

CENTRAL PACIFIC FINANCIAL CORP  
Form DEF 14A  
March 20, 2006  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## SCHEDULE 14A

(Rule 14a-101)

### INFORMATION REQUIRED IN PROXY STATEMENT

## SCHEDULE INFORMATION

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to §240.14a-12

**CENTRAL PACIFIC FINANCIAL CORP.**  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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|-----|---|
| (1) | Title of each class of securities to which transaction applies:   |
| (2) | Aggregate number of securities to which transaction applies:  |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): |
| (4) | Proposed maximum aggregate value of transaction:  |
| (5) | Total fee paid:   |
- Fee paid previously with preliminary materials.  
 Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
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| (1) | Amount Previously Paid:                       |
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| (3) | Filing Party:                                 |

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Date Filed:

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**CENTRAL PACIFIC FINANCIAL CORP.**

220 South King Street  
Honolulu, Hawaii 96813  
(808) 544-0500

**APRIL 25, 2006 ANNUAL MEETING  
YOUR VOTE IS IMPORTANT**

**March 20, 2006**

Dear Fellow Shareholder:

On behalf of your Board of Directors, we cordially invite you to attend the 2006 Annual Meeting of Shareholders of Central Pacific Financial Corp. The Annual Meeting will be held on April 25, 2006, at 6:00 p.m., Hawaii time, in the Haleakala and Kilauea Rooms of the Hawaii Prince Hotel Waikiki, 100 Holomoana Street, Honolulu, Hawaii.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe matters to be acted upon at the Annual Meeting. Please give these materials your prompt attention. Then, we ask that you sign, date and mail promptly the enclosed Proxy Card in the enclosed postage-paid envelope to ensure that your shares are voted accordingly. Shareholders who attend the meeting may withdraw their proxy and vote in person if they wish to do so.

We appreciate your continued interest in Central Pacific Financial Corp. and are confident that, as in the past, you will continue to vote your shares.

**Sincerely,**

RONALD K. MIGITA  
*Chairman*

CLINT ARNOLDUS  
*Vice Chairman and Chief Executive Officer*

## CENTRAL PACIFIC FINANCIAL CORP.

220 South King Street  
Honolulu, Hawaii 96813  
(808) 544-0500

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD APRIL 25, 2006

#### TO THE SHAREHOLDERS OF CENTRAL PACIFIC FINANCIAL CORP.:

NOTICE IS HEREBY GIVEN that, pursuant to its Restated Bylaws and the call of its Board of Directors, the Annual Meeting of Shareholders (the Meeting ) of Central Pacific Financial Corp. (the Company ) will be held in the Haleakala and Kilauea Rooms of the Hawaii Prince Hotel Waikiki, 100 Holomoana Street, Honolulu, Hawaii, on April 25, 2006, at 6:00 p.m., Hawaii time, for the purpose of considering and voting upon the following matters:

1. **Election of Directors.** To elect five persons to the Board of Directors for a term of three years and to serve until their successors are elected and qualified, as more fully described in the accompanying Proxy Statement.
2. **Ratification of Appointment of Independent Registered Public Accounting Firm.** To ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2006.
3. **Other Business.** To transact such other business as may properly come before the Meeting and at any and all adjournments thereof.

Only those shareholders of record at the close of business on February 28, 2006 shall be entitled to notice of and to vote at the Meeting.

**SHAREHOLDERS ARE URGED TO SIGN AND RETURN THE ENCLOSED PROXY IN THE POSTAGE PREPAID ENVELOPE AS PROMPTLY AS POSSIBLE, WHETHER OR NOT THEY PLAN TO ATTEND THE MEETING IN PERSON. SHAREHOLDERS WHO ATTEND THE MEETING MAY WITHDRAW THEIR PROXY AND VOTE IN PERSON IF THEY WISH TO DO SO.**

By order of the Board of Directors,

GLENN K. C. CHING  
Senior Vice President and Corporate Secretary

Dated: March 20, 2006

## CENTRAL PACIFIC FINANCIAL CORP.

220 South King Street  
Honolulu, Hawaii 96813  
(808) 544-0500

### PROXY STATEMENT

### ANNUAL MEETING OF SHAREHOLDERS

APRIL 25, 2006

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### INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies ( Proxies ) by the Board of Directors (the Board ) of Central Pacific Financial Corp. (the Company ) for use at the Annual Meeting of Shareholders (the Meeting ) of the Company to be held in the Haleakala and Kilauea Rooms of the Hawaii Prince Hotel Waikiki, 100 Holomoana Street, Honolulu, Hawaii, on April 25, 2006, 6:00 p.m., Hawaii time, and at any and all adjournments thereof. The approximate date on which this Proxy Statement and accompanying Notice and form of proxy are first being mailed to shareholders is March 24, 2006.

### Matters to be Considered

The matters to be considered and voted upon at the Meeting will be:

1. **Election of Directors.** To elect five persons to the Board for a term of three years and to serve until their successors are elected and qualified.
2. **Ratification of Appointment of Independent Registered Public Accounting Firm.** To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006.
3. **Other Business.** To transact such other business as may properly come before the Meeting and at any and all adjournments thereof.

