

CENTRAL PACIFIC FINANCIAL CORP  
Form POS AM  
June 16, 2011  
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As filed with the Securities and Exchange Commission on June 16, 2011

Registration No. 333-172480

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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Post-Effective Amendment No. 2

to

**Form S-1**

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

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**CENTRAL PACIFIC FINANCIAL CORP.**

(Exact Name of Registrant as Specified in Its Charter)

**Hawaii**  
(State or other jurisdiction of  
incorporation or organization)

**6022**  
(Primary Standard Industrial  
Classification Code Number)

**99-0212597**  
(IRS Employer  
Identification No.)

**220 South King Street**

**Honolulu, Hawaii 96813**

**(808) 544-0500**

(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive offices)

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**Glenn K.C. Ching**

**Senior Vice President, Corporate Secretary and General Counsel**

**220 South King Street**

**Honolulu, Hawaii 96813**

**(808) 544-0500**

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

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**with a copy to:**

**Alison S. Ressler**

Sullivan & Cromwell LLP

1888 Century Park East, Suite 2100

Los Angeles, CA 90067

(310) 712-6600

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**Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.**

If any of the securities being registered on this Form are offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act ) check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the Exchange Act ). (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.**

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**EXPLANATORY NOTE**

This Registration Statement includes two forms of prospectuses: one to be used relating to the offer and sale of up to 15,612,715 shares of our common stock, no par value per share (the "Common Stock" or "Common Shares") by certain selling shareholders identified therein and one to be used in an underwritten offering of 2,850,000 Common Shares by the United States Department of the Treasury (the "Treasury Prospectus"). The two prospectuses will be identical in all respects except for the front and back cover pages of each prospectus and the sections entitled "Prospectus Summary", "Plan of Distribution" and "Selling Shareholders", which will be different in each prospectus. The alternate pages to be used in the Treasury Prospectus are included immediately prior to Part II of this Registration Statement and are identified as pages A-1 to A-11.

All filing fees payable in connection with the filing of the Registration Statement were previously paid at the time of the initial filing of the Registration Statement.

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

Subject to completion, dated June 16, 2011

**PROSPECTUS**

**Up to 15,612,715 Shares of Common Stock**

This prospectus relates to the offer and sale of up to 15,612,715 shares of our common stock, no par value per share (the **Common Stock** or **Common Shares**), which includes 79,288 Common Shares issuable upon exercise of a warrant to purchase Common Shares which was issued to the United States Department of the Treasury ( **Treasury** ) on February 18, 2011 (the **Amended TARP Warrant** ), by certain selling shareholders identified herein, including Treasury (the **Selling Shareholders** ) from time to time (the **Shelf Offering** ). This prospectus does not cover the offer and sale of 2,850,000 Common Shares (the **Underwritten Treasury Shares** and collectively with the 2,849,405 Common Shares offered by Treasury in the Shelf Offering, the **Treasury Shares** ) held directly by Treasury in an underwritten offering (the **Treasury Offering** ), which is covered by a separate prospectus (the **Treasury Prospectus** ). We issued the Common Shares to the Selling Shareholders, including Treasury, and the Amended TARP Warrant as part of our recapitalization (as described below). We are registering the resale of the Common Shares as required by the subscription agreements we entered into with the Selling Shareholders.

The Selling Shareholders may sell all or a portion of the Common Shares from time to time, in amounts, at prices and on terms determined at the time of the offering. The Common Shares may be sold by any means described in the section of this prospectus entitled **Plan of Distribution** beginning on page 25.

We will not receive any proceeds from the sale of the Common Shares by the Selling Shareholders.

Our Common Shares are traded on the New York Stock Exchange (the **NYSE** ) under the symbol **CPF**. On June 15, 2011, the closing price of our Common Shares on the NYSE was \$12.42 per share.

On February 2, 2011, we effected a one-for-twenty reverse stock split of our Common Stock. All share numbers and per share prices in this prospectus reflect the one-for-twenty reverse stock split, unless otherwise indicated.

**Investing in our Common Shares involves risks. You should read the Risk Factors section beginning on page 9 before investing in our Common Shares.**

**None of the Securities and Exchange Commission, the Hawaii Division of Financial Institutions, 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. Any representation to the contrary is a criminal offense.**

**Our Common Shares are not deposit accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.**

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**The date of this prospectus is June , 2011**

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**ABOUT THIS PROSPECTUS**

You should only rely on the information contained in this prospectus. Neither we, Treasury, nor the other Selling Shareholders have authorized anyone to provide you with information different from that contained in this prospectus. Neither we, Treasury, nor the other Selling Shareholders are making an offer to sell securities in any jurisdiction in which the offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, and any information incorporated by reference is accurate only as of the date of the document incorporated by reference, in each case, regardless of the time of delivery of this prospectus or any purchase of our Common Shares. Our business, financial condition, results of operations, and prospects may have changed since that date. To understand this offering fully you should read this entire document carefully, including particularly the Risk Factors section beginning on page 9.

In this prospectus, we frequently use the terms we, our and us to refer to Central Pacific Financial Corp. (the Company) and its subsidiaries.

**INCORPORATION BY REFERENCE**

The Securities and Exchange Commission (the SEC) allows us to incorporate by reference the information that we file with it, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is an important part of this prospectus. We incorporate by reference the following documents (other than information furnished rather than filed):

- the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010;
  
- the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011;
  
- the Company's Current Reports on Form 8-K filed on January 28, 2011 (relating to Item 5.02), February 3, 2011, February 11, 2011, February 17, 2011, February 22, 2011, February 25, 2011, March 10, 2011, April 12, 2011, April 21, 2011, April 29, 2011, May 10, 2011, May 12, 2011 and May 23, 2011;
  
- the Company's Definitive Proxy Statement related to its 2011 annual meeting of shareholders, as filed with the SEC on March 4, 2011; and
  
- the description of our Common Stock and associated Preferred Share Purchase Rights (as defined below) set forth in our Registration Statements on Form 8-A filed pursuant to Section 12 of the Exchange Act, including any amendment or report filed with the SEC for the purpose of updating this description.



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We will provide without charge, upon written or oral request, a copy of any or all of the documents that are incorporated by reference into this prospectus and a copy of any or all other contracts or documents which are referred to in this prospectus. Requests should be directed to: Glenn K.C. Ching, Senior Vice President, Corporate Secretary and General Counsel of Central Pacific Financial Corp., 220 South King Street, Honolulu, Hawaii 96813.

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**PROSPECTUS SUMMARY**

*The following summary highlights selected information contained elsewhere in this prospectus and in the documents incorporated by reference in this prospectus and does not contain all the information you will need in making your investment decision. You should read carefully this entire prospectus and the documents incorporated by reference in this prospectus before making your investment decision.*

**Central Pacific Financial Corp.**

**Company Overview**

Central Pacific Financial Corp. is a Hawaii corporation and a bank holding company. Our principal business is to serve as a holding company for our bank subsidiary, Central Pacific Bank.

Central Pacific Bank (the bank) is a full-service commercial bank with 34 branches and 120 ATMs located throughout the state of Hawaii. The bank offers a broad range of products and services including accepting time and demand deposits and originating loans, including commercial loans, construction loans, commercial and residential mortgage loans, and consumer loans. The bank also has an office in California.

At March 31, 2011, we had total assets of approximately \$4.0 billion, loans and leases of \$2.1 billion and total deposits of \$3.1 billion.

Our Common Stock is traded on the NYSE under the ticker symbol CPF. Our principal executive offices are located at 220 South King Street Honolulu, Hawaii 96813 and our telephone number is (808) 544-0500. Our internet address is <http://www.centralpacificbank.com>. The information contained on our web site is not part of this prospectus.

