securities litigation.

We may need to raise additional capital which could result in a decline in the price of our common stock.

We face significant business, regulatory and other governmental risk as a financial institution, and it is possible that capital requirements and directives could in the future require us to change the amount or composition of our current capital, including common equity. In this regard, we note that we are not one of the 19 institutions required to conduct a forward-looking capital assessment, or "stress test," pursuant to the federal government's Capital Assessment Program ("CAP"), but that the stress assessment requirements under the CAP or similar requirement could be extended or otherwise impact financial institutions beyond the 19 participating institutions, including us. As a result, we could determine or, our regulators could require us, to raise additional capital. There could also be market perceptions regarding the need to raise additional capital, whether as a result of public disclosures that may be made regarding the CAP stress test methodology or otherwise, and, regardless of the outcome of any stress test or other stress case analysis, such perceptions could have an adverse effect on the price of our common stock.

The common stock is equity and therefore is subordinate to our and our subsidiaries' indebtedness and preferred stock.

Shares of our common stock are equity interests in us and do not constitute indebtedness. As such, shares of the common stock will rank junior to all current and future indebtedness and other non-equity claims on us with respect to assets available to satisfy claims against us, including in the event of our liquidation. We may, and Central Pacific Bank and our other subsidiaries may also, incur additional indebtedness from time to time and may increase our aggregate level of outstanding indebtedness. Additionally, holders of our common stock are subject to the prior dividend and liquidation rights of any holders of our preferred stock then outstanding. Under the terms of our outstanding fixed rate cumulative perpetual preferred stock, our ability to declare or pay dividends on or repurchase our common stock or other equity or capital securities is subject to restrictions in the event that we fail to declare and pay (or set aside for payment) full dividends on the fixed rate cumulative perpetual preferred stock. Our board of directors is authorized to cause us to issue additional classes or series of preferred stock without any action on the part of our stockholders. If we issue preferred shares in the future that have a preference over our common stock with respect to the payment of dividends or upon liquidation, or if we issue preferred shares with voting rights that dilute the voting power of the common stock, then the rights of holders of our common stock or the market price of our common stock could be adversely affected.

There is a limited trading market for our common stock and as a result, you may not be able to resell your shares at or above the price you pay for them.

Although our common stock is listed for trading on the NYSE, the volume of trading in our common stock is lower than many other companies listed on the NYSE. A public trading market with depth, liquidity and orderliness depends on the presence in the market of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. The offering may not increase the volume of trading in our common stock.

Our common stock is not insured and you could lose the value of your entire investment.

An investment in shares of our common stock is not a deposit and is not insured against loss or guaranteed by the federal government or any other governmental agency.

Resales of our common stock in the public market following the offering may cause its market price to fall.

We expect that we will issue a maximum of $100,000,000 in aggregate public offering price of our common stock in connection with the offering, assuming no exercise of the underwriters' over-allotment option. The issuance of new shares in this offering could have the effect of depressing the market price for shares of our common stock.

There may be future dilution of our common stock.

Except as described in the section entitled "Underwriting," we are not restricted from issuing additional shares of common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The issuance of any additional shares of common or preferred stock or convertible securities or the exercise of such securities could be substantially dilutive to stockholders of our common stock. For instance, exercise of the warrant issued to the U.S. Treasury in connection with our participation in the U.S. Treasury's CPP or options to

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purchase common stock under our employee and director stock option plans would dilute the value of our common stock. Holders of shares of our common stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our stockholders. The market price of our common stock could decline as a result of sales of shares of our common stock made after this offering or the perception that such sales could occur.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of common stock in this offering will be approximately $94.4 million, after deductions for estimated underwriting discounts and commissions and our estimated expenses. If the underwriters exercise their over-allotment option in full, we estimate that our net proceeds will be approximately $108.6 million. We intend to use the net proceeds from this offering for general corporate purposes, which may include contributing all or substantially all the net proceeds to Central Pacific Bank. Pending the application of net proceeds, we will invest them temporarily in liquid short-term securities.

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DIVIDEND POLICY

On January 28, 2009, our board of directors elected to suspend the payment of cash dividends on our common stock effective immediately. The suspension of our cash dividend on our common stock reflects our decision to preserve and build capital during these challenging economic times. As the economic environment stabilizes and our operating performance improves, we will reassess our capital levels and the payment of future cash dividends on our common stock. Our ability to pay dividends with respect to common stock is subject to obtaining approval from the Federal Reserve Board. In addition, the Purchase Agreement with the U.S. Treasury contains certain restrictions on payment of cash dividends on our common stock. See "Description of Common Stock Restrictions on Dividends."

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PRICE RANGE OF COMMON STOCK

Our common stock is traded on the NYSE under the symbol "CPF." The following chart shows the high and low prices for transactions in our common stock on the NYSE during the periods indicated.

	High	Low	Cash Dividends per Common Share
Year Ended December 31, 2007			
First Quarter	$40.50	$34.60	$ 0.24
Second Quarter	36.50	32.83	0.24
Third Quarter	33.60	27.69	0.25
Fourth Quarter	30.63	18.24	0.25
Year Ended December 31, 2008			
First Quarter	$21.92	$14.09	$ 0.25
Second Quarter	20.32	10.33	0.25
Third Quarter	22.40	7.10	0.10
Fourth Quarter	19.45	8.91	0.10
Year Ending December 31, 2009			
First Quarter	$10.22	$ 3.50	$
Second Quarter	9.98	3.67	
Third Quarter (through July 13, 2009)	3.92	3.07	

The last reported closing price for our common stock on the NYSE on July 13, 2009 was $3.53 per share. We had approximately 4,078 holders of record of our common stock at June 30, 2009.

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CAPITALIZATION

The following table shows our capitalization as of March 31, 2009 on an actual basis and on an as adjusted basis to give effect to the receipt of the estimated net proceeds from the offering. The as adjusted capitalization assumes no exercise of the underwriters' over-allotment option and assumes that the net proceeds from the offering, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, are approximately $94.4 million.