### Record Date, Outstanding Securities and Voting Rights

The Board fixed the close of business on February 28, 2006 as the record date (the Record Date ) for the determination of the shareholders of the Company entitled to notice of and to vote at the Meeting. Only holders of record of shares of Common Stock at the close of business on the Record Date will be entitled to vote at the Meeting and at any adjournment or postponement of the Meeting. There were 30,452,770 shares of the Company's common stock, no par value ( Common Stock ), issued and outstanding on the Record Date, held by approximately 3,359 holders of record.

Each holder of Common Stock will be entitled to one vote, in person or by proxy, for each share of Common Stock standing in the holder's name on the books of the Company as of the Record Date on any matter submitted to the vote of the shareholders.

### Quorum

The required quorum for the transaction of business at the Meeting is a majority of the total outstanding shares of Common Stock entitled to vote at the Meeting, either present in person or represented by proxy. Abstentions will be included in determining the number of shares present at the Meeting for the purpose of determining the presence of a quorum.



### **Broker Authority to Vote**

Under the rules of the National Association of Securities Dealers, Inc., member brokers generally may not vote shares held by them in street name for customers unless they are permitted to do so under the rules of any national securities exchange of which they are a member. Under the rules of the New York Stock Exchange, Inc. ( NYSE ), a member broker who holds shares in street name for customers has the authority to vote on certain terms if it has transmitted proxy soliciting materials to the beneficial owner but has not received instructions from that owner. NYSE rules permit member brokers that do not receive instructions from their customers to vote on both of the proposals discussed above in their discretion.

### **Vote Required to Approve the Proposals**

*Proposal 1: Election of Directors.* You may vote **FOR** or **WITHHOLD** with respect to any or all director nominees. The election of directors requires a plurality of the votes cast **FOR** the election of directors by the shares entitled to vote in the election at a meeting at which a quorum is present. Accordingly, the five directorships to be filled at the meeting will be filled by the five nominees receiving the highest number of **FOR** votes; votes that are **WITHHELD** will be excluded entirely from the vote and will have no effect on the outcome of the vote.

*Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm.* The proposal to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm requires the affirmative vote of shareholders holding not less than a majority of the shares of Common Stock represented in person or by proxy and entitled to vote at the Meeting. An abstention from voting on the proposal to ratify the appointment of KPMG LLP will have the effect of a vote **AGAINST** the proposal.

**The Board of Directors recommends a vote **FOR** the election of all nominees as directors, and **FOR** ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006.** It is not anticipated that any matters will be presented at the Meeting other than as set forth in the accompanying Notice of the Meeting. If any other matters are presented properly at the Meeting, however, the Proxy will be voted by the Proxy Holders in accordance with the recommendations of the Board of Directors.

### **Revocability of Proxies**

Any shareholder who executes and delivers such Proxy has the right to revoke it at any time before it is exercised by filing with the Corporate Secretary of the Company an instrument revoking it or a duly executed Proxy bearing a later date. A Proxy may also be revoked by attending the Meeting and voting in person at the Meeting. Subject to such revocation, all shares represented by a properly executed Proxy received in time for the Meeting will be voted by the Proxy Holders in accordance with the instructions on the Proxy.

### **Solicitation of Proxies**

This solicitation of Proxies is made on behalf of the Board, and the Company will bear the costs of the preparation of proxy materials and the solicitation of Proxies for the Meeting. It is contemplated that Proxies will be solicited principally through the mail, but directors, officers and regular employees of the Company or its subsidiary, Central Pacific Bank (the Bank), may solicit Proxies personally, by telephone, electronically or by other means of communication. Although there is no formal agreement to do so, the Company may reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding these proxy materials to beneficial owners. The Company has retained D.F. King & Co., Inc. to assist it in connection with the solicitation of Proxies for a fee of approximately \$8,500, plus reimbursement of expenses.

**Principal Shareholders**

Based on filings made under Section 13(d) and Section 13(g) of the Securities and Exchange Act of 1934, as amended, as of the Record Date, the following were the only persons known to management of the Company to beneficially own more than five percent of the Company's outstanding Common Stock:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Private Capital Management, L.P. Bruce S. Sherman  8889 Pelican Bay Boulevard Suite 500  Naples, Florida 34108-7512	2,613,813(1)	8.58%
Barclays Global Investors, N.A. Barclays Global Fund Advisors  45 Fremont Street, 17th Floor  San Francisco, California 94105-2228	3,556,754(2)	11.68%

(1) According to a Schedule 13G filed on February 14, 2006, Private Capital Management, L.P. has shared dispositive and voting power over 2,589,023 shares, and Bruce Sherman, CEO of Private Capital Management, L.P., has sole voting and dispositive power over 24,790 shares.

(2) According to a Schedule 13G filed on January 26, 2006, Barclays Global Investors, N.A. has sole dispositive power over 2,813,485 shares, including 2,525,136 shares over of which it has sole voting power and Barclays Global Fund Advisors has sole dispositive power over 743,269 shares including 739,518 shares over which it has sole voting power.