**Recent Developments**

*Recapitalization*

We recently completed the following transactions as part of our recapitalization:

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- a one-for-twenty reverse stock split of our Common Shares on February 2, 2011 (the Reverse Stock Split ), for which shareholder approval was obtained on May 24, 2010.
- a capital raise of \$325 million in a private placement (the Private Placement ) that was completed on February 18, 2011, at a price of \$10 per share, with investments from (1) affiliates of each of The Carlyle Group ( Carlyle ) and Anchorage Capital Group, L.L.C. ( Anchorage and, together with Carlyle, the Lead Investors ), pursuant to investment agreements with each of the Lead Investors (collectively, the Investment Agreements ) and (2) various other investors, including certain of our directors and officers (the Additional Investors and, together with the Lead Investors, the Investors ), pursuant to subscription agreements with each of such investors;
- concurrently with the Private Placement, (1) the exchange (the TARP Exchange ) of 135,000 shares of our Fixed Rate Cumulative Perpetual Preferred Stock, no par value per share and liquidation preference \$1,000 per share (the TARP Preferred Stock ), held by Treasury, and accrued and unpaid dividends thereon for 5,620,117 Common Shares and (2) the amendment of a warrant, issued to Treasury on January 9, 2009 to, among other things, reflect an exercise price of \$10 per share (as amended, the Amended TARP Warrant ); and
- a rights offering whereby shareholders of record as of 5:00 p.m., Eastern time, on February 17, 2011, and their transferees purchased approximately 2,000,000 Common Shares following the expiration of the offering on May 6, 2011 at the same price per share paid by the Investors in the Private Placement (the Rights Offering ).

### *Transfer Restrictions*

We have generated significant net operating loss carry-overs ( NOL s ) as a result of our recent losses. Our ability to use these NOL s to offset future taxable income will be limited if we experience an ownership change as defined in Section 382 of the Internal Revenue Code ( Section 382 ). In order to reduce the likelihood that future transactions in our Common Shares will result in an ownership change under Section 382, on May 2, 2011 following shareholder approval, we filed an amendment to our restated articles of incorporation to restrict transfers of our Common Shares if the effect of the

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transfer would be to cause the transferee to become the beneficial owner of 4.99% or more of our Common Shares (a Threshold Holder ) or cause the beneficial ownership of our Common Shares by any Threshold Holder to increase (the Protective Charter Amendment ). We had previously adopted a Tax Benefits Preservation Plan to protect our tax benefits. The plan provides an economic disincentive for any person, together with its affiliates, to become the beneficial owner of 4.99% or more of our Common Shares. The Protective Charter Amendment expires on the earliest of (i) May 2, 2014, (ii) such time as the Board of Directors of the Company (the Board of Directors ) determines the Protective Charter Amendment is no longer necessary for the preservation of our tax benefits and (iii) the date the Board of Directors determines that the Protective Charter Amendment is no longer in our and our shareholders' best interest.

You should carefully consider the terms and condition of our articles of incorporation and our Tax Benefits Preservation Plan before investing in our Common Shares.

*Regulatory Agreements*

In May 2011, the members of the Board of Directors of the bank entered into a Memorandum of Understanding (the Bank MOU ) with the FDIC and the Hawaii Division of Financial Institutions (the DFI ), effective May 5, 2011, which replaced the Consent Order (the Consent Order ) the Board of Directors of the bank agreed to with the FDIC and DFI in December 2009. The termination of the Consent Order was effective May 11, 2011. The Bank MOU continues a number of the same requirements previously required by the Consent Order, including the maintenance of an adequate allowance for loan and lease losses, improvement of our asset quality, limitations on credit extensions, maintenance of qualified management and the prohibition on cash dividends to the Company, among other matters. In addition, the Bank MOU requires the bank to further reduce classified assets below the level previously required by the Consent Order. The Bank MOU lowers the minimum leverage capital ratio that the bank is required to maintain from 10% in the Consent Order to 8% and does not mandate a minimum total risk-based capital ratio.

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**The Offering**

Issuer	Central Pacific Financial Corp.
Common Shares Offered by Us	None.
Common Shares Offered by Selling Shareholders	Up to 15,612,715 Common Shares.
Use of Proceeds	We will not receive any proceeds from the sale of the Common Shares by the Selling Shareholders.
Listing	Our Common Shares are listed on the NYSE under the symbol CPF.
Risk Factors	An investment in our Common Shares involves risks. Please read Risk Factors beginning on page 9 of this prospectus.

Table of Contents**Summary Consolidated Financial Data**

The information at and for the years ended December 31, 2006 through 2010 is derived in part from, and should be read together with, our audited consolidated financial statements and accompanying notes incorporated by reference into this prospectus. The information at and for the three months ended March 31, 2011 and 2010 is derived in part from, and should be read together with, our unaudited consolidated financial statements and accompanying notes and incorporated by reference into this prospectus. Results for the first quarter of 2011 are not indicative of the results to be expected for 2011. The per Common Share data and the number of Common Shares outstanding have been adjusted to retroactively give effect to the Reverse Stock Split.

	Quarter Ended March 31,		Year Ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
	(Dollars in thousands, except per share data)						
<b>Statement of Operation Data:</b>							
Total interest income	\$ 34,363	\$ 46,261	\$ 160,754	\$ 242,237	\$ 303,952	\$ 349,877	\$ 320,381
Total interest expense	6,162	11,192	42,101	67,715	101,997	137,979	109,532
Net interest income	28,201	35,069	118,653	174,522	201,955	211,898	210,849
Provision (credit) for loan and lease losses	(1,575)	58,837	159,548	348,801	171,668	53,001	1,350
Net interest income (loss) after provision for loan and lease losses	29,776	(23,768)	(40,895)	(174,279)	30,287	158,897	209,499
Other operating income	12,500	12,764	57,036	57,413	54,808	45,804	43,156
Goodwill impairment		102,689	102,689	50,000	94,279	48,000	
Other operating expense (excluding goodwill impairment)	37,637	46,526	164,405	166,876	178,543	128,556	132,163
Income (loss) before income taxes	4,639	(160,219)	(250,953)	(333,742)	(187,727)	28,145	120,492
Income tax expense (benefit)				(19,995)	(49,313)	22,339	41,312
Net income (loss)	4,639	(160,219)	(250,953)	(313,747)	(138,414)	5,806	79,180
<b>Balance Sheet Data (Year-End):</b>							
Interest-bearing deposits in other banks	\$ 537,495	\$ 658,337	\$ 729,014	\$ 400,470	\$ 475	\$ 241	\$ 5,933
Investment securities (1)	1,078,124	448,798	705,345	924,359	751,297	881,254	898,358
Loans and leases	2,067,302	2,844,189	2,169,444	3,041,980	4,030,266	4,141,705	3,846,004
Allowance for loan and lease losses	178,010	211,646	192,854	205,279	119,878	92,049	52,280
Goodwill				102,689	152,689	244,702	298,996
Other intangible assets	44,498	45,610	44,639	45,390	39,783	39,972	43,538
Total assets	4,013,398	4,434,177	3,938,051	4,869,522	5,432,361	5,680,386	5,487,192
Core deposits (2)	2,747,572	2,873,647	2,796,144	2,951,119	2,805,347	2,833,317	2,860,926
Total deposits	3,145,463	3,335,038	3,132,947	3,568,916	3,911,566	4,002,719	3,844,483
Long-term debt	409,299	657,537	459,803	657,874	649,257	916,019	740,189
Total shareholders' equity	384,984	172,105	66,052	335,963	526,291	674,403	738,139
<b>Per Common Share Data:</b>							
Basic earnings (loss) per share	\$ 4.59	\$ (107.23)	\$ (171.13)	\$ (220.56)	\$ (96.56)	\$ 3.85	\$ 51.90
Diluted earnings (loss) per share	4.58	(107.23)	(171.13)	(220.56)	(96.56)	3.82	51.37
Cash dividends declared					14.00	19.60	17.60
Book value	9.71	28.16	(42.18)	136.50	366.34	469.04	480.73
Diluted weighted average shares outstanding (in	19,321	1,513	1,516	1,459	1,433	1,520	1,541

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thousands)

**Financial Ratios:**

Return (loss) on average assets	0.47%	(13.25)%	(5.74)%	(5.87)%	(2.45)%	0.10%	1.50%
Return (loss) on average shareholders equity	9.34	(196.41)	(140.73)	(54.99)	(23.07)	0.77	11.16
Net income (loss) to average tangible shareholders equity	10.48	(320.04)	(193.24)	(77.60)	(37.00)	1.35	21.01
Average shareholders equity to average assets	5.00	6.74	4.08	10.67	10.61	13.58	13.45
Net interest margin (3)	3.03	3.20	2.91	3.62	4.02	4.33	4.55
Net loan charge-offs to average loans	2.42	6.89	6.33	7.03	3.42	0.33	0.05
Nonaccrual loans to total loans and leases and loans held for sale (4)	10.76	15.93	10.96	15.13	3.26	1.48	0.23
Allowance for loan and lease losses to total loans and leases	8.61	7.44	8.89	6.75	2.97	2.22	1.36
Allowance for loan and lease losses to nonaccrual loans (4)	77.99	45.78	78.62	43.41	90.43	149.57	583.61
Dividend payout ratio	N/A	N/A	N/A	N/A	N/A	515.79	33.85
Leverage capital ratio	12.6	5.8	4.4	6.8	8.8	9.8	10.9
Tier 1 risk-based capital ratio	21.3	9.0	7.6	9.6	10.4	11.5	12.3
Total risk-based capital ratio	22.7	10.3	9.0	10.9	11.7	12.7	13.6

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- (1) Held-to-maturity securities at amortized cost, available-for-sale securities at fair value.
  - (2) Noninterest-bearing demand, interest-bearing demand and savings deposits, and time deposits under \$100,000.
  - (3) Computed on a taxable equivalent basis using an assumed income tax rate of 35%.
  - (4) Nonaccrual loans include loans held for sale.



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**RISK FACTORS**

An investment in our Common Shares is subject to risks inherent in our business. The material risks and uncertainties that management believes affect us are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this prospectus.

If any of the following risks actually occurs, our financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our common stock could decline significantly and you could lose all or part of your investment.

**Risk Factors Related to our Business**

*Although we completed the Private Placement, we have incurred significant losses and cannot assure you that we will be profitable in the near term or at all.*

With the completion of the Private Placement, the bank's capital ratios currently exceed the levels required by the Bank MOU and previously required by the Consent Order, and are at well-capitalized levels. As of March 31, 2011, the bank's leverage capital ratio was 12.31% and total risk-based capital ratio was 22.11%. However, even though we had net income of \$4.6 million in the first quarter of 2011, we have incurred significant losses over the past few years, including net losses of \$251.0 million for the year ended December 31, 2010, \$313.7 million for the year ended December 31, 2009 and \$138.4 million for the year ended December 31, 2008, primarily due to credit costs, including a significant provision for loan and lease losses. Although we have taken a number of steps to reduce our credit exposure, at March 31, 2011, we still had \$284.9 million in nonperforming assets and it is possible that we will continue to incur elevated credit costs over the near term, which would adversely impact our overall financial performance and results of operations. We cannot assure you that we will return to profitability in the near term or at all.

*The proceeds from the Private Placement may not be sufficient to satisfy our capital and liquidity needs in the future or to satisfy changing regulatory requirements, and we may need to raise additional capital.*

The proceeds from the Private Placement were raised to strengthen our capital base as previously required by the Consent Order. As mentioned above, our capital ratios currently exceed the levels required by the Bank MOU and previously required by the Consent Order and are at well-capitalized levels for regulatory purposes. As of March 31, 2011, the bank's leverage capital ratio was 12.31% and total risk-based capital ratio was 22.11%. However, despite the increase in our capital base, if economic conditions continue to be difficult or worsen or fail to improve in a timely manner, or if our operations or financial condition continues to deteriorate or fails to improve, particularly in the residential and commercial real estate markets where our business is located, we may need to raise additional capital. Factors affecting whether we would need to raise additional capital include, among others, additional provisions for loan and lease losses and loan charge-offs, changing requirements of regulators and other risks discussed in this Risk Factors section. If we had to raise additional capital, there can be no assurance that we would be able to do so in the amounts required and in a timely manner, or at all. In addition, any additional capital raised may be significantly dilutive to our existing shareholders and may result in the issuance of securities that have rights, preferences and privileges that are senior to our Common Shares.

*We are subject to a number of requirements and prohibitions under regulatory orders imposed on us and we cannot assure you whether or when such orders will be lifted.*

In May 2011, the members of the Board of Directors of the bank entered into the Bank MOU with the FDIC and the DFI, effective May 5, 2011, which replaced the Consent Order. The termination of the Consent Order was effective May 11, 2011. The Bank MOU continues a number of the same requirements previously required by the Consent Order, including the maintenance of an adequate allowance for loan and lease losses, improvement of our asset quality, limitations on credit extensions, maintenance of qualified management and the prohibition on cash dividends to the Company, among other matters. In addition, the Bank MOU requires the bank to further reduce classified assets below the level previously required by the Consent Order. The Bank MOU lowers the minimum leverage capital ratio that the bank is required to maintain from 10% in the Consent Order to 8% and does not mandate a minimum total risk-based capital ratio.

In addition, the Company is subject to a Written Agreement (the Agreement ) with the Federal Reserve Bank of San Francisco (the FRBSF ) and DFI dated July 2, 2010, which supersedes in its entirety the Memorandum of Understanding that the Company entered into on April 1, 2009 with the FRBSF and DFI. Among other matters, the Agreement provides that unless we receive the consent of the FRBSF and DFI, we cannot: (i) pay dividends; (ii) receive dividends or payments representing a reduction in capital from the bank; (iii) directly or through our non-bank subsidiaries

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make any payments on subordinated debentures or trust preferred securities; (iv) directly or through any non-bank subsidiaries incur, increase or guarantee any debt; or (v) purchase or redeem any shares of our stock. The Agreement requires that the Board of Directors fully utilize the Company's financial and managerial resources to ensure that the bank complies with the Consent Order. We were also required to submit to the FRBSF an acceptable capital plan and cash flow projection.

On February 9, 2011, the bank entered into a Memorandum of Understanding (the "BSA MOU") with the FDIC and DFI relating to the Bank Secrecy Act (the "BSA"). Under the BSA MOU, the bank will be required to (i) fully comply with the BSA and anti-money laundering requirements, (ii) implement a plan to ensure such compliance, including improving and maintaining an adequate system of internal controls, bolstering policies on customer due diligence, providing for comprehensive independent testing to validate compliance, and maintaining an adequate compliance staff, (iii) correct all deficiencies identified by our regulators and (iv) provide them with progress reports.

Even though the Consent Order has been replaced by the Bank MOU, the bank remains subject to a number of requirements as described above. We cannot assure you whether or when the Company and the bank will be in full compliance with the agreements with the regulators or whether or when the Agreement, the Bank MOU and the BSA MOU will be terminated. Even if terminated, we may still be subject to other agreements with regulators that restrict our activities and may also continue to impose capital ratios requirements. The requirements and restrictions of the Agreement, the Bank MOU and the BSA MOU are judicially enforceable and the Company or the bank's failure to comply with such requirements and restrictions may subject the Company and the bank to additional regulatory restrictions including: the imposition of a new consent order; the imposition of civil monetary penalties; the termination of insurance of deposits; the issuance of removal and prohibition orders against institution-affiliated parties; the appointment of a conservator or receiver for the bank; the issuance of directives to increase capital or enter into a strategic transaction, whether by merger or otherwise, with a third party, if we again fall below the capital ratio requirements; and the enforcement of such actions through injunctions or restraining orders.

***We may suffer substantial losses due to our agreements to indemnify investors in the Private Placement against a broad range of potential claims.***

In our agreements with the investors in the Private Placement, we agreed to indemnify the investors for a broad range of claims, including losses resulting from the inaccuracy or breach of representations or warranties made by us in such agreements and the breach by us to perform our covenants contained in such agreements. While these indemnities are subject to various limitations, if claims were successfully brought against us, it could potentially result in significant losses for the Company.

***As a result of the Private Placement, Carlyle and Anchorage became substantial holders of our Common Shares.***

Upon the completion of our recapitalization, Carlyle and Anchorage each became holders of approximately 23% of our outstanding Common Shares and each has a representative and the right to an observer on our and the bank's Board of Directors. Although Carlyle and Anchorage each entered into certain passivity agreements with the Board of Governors of the Federal Reserve System (the "FRB") in connection with their investments in us, Carlyle and Anchorage each have substantial influence over our corporate policy and business strategy. In addition, Carlyle and Anchorage each have pre-emptive rights to maintain their percentage ownership of our Common Shares in the event of certain issuances of securities by us. In pursuing their economic interests, Carlyle and Anchorage may have interests that are different from the interests of our other shareholders.