**Security Ownership of Directors, Nominees and Executive Officers**

The following table sets forth certain information regarding beneficial ownership of Common Stock by each of the current directors, and the Named Executive Officers (as defined below under the heading Compensation of Directors and Executive Officers Executive Compensation ), as well as all directors and executive officers as a group, as of the close of business on March 6, 2006. Unless otherwise noted, the address of each person is c/o Central Pacific Financial Corp., 220 South King Street, Honolulu, Hawaii 96813.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class(2)
<i>Directors and Nominees</i>		
Clint Arnoldus	138,669 (3)	*
Richard J. Blangiardi	935 (4)	*
Christine H. H. Camp Friedman	1,868 (5)	*
Earl E. Fry		
B. Jeannie Hedberg	2,877 (6)	*
Dennis I. Hirota	28,866 (7)	*
Clayton K. Honbo	496,428 (8)	1.63 %
Paul J. Kosasa	26,010 (9)	*
Duane K. Kurisu	20,105 (10)	*
Colbert M. Matsumoto	22,115 (11)	*
Ronald K. Migita	248,949 (12)	*
Crystal K. Rose	2,780 (13)	*
Mike K. Sayama	22,385 (14)	*
Maurice H. Yamasato	13,752 (15)	*
Dwight L. Yoshimura	20,861 (16)	*
<i>Named Executive Officers(17)</i>		
Neal K. Kanda	22,547 (18)	*
Blenn A. Fujimoto	34,204 (19)	*
Dean K. Hirata	35,226 (20)	*
Denis K. Isono	7,158 (21)	*
<i>All Directors and Executive Officers as a Group (19 persons)</i>	1,145,735 (22)	3.70 %

(\*) Less than one percent.

(1) Except as otherwise noted below, each person has sole voting and investment powers with respect to the shares listed. The numbers shown include the shares actually owned as of March 6, 2006 and, in accordance with Rule 13d-3 under the Securities Exchange Act, as amended, any shares of Common Stock that the person has the right or will have the right to acquire within 60 days of March 6, 2006.

(2) In computing the percentage of shares beneficially owned by each person or group of persons named above, any shares which the person (or group) has a right to acquire within 60 days after March 6, 2006 are deemed outstanding for the purpose of computing the percentage of Common Stock beneficially owned by that person (or group) but are not deemed outstanding for the purpose of computing the percentage of shares beneficially owned by any other person.

(3) 6,425 shares of Common Stock are held by a family trust for which he and his wife (Lesley Arnoldus) are co-trustees. 2,481 shares of Common Stock are held under his account under the Company's Retirement Savings Plan. 129,763 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the Company's 1997 Stock Option Plan.



- (4) 600 shares of Common Stock were granted under the Director Restricted Shares Program (1997 Stock Option Plan) and 335 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares.
- (5) 300 shares of Common Stock were granted under the Director Restricted Shares Program (1997 Stock Option Plan) and 335 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares. 260 shares of Common Stock are directly held. 973 shares of Common Stock are held in her Simplified Employee Pension Plan Individual Retirement Account.
- (6) 600 shares of Common Stock were granted under the Director Restricted Shares Program (1997 Stock Option Plan) and 335 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares. 300 shares of Common Stock are directly held. 125 shares of Common Stock are held as a custodian for her grandson. 1,000 shares of Common Stock are held in a 401-K Retirement Savings Plan. 517 shares of Common Stock are held for her account and benefit under the Central Pacific Financial Corp. Directors Deferred Compensation Plan.
- (7) 1,200 shares of Common Stock were granted under the Director Restricted Shares Program (1997 Stock Option Plan) and 335 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares. 1,520 shares of Common Stock are held jointly with his wife (Kathryn Hirota) and for which he has shared voting and investment powers with his wife. 31 shares of Common Stock are held by Dr. Hirota, as President of Sam O. Hirota, Inc. 1,780 shares of Common Stock are directly held. 24,000 shares of Common Stock that he has the right to acquire by the exercise of stock options vested pursuant to the Company's 1997 Stock Option Plan.
- (8) 1,200 shares of Common Stock were granted under the Director Restricted Shares Program (1997 Stock Option Plan) and 335 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares. 8,230 shares of Common Stock are held in his revocable living trust. 347,207 shares of Common Stock are held in his wife's revocable living trust. 125,056 shares of Common Stock are held in his sons' and daughter's trusts. 400 shares of Common Stock are held in his Individual Retirement Account. 14,000 shares of common stock that he has the right to acquire by the exercise of stock options vested pursuant to the Company's 1997 Stock Option Plan.
- (9) 1,200 shares of Common Stock were granted under the Director Restricted Shares Program (1997 Stock Option Plan) and 335 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares. 475 shares of Common Stock are directly held. 24,000 shares that he has the right to acquire by the exercise of stock options vested pursuant to the Company's 1997 Stock Option Plan. 28,301 shares of Common Stock are held by The Kosasa Foundation, a nonprofit corporation for which Mr. Kosasa serves as President and Director. Mr. Kosasa disclaims beneficial ownership of such shares.