*Resales of our Common Shares in the public market may cause the market price of our Common Shares to fall.*

We issued a large number of Common Shares to the Investors in the Private Placement and to Treasury in the TARP Exchange. The Lead Investors have certain registration rights with respect to the Common Shares held by them following a one-year lock-up period provided in their respective Investment Agreements. The Additional Investors have certain registration rights with respect to the Common Shares purchased by them in the Private Placement until six months following the completion of the Private Placement and those shares are registered on a registration statement of which this prospectus is a part. In addition, in connection with the TARP Exchange, we provided Treasury with certain registration rights with respect to the Common Shares issued to Treasury in exchange for our previously outstanding TARP Preferred Stock and those shares are registered on a registration statement of which this prospectus is a part, as well as the shares issuable upon exercise of the Amended TARP Warrant. The registration rights for the Lead Investors will allow them to sell their Common Shares without compliance with the volume and manner of sale limitations under Rule 144 promulgated under the Securities Act and the registration rights for the Additional Investors allow them to sell their Common Shares before their holding period under Rule 144 expires. The market value of our Common Shares could decline as a result of sales by the Investors and Treasury from time to time of a substantial amount of the Common Shares held by them.

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***Our ability to use net operating loss carryovers to reduce future tax payments may be limited or restricted.***

We have generated significant NOLs as a result of our recent losses. We generally are able to carry NOLs forward to reduce taxable income in future years. However, our ability to utilize the NOLs is subject to the rules of Section 382 of the Internal Revenue Code. Section 382 generally restricts the use of NOLs after an ownership change. An ownership change occurs if, among other things, the shareholders (or specified groups of shareholders) who own or have owned, directly or indirectly, 5% or more of a corporation's common stock or are otherwise treated as 5% shareholders under Section 382 and Treasury regulations promulgated thereunder increase their aggregate percentage ownership of that corporation's stock by more than 50 percentage points over the lowest percentage of the stock owned by these shareholders over a three-year rolling period. In the event of an ownership change, Section 382 imposes an annual limitation on the amount of taxable income a corporation may offset with NOL carry forwards. This annual limitation is generally equal to the product of the value of the corporation's stock on the date of the ownership change, multiplied by the long-term tax-exempt rate published monthly by the Internal Revenue Service. Any unused annual limitation may be carried over to later years until the applicable expiration date for the respective NOL carry forwards.

Our recapitalization did not cause an ownership change and we don't anticipate that the Treasury Offering will cause an ownership change within the meaning of Section 382. In order to reduce the likelihood that future transactions in our Common Shares will result in an ownership change, on November 23, 2010, we adopted a Tax Benefits Preservation Plan, which provides an economic disincentive for any person or group to become an owner, for relevant tax purposes, of 4.99% or more of our Common Shares. To further protect our tax benefits, on May 2, 2011, we filed the Protective Charter Amendment to restrict transfers of our Common Shares if the effect of the transfer would be to cause the transferee to become a Threshold Holder (which is an owner, for relevant tax purposes, of 4.99% or more of our Common Shares) or cause the beneficial ownership of our Common Shares by any Threshold Holder to increase. However, we cannot ensure that our ability to use our NOLs to offset income will not become limited in the future. As a result, we could pay taxes earlier and in larger amounts than would be the case if our NOLs were available to reduce our federal income taxes without restriction.

The Protective Charter Amendment expires on the earliest of (i) May 2, 2014, (ii) such time as the Board of Directors determines the Protective Charter Amendment is no longer necessary for the preservation of our tax benefits and (iii) the date the Board of Directors determines that the Protective Charter Amendment is no longer in our and our shareholders' best interest.

***Because of our participation in the Troubled Asset Relief Program ( TARP ) and under the terms of our exchange agreement with Treasury, we are subject to restrictions on compensation paid to our executives, which may make it difficult to attract and retain key members of management.***

Pursuant to the terms of the TARP Capital Purchase Program, we adopted certain standards for executive compensation and corporate governance for the period during which Treasury owns any debt or equity securities acquired pursuant to TARP. These standards generally apply to our five most highly compensated senior executive officers, including our President and Chief Executive Officer and Chief Financial Officer, and/or certain of these restrictions also apply up to the next 20 most highly compensated senior executives. The standards include, among other things:

- ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the financial institution;

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- a required clawback of any bonus or incentive compensation paid to a senior executive officer and the next twenty most highly compensated employees based on materially inaccurate financial statements or any other materially inaccurate financial performance metric criteria;
- a prohibition on making golden parachute payments to senior executive officers and the next five most highly compensated employees;
- an agreement not to deduct for tax purposes annual compensation in excess of \$500,000 for each senior executive officer; and
- limitations on bonuses and incentive compensation.

We depend on the services of existing management to carry out our business strategy and our recovery plan which we began implementing in March 2010 to improve our financial health and capital ratios. In addition, our success depends in large part on our ability to attract and retain other key employees. See We may not be able to attract and retain skilled people below. The loss of the services of any management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our results of operations, financial condition and prospects. In particular, the

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change to the deductibility limit on executive compensation may increase the overall cost of our compensation programs in future periods and make it more difficult to attract suitable candidates to serve as executive officers.

We are also obligated to comply with any subsequent amendments to these restrictions for so long as we remain subject to such restrictions.

***Our Hawaii and, to a lesser extent, California commercial real estate and construction loan operations have a considerable effect on our results of operations.***

The performance of our Hawaii and California commercial real estate and construction loans depends on a number of factors, including improvement of the real estate market in which we operate. As we have seen in the Hawaii and California construction and commercial real estate markets since the latter part of 2007, the strength of the real estate market and the results of our operations could continue to be negatively affected by the economic downturn. While we are no longer originating new loans out of our Mainland operations, we still have a sizable California loan portfolio and the performance of that portfolio continues to be subject to market conditions in California.

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. Although during the first quarter of 2011, our provision for loan and lease losses amounted to a credit of \$1.6 million, from the third quarter of 2007 through 2010, we significantly increased our provision for loan and lease losses as a result of these challenging conditions. During the year ended December 31, 2010, our provision for loan and lease losses amounted to \$159.5 million, compared to \$348.8 million in 2009 and \$171.7 million in 2008. As of March 31, 2011, our percentage of nonperforming assets to total loans and leases, loans held for sale and other real estate was 13.08%, compared to 13.18% as of December 31, 2010, 15.85% as of December 31, 2009 and 3.52% as of December 31, 2008. We cannot assure you that we will have an adequate provision for loan and lease losses to cover future losses. If we suffer greater losses than we are projecting, our recovery plan and the ability to improve our position will be materially adversely affected.

***Difficult economic and market conditions have adversely affected our industry and continued economic slowdown in Hawaii or a worsening of current market conditions in general would result in additional adverse effects on us.***

The U.S. economy entered into one of the longest economic recessions to have occurred since the Great Depression of the 1930 s in December 2007. Although general economic trends and market conditions have since stabilized to some degree, a continued economic slowdown in Hawaii or a worsening of current market conditions in general would likely result in additional adverse effects on us, including: (i) loan delinquencies may increase; (ii) problem assets and foreclosures may increase leading to more loan charge-offs; (iii) demand for our products and services may decline; (iv) low cost or non-interest bearing deposits may decrease; and (v) 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.

Furthermore, unlike larger national or other regional banks that are more geographically diversified, our business and operations are closely tied to the Hawaii market. The Hawaii economy relies on tourism, real estate, government and other service-based industries. Declines in tourism,

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increases in energy costs, the availability of affordable air transportation, adverse weather and natural disasters, like the recent earthquake and tsunami in Japan, and local budget issues impact consumer and corporate spending. As a result, such events may contribute to the deterioration in Hawaii's general economic condition, which could adversely impact us and our borrowers.

The high concentration of commercial real estate and construction loans in our portfolio, combined with the deterioration in these sectors caused by the economic downturn, had and may continue to have a significantly more adverse impact on our operating results than many other banks across the nation. Although we have taken a number of steps to reduce our credit risk exposure over the past several quarters, we still had \$284.9 million in nonperforming assets at March 31, 2011. If our borrowers continue to experience financial difficulty, or if property values securing our real estate loans decline further, we will continue to incur elevated credit costs due to the composition of our loan portfolio even if market conditions stabilize or improve.



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*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. Although during the three months ended March 31, 2011, our provision for loan and lease losses amounted a credit of \$1.6 million, prior to that, during the year ended December 31, 2010, our provision for loan and lease losses amounted to \$159.5 million, compared to \$348.8 million in 2009 and \$171.7 million in 2008. Our current allowance for loan and lease losses 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;
  
- 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 for loan and lease losses, we rely on an analysis of our loan portfolio, our experience and our evaluation of general economic conditions, as well as the requirements of the Bank MOU and other regulatory input. If our assumptions prove to be incorrect, our current allowance for loan and lease losses may not be sufficient. Because of the uncertainty in the economy, volatility in the credit and real estate markets, including specifically, the deterioration in the Hawaii and California real estate markets and our high concentration of commercial real estate and construction loans, we made significant adjustments to our allowance for loan and lease losses in 2008, 2009 and 2010 and may need to make additional adjustments in the future.

*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 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 would have a substantial negative effect 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 concerns regarding the continued deterioration in our financial condition, increased regulatory actions against us and 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. 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 credit markets.

The management of liquidity risk is critical to the management of our business and 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 financial condition, 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 past and future 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, advances from the FHLB and the Federal Reserve 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 or market conditions were to change.

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Our line of credit with the FHLB serves as our primary outside source of liquidity. Our maximum borrowing term is limited to two years. The Federal Reserve discount window also serves as an additional outside source of liquidity. Borrowings under this arrangement are through the Federal Reserve's secondary facility and are subject to providing additional information regarding the financial condition of the bank and reasons for the borrowing. The duration of borrowings from the Federal Reserve discount window are generally for a very short period, usually overnight. In the event that these outside sources of liquidity become unavailable to us, we will need to seek additional sources of liquidity, including selling assets. We cannot assure you that we will be able to sell assets at a level to allow us to repay borrowings or meet our liquidity needs.

In February 2009, our collateral arrangement with the FHLB converted from a blanket pledge arrangement to a physical possession arrangement whereby we are required to deliver certain original loan documents to the FHLB for the collateral securing our advances. In December 2010, the FHLB expanded the physical possession arrangement to require copies of all loan documents for the collateral securing advances. As a result, should the FHLB elect to call any of our outstanding borrowings, they would maintain possession of the collateral we pledged and could assume legal ownership of the assets in the event we are unable to meet our obligations.

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 to the Bank MOU, the Agreement and the BSA MOU, governmental regulation and regulatory actions against us may further impair our operations or restrict our growth.***

In addition to the requirements of the Bank MOU, the Agreement and the BSA MOU, we are subject to significant governmental supervision and regulation. These regulations are intended primarily for the protection of depositors' funds, federal deposit insurance funds and the banking system as a whole, not security holders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. 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.

There can be no assurance that such changes to the statutes and regulations or to their interpretation will not adversely affect our business. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. 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 FRBSF, FDIC and DFI and may be subject to the rules and regulations promulgated by the Consumer Protection Bureau which was recently created pursuant to the Dodd-Frank Act. If we fail to comply with federal and state bank regulations, the regulators may limit our activities or growth, impose fines on us or ultimately cease our operations. 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;

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- the kinds of activities that can be engaged in;
- the kinds and amounts of investments that can be made;
- 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 particular, President Obama signed the Dodd-Frank Act into law on July 21, 2010. The Dodd-Frank Act provides for a comprehensive overhaul of the financial services industry within the United States. While the full effects of the legislation on us cannot yet be determined, it could result in higher compliance and other costs, reduced revenues and higher capital and liquidity requirements, among other things, which could adversely affect our business.

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In addition, 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 a federal conservatorship or receivership for the bank, the issuance of additional orders that could be judicially enforced, the imposition of civil monetary penalties, the issuance of directives to enter into a strategic transaction, whether by merger or otherwise, with a third party, 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.

***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. There are a limited number of qualified persons in Hawaii with the knowledge and experience required to successfully implement our recovery plan. The more senior the executive, the more difficult it is to locate suitable candidates in the local market. Accordingly, in many circumstances, it is necessary for us to recruit potential candidates from the mainland. At this time, new senior executives are required to be approved by our regulators. Suitable candidates for positions may decline to consider employment with the Company given its financial condition and the current regulatory environment, particularly since in some circumstances, this would require that the employee relocate from the mainland to Hawaii, where other employment opportunities in the banking industry may be limited. In addition, it may be difficult for us to offer compensation packages that would be sufficient to convince candidates that are acceptable to our regulators and meet our requirements to agree to become our employee and/or relocate. Our financial condition and the existing uncertainties may result in existing employees seeking positions at other companies where these issues are not present. The unexpected loss of services of other key personnel could have a material adverse impact on our business because of a loss of their skills, knowledge of our market and years of industry experience. If we are not able to promptly recruit qualified personnel, which we require to conduct our operations, our business and our ability to successfully implement our recovery plan could be adversely affected.

***The recent turnover in key positions in our finance and credit departments could increase the risk that our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.***

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accurately accumulated by management, and recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and depend on the sufficiency of the personnel involved in those functions. There has been recent turnover in key positions in our finance and credit departments as part of the implementation of our recovery plan. We have also experienced significant turnover on our executive management team within the past year, including the appointments of a new Executive Chairman of the Board of Directors in June 2010 (who is now the President and Chief Executive Officer), new Chief Financial Officer in August 2010, new Chief Administrative Officer in November 2010, new Chief Credit Officer in February 2011 and a new Chief Information Officer in June 2011. The recent changes to our executive management team, combined with the turnover within our finance and credit departments, could increase the risk that our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

***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.***

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Approximately 16% of our real estate loan portfolio as of March 31, 2011 was comprised of construction loans. Seventy percent of these construction loans were in Hawaii while 30% were located on the mainland. Many of our construction loans are reliant upon sponsors and/or guarantors for additional support. Repayment of construction loans is dependent upon the successful completion of the construction project, on time and within budget, and the successful sale of a completed project or the conversion of the construction loan into a term loan. If a borrower is unable to complete a construction project or if the marketability or value of the completed development is impaired, proceeds from the sale of the subject property may be insufficient to repay the loan.

In recent periods, our construction loan portfolio has been significantly impacted by an increase in loan delinquencies and defaults, as well as declining collateral values resulting from the downturn in the commercial real estate markets in Hawaii and California and the significant negative impact this had on our borrowers, guarantors, and many of the projects securing our construction loans. Even if economic conditions stabilize or improve, our construction loan portfolio may continue to experience material credit losses due to our high concentration of loans with exposure to this sector,

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combined with the continuing uncertainty surrounding many of the projects securing our existing construction loans and the diminished capacity of many of our construction borrowers and guarantors.

***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 financial results.***

Our results of operations have been, and in future periods, will continue to be significantly impacted by the economy in Hawaii, and to a lesser extent, other markets we are exposed to including California. Approximately 85% of our loan portfolio as of March 31, 2011 was comprised of loans primarily collateralized by real estate, with the majority of these loans concentrated in Hawaii.

Deterioration of the economic environment in Hawaii, California or other markets we are exposed to, including a continued decline or worsening declines in the real estate market and 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. Over the past three years, material declines in the value of the real estate assets securing many of our commercial real estate loans has led to significant credit losses in this portfolio. As a result of our particularly high concentration of commercial real estate and construction loans, the risk within our portfolio is higher than many financial institutions and, as a result, our portfolio had been and remains particularly susceptible to significant credit losses during economic downturns and adverse changes in the real estate market. Because of our high concentration of loans secured by real estate (the majority of which were originated several years ago), it is possible that we will continue to experience elevated levels of credit losses and higher Provisions even if the overall real estate market stabilizes or improves due to the continuing uncertainty surrounding many of the specific real estate assets securing our loans and the weakened financial condition of many of our commercial real estate borrowers and guarantors.

***The Federal Home Loan Bank of Seattle has entered into a consent order with the Federal Housing Finance Agency. If our investment in the Federal Home Loan Bank of Seattle is classified as other-than-temporarily impaired or as permanently impaired, our earnings and stockholder's equity could decrease.***

We own stock in the Federal Home Loan Bank of Seattle ( FHLB ). We hold this stock to qualify for membership in the Federal Home Loan Bank System and to be eligible to borrow funds under the FHLB's advance program. The aggregate cost and fair value of our FHLB stock was \$48.8 million as of March 31, 2011.