(10) 635 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares. 8,260 shares of Common Stock are directly held. 11,210 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the CB Bancshares, Inc. Directors Stock Option Plan, the Agreement and Plan of Merger dated April 22, 2004 between Central Pacific Financial Corp. and CB Bancshares, Inc., and the Company's 1997 Stock Option Plan.

(11) 635 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares. 4,000 shares of Common Stock are directly held. 10,368 shares of Common Stock are held for his account and benefit under the Central Pacific Financial Corp. Directors Deferred Compensation Plan. 7,112 shares of Common Stock are those he has the right to acquire by the exercise of stock options vested pursuant to the CB Bancshares, Inc. Directors Stock Option Plan, the Agreement and Plan of Merger dated April 22, 2004 between Central Pacific Financial Corp. and CB Bancshares, Inc., and the Company's 1997 Stock Option Plan.

(12) 110,870 shares of Common Stock are held in his trust. 362 shares of Common Stock are directly held. 137,717 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the CB Bancshares, Inc. Stock Compensation Plan, the Agreement and Plan of Merger dated April 22, 2004 between Central Pacific Financial Corp. and CB Bancshares, Inc., and the Company's 1997 Stock Option Plan.

(13) 300 shares of Common Stock were granted under the Director Restricted Shares Program (1997 Stock Compensation Plan) and 335 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares. 2,000 shares of Common Stock are held by her as trustee of her pension plan and 145 shares of Common Stock are held for her account and benefit under the Central Pacific Financial Corp. Directors Deferred Compensation Plan.

(14) 635 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares. 18,250 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the CB Bancshares, Inc. Directors Stock Option Plan, the Agreement and Plan of Merger dated April 22, 2004 between Central Pacific Financial Corp. and CB Bancshares, Inc., and the Company's 1997 Stock Option Plan. 3,500 shares of Common Stock are directly held.

(15) 635 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares. 13,117 shares of Common Stock are directly held.

(16) 635 shares of Common Stock were granted under the Director Restricted Shares Program (2004 Stock Compensation Plan). A holder of shares of Common Stock granted under the Director Restricted Shares Program has voting power, but not investment power, with respect to such shares. 20,226 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the CB Bancshares, Inc. Directors Stock Option Plan, the Agreement and Plan of Merger dated April 22, 2004 between Central Pacific Financial Corp. and CB Bancshares, Inc., and the Company's 1997 Stock Option Plan.



(17) The following includes information regarding all the Named Executive Officers (as defined below under the heading Compensation of Directors and Executive Officers Executive Compensation ) except for Mr. Arnoldus, whose information is included in this table under the section heading Directors and Nominees .

(18) 200 shares of Common Stock are directly owned. 22,347 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the Company s 1997 Stock Option Plan.

(19) 699 shares of Common Stock are under his account under the Company s Retirement Savings Plan. 2,000 shares of Common Stock are directly held. 31,505 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the Company s 1997 Stock Option Plan.

(20) 4,507 shares of Common Stock are held in his Individual Retirement Account. 30,719 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the CB Bancshares, Inc. Stock Compensation Plan, the Agreement and Plan of Merger dated April 22, 2004 between Central Pacific Financial Corp. and CB Bancshares, Inc., and the Company s 1997 Stock Option Plan.

(21) 2,124 shares of Common Stock are directly owned. 5,034 shares of Common Stock are those that he has the right to acquire by the exercise of stock options vested pursuant to the Company s 1997 Stock Option Plan.

(22) Includes 475,883 shares of Common Stock the individuals have a right to acquire within 60 days after March 6, 2006.

#### **ELECTION OF DIRECTORS**

The Company s Restated Bylaws currently provide for fifteen directors, five each serving as Class I, Class II and Class III directors, each class of directors serving for three-year terms. Five directors (out of a present total of fifteen) are to be elected at the Meeting to serve three-year terms expiring at the 2009 Annual Meeting of Shareholders and until their respective successors are elected and qualified. The nominees to serve as Class III directors for election at the Meeting are Richard J. Blangiardi, Clayton K. Honbo, Paul J. Kosasa, Mike K. Sayama, and Dwight L. Yoshimura, all of whom are currently directors of the Company.

All nominees have indicated their willingness to serve and unless otherwise instructed, Proxies will be voted for all of the nominees. However, in the event that any of them should be unable to serve, the Proxy Holders named on the enclosed Proxy Card will vote in their discretion for such persons as the Board of Directors may recommend.