On October 25, 2010, the FHLB entered into a consent order with the Federal Housing Finance Agency (the FHFA ), which requires the FHLB to take certain specified actions related to its business and operations. Following the filing of the FHLB's second quarter 2011 quarterly report on Form 10-Q with the SEC, and once the FHLB reaches and maintains certain thresholds, it may begin repurchasing member capital stock at par. Further, the FHLB may again be in position to redeem certain capital stock from members and begin paying dividends once the FHLB:

- achieves and maintains certain other financial and operational metrics;

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- remediates certain concerns regarding its oversight and management, asset improvement program, capital adequacy and retained earnings, risk management, compensation practices, examination findings, and information technology; and
- returns to a safe and sound condition as determined by the FHFA.

Any stock repurchases, redemptions and dividend payments will be subject to FHFA approval. There continues to be a risk that the FHLB may not be permitted to redeem capital stock from members and begin paying dividends in the future, and that our investment in FHLB stock could be impaired at some time in the future. If this occurs, our earnings and stockholders' equity would be negatively impacted.

***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



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and mix of interest-earning assets and interest-bearing liabilities, our net interest 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 assets and liabilities to reduce our net interest income volatility.

***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. 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

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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 our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

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.

The soundness of our financial condition may also affect our competitiveness. Customers may decide not to do business with the bank due to its financial condition. In addition, our ability to compete is impacted by the limitations on our activities imposed under the Bank MOU and the Agreement. We have and continue to face additional regulatory restrictions that our competitors may not be subject to, including reducing our commercial real estate loan portfolio and improving the overall risk profile of the Company, which could adversely impact our ability to compete and attract and retain customers.

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***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.

***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 the bank's 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 the bank's 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. The bank's financial condition compared to other top Hawaii financial institutions may affect our customers' decisions to keep their deposit accounts with us.

***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 Federal Reserve Board 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. 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.

***Increases in deposit insurance premiums and special FDIC assessments may decrease our future earnings.***

In May 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, which was payable on September 30, 2009, was in addition to an increase in premiums and a change in the way regular premiums are assessed, which the FDIC previously approved. The cost of the special assessment was equal to five basis points of the bank's total assets minus Tier 1 capital as of June 30, 2009 and resulted in a charge of approximately \$2.5 million. On November 17, 2009, the FDIC issued new assessment regulations that require FDIC-insured institutions to prepay on December 30, 2009 their estimated quarterly risk-based assessments for the fourth quarter 2009 and for all of 2010, 2011 and 2012; however certain financial institutions, including the bank, were exempted from the new prepayment regulations and will continue to pay their risk-based assessments on a quarterly basis. The FDIC also

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adopted a uniform three-basis point increase in assessment rates effective on January 1, 2011; however, in October 2010, the FDIC adopted a new DIF restoration plan pursuant to which the FDIC will forego the uniform three-basis point increase in initial assessment rates scheduled to take place on January 1, 2011 and maintain the current schedule of assessment rates for all depository institutions.

The recent assessment increases and special assessment discussed above, along with any future assessment increases and/or special assessments applicable to the bank, may increase our expenses and adversely impact our earnings.

*The recent repeal of federal prohibitions on payment of interest on demand deposits could increase our interest expense.*

All federal prohibitions on the ability of financial institutions to pay interest on demand deposit accounts were repealed as part of the Dodd-Frank Act. As a result, beginning on July 21, 2011, financial institutions could commence offering interest on demand deposits to compete for clients. We do not yet know what interest rates other institutions may offer. Our interest expense will increase and our net interest margin will decrease if we have to offer higher rates of interest than we currently offer on demand deposits to attract additional customers or maintain current customers, which could have a material adverse effect on our business, financial condition and results of operations.

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***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 February 23, 2011, Fitch Ratings upgraded the long-term Issuer Default Rating of the Company and the bank from CC to B- and removed the Company and the bank from Rating Watch Evolving. On May 20, 2011, Fitch Ratings upgraded the long-term Issuer Default Rating of the Company and the bank to B+ from B- and assigned a Positive Rating Outlook. However, our ratings may not improve further and may be downgraded in the future if there are adverse developments concerning our business.

***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 depend upon dividends from our bank for a substantial portion of our revenues.

In addition to obtaining approval from the FDIC and DFI, Hawaii law only permits the bank to pay dividends out of retained earnings. Given that the bank had an accumulated deficit of \$478.1 million at March 31, 2011, the bank is prohibited from paying any dividends until this deficit is eliminated. Accordingly, we do not anticipate that the bank will be permitted to pay dividends for the foreseeable future.

In addition, even if the bank was able to pay us dividends, we do not anticipate paying cash dividends on our Common Shares in the foreseeable future.

***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.***

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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 our 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 various legal claims and litigation.*

From time to time, customers, employees and others that we do business with make claims and take legal action against us for various business occurrences, including the performance of our fiduciary responsibilities. Regardless of whether these claims

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and legal actions 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. Even if these claims and legal actions do not result in a financial liability or reputational damage, defending these claims and actions have resulted in, and will continue to result in, increased legal and professional services costs, which adds to our noninterest expense and negatively impacts our operating results.

**Risk Factors Related to Our Common Stock**

*The market price of our Common Shares has declined significantly and is volatile.*

The trading price of our Common Shares has declined significantly since February 2007 when our stock price traded above \$800.00 per share (after giving effect to the Reverse Stock Split). On February 22, 2011, the first trading day after the closing of the Private Placement and the TARP Exchange, the closing price of our Common Shares was \$30.00 per share. On June 15, 2011, the closing price of our Common Shares was \$12.42 per share. The per share purchase price in the Private Placement and the Rights Offering was \$10. The trading price of our Common Shares 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 broad market fluctuations could adversely affect the market price of our Common Shares. Among the factors that could affect our stock price are:

- failure to comply with all of the requirements of the Bank MOU, the Agreement and the BSA MOU, and the possibility of resulting action by the regulators;
  
- further deterioration of asset quality;
  
- the incurrence of continuing losses;
  
- actual or anticipated quarterly fluctuations in our operating results and financial condition;
  
- changes in revenue or earnings/losses estimates or publication of research reports and recommendations by financial analysts;
  
- failure to meet analysts' revenue or earnings/losses estimates;

- speculation in the press or investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- additions or departures of key personnel;
- fluctuations in the stock price and operating results of our competitors;
- future sales of our Common Shares, including sales of our Common Shares in short sale transactions;
- 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, have experienced significant volatility over the past few years. In addition, the trading volume in our Common Shares may fluctuate more than usual and cause significant price variations to occur. In addition, sales of shares by Investors and Treasury may cause our share price to decrease. Accordingly, the Common Shares that you purchase may trade at a price lower than that at which they were purchased. Volatility in the market price of our Common Shares may prevent individual shareholders from being able to sell their shares when they want or at prices they find attractive.



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

***The transferability of our Common Shares is limited as a result of the Tax Benefits Preservation Plan and the Protective Charter Amendment.***

As described under Risk Factors Related to our Business Our ability to use net operating loss carryovers to reduce future tax payments may be limited or restricted, we have generated significant NOLs as a result of our recent losses. In order to reduce the likelihood that future transactions in our Common Shares will result in an ownership change, on November 23, 2010, we adopted a Tax Benefits Preservation Plan, which provides an economic disincentive for any person or group to become an owner, for relevant tax purposes, of 4.99% or more of our Common Shares. To further protect our NOLs, we filed the Protective Charter Amendment on May 2, 2011 to restrict transfers of our stock if the effect of an attempted transfer would cause the transferee to become a Threshold Holder or cause the beneficial ownership of a Threshold Holder to increase. The Protective Charter Amendment expires on the earliest of (i) May 2, 2014, (ii) such time as the Board of Directors determines the Protective Charter Amendment is no longer necessary for the preservation of our tax benefits and (iii) the date the Board of Directors determines that the Protective Charter Amendment is no longer in our and our shareholders' best interest.

The Tax Benefits Preservation Plan and the Protective Charter Amendment have the effect of limiting transferability of our Common Shares because they may make it more difficult and more expensive to acquire our Common Shares under the circumstances described above and, in the case of the Protective Charter Amendment, prohibit certain acquisitions of our Common Shares as described above. A shareholder's ability to dispose of our Common Shares is therefore limited by reducing the class of potential acquirers for such Common Shares.

***Our Common Shares are equity and therefore are subordinate to our subsidiaries' indebtedness and preferred stock.***

Our Common Shares are equity interests and do not constitute indebtedness. As such, Common Shares 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 the bank and our other subsidiaries may also, incur additional indebtedness from time to time and may increase our aggregate level of outstanding indebtedness. As of March 31, 2011, we had \$105.0 million in face amount of trust preferred securities outstanding and accrued and unpaid dividends thereon of \$5.9 million. Additionally, holders of Common Shares are subject to the prior dividend and liquidation rights of any holders of our preferred stock that may be outstanding from time to time. The 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 Shares 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 Shares, then the rights of holders of our Common Shares or the market price of our Common Shares could be adversely affected.

***There is a limited trading market for our Common Shares 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 Shares are listed for trading on the NYSE, the volume of trading in our Common Shares 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

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buyers and sellers of our Common Shares 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.

***Our Common Shares are not insured and you could lose the value of your entire investment.***

An investment in our Common Shares is not a deposit and is not insured against loss by the government.

***Treasury, which is a selling shareholder, is a federal agency and your ability to bring a claim against Treasury under the federal securities laws may be limited.***

The doctrine of sovereign immunity, as limited by the Federal Tort Claims Act (the FTCA ), provides that claims may not be brought against the United States of America or any agency or instrumentality thereof unless specifically permitted by act of Congress. The FTCA bars claims for fraud or misrepresentation. At least one federal court, in a case involving a federal agency, has held that the United States may assert its sovereign immunity to claims brought under the federal securities laws. In addition, Treasury and its officers, agents, and employees are exempt from liability for any violation or alleged violation of the anti-fraud provisions of Section 10(b) of the Exchange Act by virtue of Section 3(c) thereof. We do not expect any underwriter in an offering of Common Shares by Treasury to claim to be an agent of Treasury in such offering. Accordingly, any attempt to assert such a claim against the officers, agents or employees of Treasury for a violation

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of the Securities Act or the Exchange Act resulting from an alleged material misstatement in or material omission from this prospectus or the registration statement of which this prospectus is a part or resulting from any other act or omission in connection with an offering of Common Shares by Treasury would likely be barred.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this prospectus that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Act), notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in our future filings with the SEC, in press releases and in oral and written statements made by or with the approval of us that are not statements of historical fact and constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans, objectives and expectations of Central Pacific Financial Corp., its management or the Board of Directors, including those relating to regulatory actions, business plans, products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as believes, anticipates, expects, intends, targeted, continue, remain, will, should, may and other similar expressions are forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include but are not limited to:

- the effect of and our failure to comply with all of the requirements of the Bank MOU, the Agreement, the BSA MOU and any further regulatory actions;
- our ability to execute on our recovery plan;
- oversupply of inventory and adverse conditions in the Hawaii and California real estate markets and further weakness in the construction industry;
- adverse changes in the financial performance and/or condition of our borrowers and, as a result, increased loan delinquency rates, further deterioration in asset quality and further losses in our loan portfolio;
- the impact of local, national, and international economies and events (including natural disasters such as wildfires, tsunamis and earthquakes, such as the recent tsunami in Japan and related fallouts) on the Company's business and operations and on tourism, the military, and other major industries operating within the Hawaii market and any other markets in which the Company does business;
- deterioration or malaise in economic conditions, including the continued destabilizing factors in the financial industry and continued deterioration of the real estate market, as well as the impact of declining levels of consumer and business confidence in the state of the economy in general and in financial institutions in particular;

- the impact of regulatory action on the Company and the bank and legislation affecting the banking industry;
- changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- the impact of the Dodd-Frank Act, other regulatory reform, including but not limited to government-sponsored enterprise reform, and any related rules and regulations on our business operations and competitiveness, including the impact of executive compensation restrictions, which may affect our ability to retain and recruit executives in competition with other firms who do not operate under those restrictions;
- the costs and effects of legal and regulatory developments, including the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews;
- the effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the FRB;
- inflation, interest rate, securities market and monetary fluctuations;
- movements in interest rates;

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- negative trends in our market capitalization and adverse changes in the price of our Common Shares;
- political instability;
- acts of war or terrorism;
- changes in consumer spending, borrowings and savings habits;
- technological changes;
- changes in the competitive environment among financial holding companies and other financial service providers;
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters;
- ability to retain and attract skilled employees;
- changes in our organization, compensation and benefit plans; and
- our success at managing the risks involved in the foregoing items.

Forward-looking statements speak only as of the date on which such statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

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**PLAN OF DISTRIBUTION**

We are registering the Common Shares covered by this prospectus to permit Selling Shareholders to conduct public secondary trading of the Common Shares from time to time after the date of this prospectus. We will not receive any of the proceeds of the sale of the Common Shares offered by this prospectus. The aggregate proceeds to the Selling Shareholders from the sale of the Common Shares will be the purchase price of the Common Shares less any discounts and commissions. A Selling Shareholder reserves the right to accept and, together with their agents, to reject, any proposed purchases of Common Shares to be made directly or through agents.

The Common Shares offered by this prospectus may be sold from time to time to purchasers:

- directly by the Selling Shareholders and their successors, which include their donees, pledgees or transferees or their successors-in-interest, or
- through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, commissions or agent's commissions from the Selling Shareholders or the purchasers of the Common Shares. These discounts, concessions or commissions may be in excess of those customary in the types of transactions involved, provided that in compliance with Financial Industry Regulatory Authority guidelines the maximum compensation to any underwriter, broker-dealer or agent in connection with any sale of Common Shares by a Selling Shareholder pursuant to this prospectus will not exceed 8% of the total offering price of the Common Shares by the Selling Shareholder.

The Selling Shareholders and any underwriters, broker-dealers or agents who participate in the sale or distribution of the Common Shares may be deemed to be underwriters within the meaning of the Securities Act. As a result, any profits on the sale of the Common Shares by such Selling Shareholders and any discounts, commissions or agent's commissions or concessions received by any such broker-dealer or agents may be deemed to be underwriting discounts and commissions under the Securities Act. Selling Shareholders who are deemed to be underwriters within the meaning of Section 2(11) of the Securities Act will be subject to prospectus delivery requirements of the Securities Act. Underwriters are subject to certain statutory liabilities, including, but not limited to, Sections 11, 12 and 17 of the Securities Act.

The Common Shares may be sold in one or more transactions at:

- fixed prices;
- prevailing market prices at the time of sale;
- prices related to such prevailing market prices;

- varying prices determined at the time of sale; or
- negotiated prices.

The sales may be effected in one or more transactions:

- on any national securities exchange or quotation on which the Common Shares may be listed or quoted at the time of the sale;
- in the over-the-counter market;
- in transactions other than on such exchanges or services or in the over-the-counter market;
- through the writing of options (including the issuance by the Selling Shareholders of derivative securities), whether the options or such other derivative securities are listed on an options exchange or otherwise;
- in a public auction;
- through the settlement of short sales; or
- through any combination of the foregoing.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the trade.



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In connection with the sales of the Common Shares, the Selling Shareholders may enter into hedging transactions with broker-dealers or other financial institutions which in turn may:

- engage in short sales of the Common Shares in the course of hedging their positions;
  
- sell the Common Shares short and deliver the Common Shares to close out short positions;
  
- loan or pledge the Common Shares to broker-dealers or other financial institutions that in turn may sell the Common Shares;
  
- enter into option or other transactions with broker-dealers or other financial institutions that require the delivery to the broker-dealer or other financial institution of the Common Shares, which the broker-dealer or other financial institution may resell under the prospectus; or
  
- enter into transactions in which a broker-dealer makes purchases as a principal for resale for its own account or through other types of transactions.

To our knowledge, other than the Treasury Offering, there are currently no plans, arrangements or understandings between any Selling Shareholders and any underwriter, broker-dealer or agent regarding the sale of the Common Shares by the Selling Shareholders.

The Common Shares are listed on the NYSE under the symbol CPF.

There can be no assurance that any Selling Shareholder will sell any or all of the Common Shares under this prospectus. Further, we cannot assure you that any such Selling Shareholder will not transfer, devise or gift the Common Shares by other means not described in this prospectus. The Common Shares covered by this prospectus may also be sold to non-U.S. persons outside the U.S. in accordance with Regulation S under the Securities Act rather than under this prospectus. The Common Shares may be sold in some states only through registered or licensed brokers or dealers. In addition, in some states the Common Shares may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification is available and complied with.