There are no family relationships among directors or executive officers of the Company, and, as of the date hereof, no directorships are held by any director or director nominee with a company with a class of securities registered pursuant to Section 12 of the Exchange Act, or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE BOARD OF DIRECTORS NOMINEES.****DIRECTORS AND EXECUTIVE OFFICERS INFORMATION**

The following table sets forth certain information with respect to each of the continuing directors, nominees and Named Executive Officers:

Name	Principal Occupation for the Past Five Years	Age	First Year Elected or Appointed as Officer or Director of the Company(1)	Term Expires
<i>Nominees</i>				
BLANGIARDI, Richard J.	Senior Vice President and General Manager, Emmis Operating Company (2002-present); President, Telemundo Holding Inc. (1999-2002)	58	2003	2006
HONBO, Clayton K., M.D.	Retired; Doctor of Obstetrics and Gynecology, Clayton K. Honbo, M.D., Inc. (1977-1999)	68	1999	2006
KOSASA, Paul J.	President and Chief Executive Officer, MNS, Ltd., dba ABC Stores (1999-present)	48	2002	2006
SAYAMA, Mike K.	Vice President, Hawaii Medical Service Association (1997-present)	51	2004	2006
YOSHIMURA, Dwight L.	Senior Vice President and Senior General Manager, GGP Limited Partnership (1991-present)	51	2004	2006
<i>Continuing Directors</i>				
ARNOLDUS, Clint	Vice Chairman and Chief Executive Officer, Central Pacific Financial Corp. (9/2004-present); Vice Chairman and Chief Executive Officer, Central Pacific Bank (9/2004-present); Vice Chairman and Chief Executive Officer, City Bank (9/2004-2/2005); Chairman, President and Chief Executive Officer, Central Pacific Financial Corp. (2002-9/2004); Chairman, President and Chief Executive Officer, Central Pacific Bank (2002-9/2004); Chairman, President and Chief Executive Officer, Community Bank, Pasadena, California (1998-2001)	59	2002	2007
CAMP FRIEDMAN, Christine H. H.	Managing Director, Avalon Development Company LLC (1999-present)	39	2004	2007
FRY, Earl E.	Executive Vice President, Chief Financial Officer and Secretary, Informatica Corporation (2003-present); Senior Vice President, Chief Financial Officer and Secretary, Informatica Corporation (2002-2003); Senior Vice President and Chief Financial Officer, Informatica Corporation (1999-2002)	47	2005	2008
HEDBERG, B. Jeannie, C.P.A.	Member, Hedberg, Batara & Vaughan-Sarandi, LLC (11/1/2005-present); Partner, Hedberg, Freitas, King & Tom (1969-10/31/2005); Certified Public Accountant	62	2003	2008

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HIROTA, Dennis I., Ph.D.	President, Sam O. Hirota, Inc. Engineering and Surveying (1986-present); Registered Professional Engineer and Licensed Professional Land Surveyor	64	1980	2007
KURISU, Duane K.	Chairman and Chief Executive Officer, aio group (2001-present); Partner, Kurisu & Fergus (1985-2001)	51	2004	2008
MATSUMOTO, Colbert M., J.D.	Chairman and Chief Executive Officer, Island Insurance Company, Ltd. (1999-present)	52	2004	2008
MIGITA, Ronald K.	Chairman, Central Pacific Financial Corp. and Central Pacific Bank (9/2004-present); Chairman, City Bank (9/2004-2/2005); Director, Chief Executive Officer and President, CB Bancshares, Inc. (1997-9/2004); Vice Chairman and Chief Executive Officer, City Bank (1997-9/2004)	64	2004	2007
ROSE, Crystal K., J.D.	Partner, Bays Deaver Lung Rose & Baba (1989-present)	48	2005	2008
YAMASATO, Maurice H.	President, Yamasato Fujiwara Higa & Associates, Inc. (1987-present)	63	2004	2007
<i>Named Executive Officers(2)</i>				
KANDA, Neal K.	President and Chief Operating Officer, Central Pacific Financial Corp. and Central Pacific Bank (9/2004-present); Director, Central Pacific Bank (9/2004-present); Director, City Bank (9/2004-2/2005); Director, Central Pacific Financial Corp. (8/25/04-1/31/05); President and Chief Operating Officer, City Bank (9/2004-2/2005); Vice President and Treasurer, Central Pacific Financial Corp. (2003-9/2004); Executive Vice President and Chief Financial Officer, Central Pacific Bank (2002-9/2004); Vice President, Treasurer and Secretary, Central Pacific Financial Corp. (2002-2003); Executive Vice President, Central Pacific Bank (1993-2001); Vice President and Treasurer, Central Pacific Financial Corp. (1999-2001)	57	1991	(3 )
FUJIMOTO, Blenn A.	Vice Chairman, Hawaii Market, Central Pacific Bank (1/2006-present); Executive Vice President, Hawaii Market, Central Pacific Bank (9/2004-12/2005); Executive Vice President, Hawaii Market, City Bank (9/2004-2/2005); Executive Vice President and Chief Financial Services Officer, Central Pacific Bank (2002-9/2004); Senior Vice President and Retail Division Manager, Central Pacific Bank (2000-2002)	47	2000	N/A



HIRATA, Dean K.	Vice Chairman and Chief Financial Officer, Central Pacific Bank (1/2006-present); Executive Vice President and Chief Financial Officer, Central Pacific Financial Corp. (9/2004-present); Executive Vice President and Chief Financial Officer, Central Pacific Bank (9/2004-12/2005); Executive Vice President and Chief Financial Officer, City Bank (2002-2/2005); Senior Vice President and Chief Financial Officer, CB Bancshares, Inc. (1999-9/2004); Senior Vice President and Chief Financial Officer, City Bank (1999-2002)	48	2004	N/A
ISONO, Denis K.	Executive Vice President, Operations and Services, Central Pacific Financial Corp. and Central Pacific Bank (9/2004-present) Executive Vice President, Operations and Services, City Bank (9/2004-2/2005); Executive Vice President and Chief Operations Officer, Central Pacific Bank (2002-9/2004); Executive Vice President, Operations, Bank of Hawaii (2000-2002)	54	2002	N/A