The Selling Shareholders and any other person participating in the sale of the Common Shares will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the Common Shares by the Selling Shareholders and any other such person. In addition, Regulation M may restrict the ability of any person engaged in the distribution of the Common Shares to engage in market-making activities with respect to the Common Shares being distributed. This may affect

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the marketability of the Common Shares and the ability of any person or entity to engage in market-making activities with respect to the Common Shares.

We have agreed to indemnify the Selling Shareholders against certain liabilities, including liabilities under the Securities Act.

We have agreed to pay substantially all of the expenses incidental to the registration of the Common Shares, including all registration, filing and listing fees, printing expenses, fees and disbursements of counsel for the Company and blue sky fees and expenses. The Selling Shareholders will be required to pay all discounts, selling commission and stock transfer taxes applicable to the sale of the Common Shares and fees and disbursements of counsel for any Selling Shareholder.

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**USE OF PROCEEDS**

We will receive no proceeds from Common Shares sold by Treasury or the other Selling Shareholders.

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**SELLING SHAREHOLDERS**

The table below sets forth information concerning the resale of Common Shares by the Selling Shareholders, including Treasury. We will not receive any proceeds from the resale of the Common Shares by the Selling Shareholders, including Treasury. Except as described below, the Selling Shareholders have not held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years. Our operations are regulated by various U.S. governmental authorities, including in certain respects by Treasury. Pursuant to the Exchange Agreement, dated February 17, 2011, between the Company and Treasury, Treasury has the right to an observer on the Board of Directors of the Company for so long as it owns at least 5% of the issued and outstanding Common Shares. Other than through its role as a regulator, the observer on the Board of Directors and the acquisition of the Treasury Shares and the Amended TARP Warrant, Treasury has not held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years.

Treasury acquired the Amended TARP Warrant and the Treasury Shares as part of the Troubled Asset Relief Program, which was established pursuant to the Emergency Economic Stabilization Act of 2008 ( EESA ). EESA was enacted into law on October 3, 2008 to restore confidence and stabilize the volatility in the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other.

The following description was provided by Treasury and is derived from the website of Treasury. Treasury is the executive agency of the United States government responsible for promoting economic prosperity and ensuring the financial security of the United States. Treasury is responsible for a wide range of activities, such as advising the President of the United States on economic and financial issues, encouraging sustainable economic growth and fostering improved governance in financial institutions. Treasury operates and maintains systems that are critical to the nation's financial infrastructure, such as the production of coin and currency, the disbursement of payments to the American public, revenue collection and the borrowing of funds necessary to run the federal government. Treasury works with other federal agencies, foreign governments, and international financial institutions to encourage global economic growth, raise standards of living and, to the extent possible, predict and prevent economic and financial crises. Treasury also performs a critical and far-reaching role in enhancing national security by implementing economic sanctions against foreign threats to the United States, identifying and targeting the financial support networks of national security threats and improving the safeguards of our financial systems. In addition, under the EESA, Treasury was given certain authority and facilities to restore the liquidity and stability of the financial system.

The doctrine of sovereign immunity, as limited by the FTCA, provides that claims may not be brought against the United States of America or any agency or instrumentality thereof unless specifically permitted by act of Congress. The FTCA bars claims for fraud or misrepresentation. The courts have held, in cases involving federal agencies and instrumentalities, that the United States may assert its sovereign immunity to claims brought under the federal securities laws. Thus, any attempt to assert a claim against Treasury alleging a violation of the federal securities laws, including the Securities Act and the Exchange Act, resulting from an alleged material misstatement in or material omission from this prospectus or the registration statement of which this prospectus is a part, or any other act or omission in connection with the offering to which this prospectus relates, likely would be barred. In addition, Treasury has advised us that Treasury and its members, officers, agents, and employees are exempt from liability for any violation or alleged violation of the anti-fraud provisions of Section 10(b) of the Exchange Act by virtue of Section 3(c) thereof. We do not expect any underwriter in an offering of Common Shares by Treasury to claim to be an agent of Treasury in such offering. Accordingly, any attempt to assert such a claim against the members, officers, agents or employees of Treasury for a violation of the Securities Act or the Exchange Act resulting from an alleged material misstatement in or material omission from this prospectus, any applicable prospectus supplement or the registration statement of which this prospectus and any applicable prospectus supplement are a part or resulting from any other act or omission in connection with the offering to which this prospectus relates likely would be barred.

The following table is based on information provided to us by the Selling Shareholders on or about February 25, 2011 and as of such date. Because the Selling Shareholders may sell all, some or none of the Common Shares in the Shelf Offering, no estimate can be given as to the

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amount of Common Shares that will be held by the Selling Shareholders upon termination of the Shelf Offering. For purposes of the table below, we have assumed that the Selling Shareholders will sell all of the Common Shares offered in the Shelf Offering and Treasury will sell all of the Underwritten Treasury Shares in the Treasury Offering.

The percentages below are calculated based on 41,738,820 Common Shares issued and outstanding as of May 31, 2011.

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Name and Address of Beneficial Owner	Beneficial Ownership Prior to the Offering		Common Shares Being Offered	Beneficial Ownership After the Offering	
	Number of Common Shares Beneficially Owned(1)	Percent(2)		Number of Common Shares Beneficially Owned	Percent(2)
Auxier Asset Management(3) 5285 Meadows Road, Suite 333 Lake Oswego, Oregon 97035	5,000	*	5,000	0	*
Barclays Bank PLC(4) 745 7th Avenue, 16th Floor New York, NY 10019	1,000,000	2.40%	1,000,000	0	*
Baupost Group Securities, L.L.C.(5) 10 St. James Avenue, Suite 1700 Boston, MA 02116	1,800,000	4.31%	1,800,000	0	*
BHR Master Fund Ltd.(6) 545 Madison Avenue, Floor 20 New York, NY 10022	680,000	1.63%	680,000	0	*
BHR OC Master Fund Ltd.(7) 545 Madison Avenue, Floor 10 New York, NY 10022	370,000	*	370,000	0	*
Chrisman & Company, Inc.(8) 350 South Figueroa Street, Suite 550 Los Angeles, CA 90071	25,000	*	25,000	0	*
Citadel Global Equities Master Fund Ltd.(9) c/o Citadel Advisors LLC 131 S. Dearborn Street Chicago, IL 60603	192,665	*	192,665	0	*
Crescent 1, L.P.(10) c/o Cyrus Capital Partners, L.P. 399 Park Avenue, 39th Floor New York, NY 10022	210,000	*	210,000	0	*
CRS Fund, Ltd.(11) c/o Cyrus Capital Partners, L.P. 399 Park Avenue, 39th Floor New York, NY 10022	220,500	*	220,500	0	*
Cyrus Opportunities Master Fund II, Ltd.(12) c/o Cyrus Capital Partners, L.P. 399 Park Avenue, 39th Floor New York, NY 10022	514,500	1.23%	514,500	0	*
Cyrus Select Opportunities Master Fund, Ltd.(13) c/o Cyrus Capital Partners, L.P. 399 Park Avenue, 39th Floor New York, NY 10022	105,000	*	105,000	0	*
East Rock Focus Fund, LP(14) c/o East Rock Focus Fund GP, LLC 10 East 53rd Street, 31st Floor New York, NY 10022	398,000	*	398,000	0	*
East Rock Simco Endowment Fund, LP(15) c/o East Rock Focus Fund GP, LLC 10 East 53rd Street, 31st Floor New York, NY 10022	58,000	*	58,000	0	*
EREF Special Situations, LLC(16) c/o East Rock Focus Fund GP, LLC 10 East 53rd Street, 31st Floor New York, NY 10022	632,000	1.51%	632,000	0	*

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LHK Capital Limited(17) Room 2102, 21/F Westlands Centre 20 Westlands Road Quarry Bay, Hong Kong	200,000	*	200,000	0	*
LMA SPC on behalf of the MAP 86 Segregated Portfolio(18)	7,345	*	7,345	0	*

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Name and Address of Beneficial Owner	Beneficial Ownership Prior to the Offering		Common Shares Being Offered	Beneficial Ownership After the Offering	
	Number of Common Shares Beneficially Owned(1)	Percent(2)		Number of Common Shares Beneficially Owned	Percent(2)
c/o Citadel Advisors LLC 131 S. Dearborn Street Chicago, IL 60603					
Mariner Tricadia Credit Strategies Master Fund, Ltd.(19) 780 Third Avenue, 29th Floor New York, NY 10017	220,000				