(1) All directors of the Company are also directors of the Bank. Dates prior to the formation of the Company in 1982 indicate the year first appointed director of the Bank. Dr. Hirota commenced service as a director of the Company on February 1, 1982, the date of formation of the Company. Dr. Hirota served as a director of the Company until April 23, 1985 when the Company's shareholders adopted a classified Board and reduced the number of directors to nine. However, Dr. Hirota continued to serve on the Bank's Board until he was reelected to the Company's Board in 1986. Dr. Honbo has been a director of the Bank since 1986. Mr. Kosasa has been a director of the Bank since 1994. Mr. Arnoldus has been a director of the Bank since 2002. Mr. Blangiardi and Ms. Hedberg have been directors of the Bank since 2003. Ms. Camp Friedman, Ms. Rose, Mr. Kurisu, Mr. Matsumoto, Mr. Migita, Mr. Sayama, Mr. Yamasato and Mr. Yoshimura have been directors of the Bank since 2004. Mr. Fry has been a director of the Bank since 2005.

Mr. Fujimoto is an officer of the Bank and is not an officer of the Company; therefore, the year included in the column labeled "First Year Elected or Appointed as Officer or Director of the Company" indicates the year that he was first appointed as an officer of the Bank.

(2) The following includes information regarding all the Named Executive Officers except for Mr. Arnoldus, whose information is included in this table under the section heading "Directors and Nominees."

(3) Mr. Kanda intends to retire from the Company and the Bank effective March 31, 2006, on which date he will relinquish all officer and director positions held with the Company and the Bank and their subsidiaries.

### Indebtedness of Management

The Company's wholly-owned bank subsidiary, Central Pacific Bank (the "Bank"), from time to time makes loans to directors and executive officers of the Company, which loans are made in the ordinary course of the Bank's business, are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and do not involve more than the normal risk of collectibility or present other unfavorable features. The Bank currently has outstanding individual and/or business loans to the following Company directors and/or their related business entities and to the Company's executive officers: Directors - Richard Blangiardi, Christine Camp Friedman, Dennis Hirota, Clayton Honbo, Paul Kosasa, Colbert Matsumoto, Crystal Rose, Mike Sayama, and Maurice Yamasato; President Neal Kanda and Executive Vice President Denis Isono.

**Section 16(a) Beneficial Ownership Reporting Compliance**

The Company's directors, executive officers and the beneficial holders of more than 10% of the Common Stock are required to file certain reports with the United States Securities and Exchange Commission regarding the amount of and changes in their beneficial ownership of the Company's stock. Based on its review of copies of those reports, the Company is required to disclose known failures to file required forms, or failures to timely file required reports during the previous year. To the best knowledge of the Company, there were no failures to file or timely file such required reports during 2005 by any person who was at any time during 2005 a director, officer, beneficial owner of more than 10% of the Common Stock, or any other person subject to Section 16 of the Exchange Act with respect to the Company.

**CORPORATE GOVERNANCE AND BOARD MATTERS**

The Board has three (3) standing committees: an Audit Committee, a Compensation Committee, and a Corporate Governance and Nominating Committee.

During the fiscal year ended December 31, 2005, the Board held a total of thirteen (13) meetings, including monthly, annual and special meetings. Each person who was a director of the Company during 2005 attended at least 75% of the total number of such Board meetings and 75% of the total number of meetings held by all committees of the Board on which he or she served during the year, except Mr. Kosasa who attended 67% of Board meetings. The Company expects directors to attend the annual meetings of shareholders. All directors attended last year's annual meeting of shareholders, except for Mr. Blangiardi.

The following table sets forth the members of the Board as of the date of this Proxy Statement and the committees of the Board on which they serve as of February 28, 2006.

Name of Director	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
<i>Non-Employee Directors:</i>			
Richard J. Blangiardi		*	VC
Christine H. H. Camp Friedman	*		
Earl E. Fry	VC		
B. Jeannie Hedberg	C		
Dennis I. Hirota			*
Clayton K. Honbo		*	
Paul J. Kosasa		*	
Duane K. Kurisu			*
Colbert M. Matsumoto		C	*
Crystal K. Rose			C
Mike K. Sayama	*		
Maurice H. Yamasato	*		
Dwight L. Yoshimura		VC	
<i>Employee Directors:</i>			
Ronald K. Migita			
Clint Arnoldus			

\* = Member

C = Chair

VC = Vice Chair

Ms. Rose, Chair of the Corporate Governance & Nominating Committee, has been chosen by the Board to serve as the presiding director for all meetings of the non-management directors in executive sessions. In Ms. Rose's absence, Mr. Blangiardi, Vice Chair of the Corporate Governance & Nominating Committee, has been chosen by the Board to preside over these sessions of the Board.

Interested parties may communicate directly with the presiding director or with the non-management directors as a group, by writing to: Crystal K. Rose, Bays, Deaver, Lung, Rose & Baba, 1099 Alakea Street, 16th Floor, Honolulu, Hawaii 96813. Alternatively, concerns may be made known and communicated directly to the presiding director or to the non-management directors as a group, through procedures set forth in the Company's Complaint Policy which is available on the Company's website ([www.centralpacificbank.com](http://www.centralpacificbank.com)).

#### **Audit Committee**

The Audit Committee held eleven (11) meetings during 2005. The responsibilities of the Audit Committee are described below in the Report of the Audit Committee under the subheading Report of the Audit Committee. The Audit Committee operates under a Charter adopted by the Board. A copy of the Charter of the Audit Committee is attached to the Company's proxy statement as Appendix A. The Charter of the Audit Committee is available on the Company's website ([www.centralpacificbank.com](http://www.centralpacificbank.com)), and is also available in print upon request (submit request for copies of the Charter to Central Pacific Financial Corp., Attn: Investor Relations, P.O. Box 3590, Honolulu, Hawaii 96811). As of February 28, 2006, the members of the Company's Audit Committee are B. Jeannie Hedberg (Chair), Earl E. Fry (Vice Chair), Christine H. H. Camp Friedman, Mike K. Sayama and Maurice H. Yamasato, each of whom is independent within the meaning of the listing standards of the NYSE and the rules of the SEC. The Board of Directors has also determined that each member is financially literate, as such qualification is defined under the rules of the NYSE, and that Ms. Hedberg, Mr. Fry, Ms. Camp Friedman and Mr. Yamasato have accounting or related financial management expertise, as such qualification is defined under the rules of the NYSE, and that Ms. Hedberg, Mr. Fry, and Ms. Camp Friedman is an audit committee financial expert within the meaning of the rules of the SEC. No member of the Audit Committee serves on the audit committee of any other publicly registered company.

#### **Compensation Committee**

The Compensation Committee held seven (7) meetings during 2005. The Compensation Committee's primary purpose is to assist the Board in discharging the Board's responsibilities relating to compensation of the Company's executive officers by evaluating and recommending to the Board approval of executive officer benefit, bonus, incentive compensation, severance, equity-based or other compensation plans, policies and programs of the Company and providing an annual report on executive compensation for inclusion in the Company's proxy statement. The functions of the Compensation Committee are further described in COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS below, under the subheading Report of the Compensation Committee. The Charter of the Compensation Committee is available on the Company's website ([www.centralpacificbank.com](http://www.centralpacificbank.com)), and is also available in print upon request (submit request for copies of the Charter to Central Pacific Financial Corp., Attn: Investor Relations, P.O. Box 3590, Honolulu, Hawaii 96811). As of February 28, 2006, the members of the Company's Compensation Committee are Colbert M. Matsumoto (Chair), Dwight L. Yoshimura (Vice Chair), Richard J. Blangiardi, Clayton K. Honbo and Paul J. Kosasa, each of whom is independent within the meaning of the listing standards of the NYSE, is a nonemployee director within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934 and is an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986.

#### **Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee held eight (8) meetings during 2005. The Corporate Governance and Nominating Committee is responsible for promoting the best interests of the

Company and its shareholders through the implementation of sound corporate governance principles and practices, including identifying individuals qualified to become Board members, recommending nominees for directors of the Company, reviewing the qualifications and independence of the members of the Board and its committees, reviewing and monitoring the Company's Corporate Governance Guidelines, monitoring the Board's and the Company's compliance regarding changes in corporate governance practices and laws and leading the Board in its annual review of the performance of the Board. The Charter of the Corporate Governance and Nominating Committee and the Company's Corporate Governance Guidelines are available on the Company's website ([www.centralpacificbank.com](http://www.centralpacificbank.com)), and are also available in print upon request (submit request for copies of the Charter or Guidelines to Central Pacific Financial Corp., Attn: Investor Relations, P.O. Box 3590, Honolulu, Hawaii 96811). As of February 28, 2006, the members of the Company's Corporate Governance and Nominating Committee are Crystal K. Rose (Chair), Richard J. Blangiardi (Vice Chair), Dennis I. Hirota, Duane K. Kurisu and Colbert M. Matsumoto, each of whom is independent within the meaning of the listing standards of the NYSE.

#### **Director/Executive Officer CPF Stock Ownership Guidelines**

On July 27, 2005, the Board adopted stock ownership guidelines applicable to all directors and executive officers of the Company and the Bank. The guidelines generally provide that: (i) any non-management Company or Bank director should own, within five (5) years, Company common stock having a fair market value equal to five (5) times the director's annual cash retainer; (ii) that the Chief Executive Officer of the Company or Bank should own, within five (5) years, Company common stock having a fair market value equal to four (4) times his annual base salary; (iii) that the President and any Vice Chairman of the Company or Bank should own, within five (5) years, Company common stock having a fair market value equal to three (3) times his annual base salary; and (iv) that any Executive Vice President of the Company or Bank should own, within five (5) years, Company common stock having a fair market value equal to two (2) times his annual base salary.

#### **Director Independence**

The Board has determined, in accordance with our Standards Regarding Director Independence, that all of the members of the Board who are not also officers or employees of the Company or any of its affiliates, or the non-employee directors, are independent within the meaning of the rules of the NYSE. All of the directors other than Ronald K. Migita and Clint Arnoldus are non-employee directors. All committees of the Board are comprised solely of independent directors. A copy of our Standards Regarding Director Independence is attached as Appendix B to this Proxy Statement.

#### **Code of Conduct & Ethics**

The Company is committed to promoting and fostering ethical conduct and sound corporate governance principles. The Company has a Code of Conduct & Ethics applicable to all employees, officers and directors of the Company. In addition, the Company also has a supplemental Code of Conduct & Ethics For Senior Financial Officers, which is applicable to the Chief Executive Officer, President, Chief Financial Officer, Controller, any other principal financial officer or principal accounting officer and any other person fulfilling and/or performing any similar role, function or capacity. Both of the aforementioned Codes of Conduct & Ethics are available on the Company's website ([www.centralpacificbank.com](http://www.centralpacificbank.com)), and are also available in print upon request (submit request for copies of the Codes of Conduct & Ethics to Central Pacific Financial Corp., Attn: Investor Relations, P.O. Box 3590, Honolulu, Hawaii 96811).

#### **Director Nomination Process**

*Director Qualifications.* The Corporate Governance and Nominating Committee is responsible for reviewing the qualifications and independence of director nominees in accordance with the criteria set

forth in the Company's Corporate Governance Guidelines. The general criteria considered include qualification as independent, diversity, age, skills, experience and other relevant considerations in the context of the needs of the Board.

*Identifying and Evaluating Nominees.* The Board seeks to identify candidates for director positions that are best qualified and suited to meet the needs of the Company and to present these candidates for shareholder approval, as and when director positions become open and available. The Corporate Governance and Nominating Committee will first identify, review, evaluate and recommend to the Board, nominees for director positions. The Board will then vote whether or not to recommend such nominees to the Company's shareholders for election.

In identifying potential director nominees, the Corporate Governance and Nominating Committee will search within the State of Hawaii and may search outside the State of Hawaii for any potential director candidates, and in this regard, may utilize the services of a professional search firm. While the same general criteria set forth above shall be applied in evaluating a candidate's qualifications, it is difficult to enumerate all of the attributes, skills and qualities that the Corporate Governance and Nominating Committee and/or Board may, at any given point in time, determine, consider and value in evaluating, selecting and recommending director nominees. Accordingly, the Corporate Governance and Nominating Committee and the Board exercise their discretion and consider any circumstances, experiences, attributes, skills, qualities, and factors applicable to any director nominee with the intent and purpose of having the best qualified and best suited directors serving on the Board at all times, as well as ensuring that the Board as a whole is diverse and well rounded. The Board may enlist the services of a third party to conduct a background check or other investigation in order to determine whether a candidate meets any criteria.

*Shareholder Nominees.* In accordance with the policies set forth in the Company's Corporate Governance Guidelines, the Corporate Governance and Nominating Committee will consider properly submitted director nominees for election at the 2007 Annual Meeting of Shareholders recommended by shareholders if such recommendations are received in writing prior to November 23, 2006. Shareholder recommendations should be addressed to the Company's Corporate Secretary, P.O. Box 3590, Honolulu, Hawaii 96811.

#### **Communications with the Board**

Shareholders of the Company may send written communications directly to the Board, addressed to: Board of Directors of Central Pacific Financial Corp., 220 South King Street, Third Floor, Honolulu, Hawaii 96813. Any such communication may be directed to the attention of the Chairman of the Board or the Chair of any Board Committee (such as, for example, the Chair of the Audit Committee or the Chair of the Corporate Governance and Nominating Committee) or to the non-management or independent directors. Shareholders sending such communications should include the following in their written communication: (a) such shareholder(s) should identify himself/herself/itself/themselves and provide reasonably satisfactory proof of their ownership of the Company's stock; (b) such shareholder(s) should state in reasonable detail and communicate with reasonable clarity and specificity their issue or concern; and (c) such shareholder(s) should include their contact information (at a minimum, phone number and address). Shareholders who wish to communicate anonymously with the Board or any group of the Board should refer to the Company's Complaint Policy. However, nothing that is stated in this paragraph shall override any requirements imposed on any shareholder communications under the Company's Articles of Incorporation or Bylaws or other governing documents or by any law, rule or regulation.

#### **Report of the Audit Committee**

*The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filings under the Securities Act of 1933, as amended (the Securities Act) or under the Exchange Act, except to the extent we specifically incorporate this Report by reference.*

The Audit Committee is comprised of five non-management directors and operates pursuant to a written charter that was readopted by our Board of Directors in January 2006, a copy of which is attached as Appendix A. The charter is also available on our website at <http://www.centralpacificbank.com>. During 2005, the Audit Committee held 11 meetings, including three executive sessions, 0 private sessions with management and 2 private sessions with the independent auditors and one with the Director of Internal Audit. The Audit Committee's primary purposes are to: (a) assist the Board of Directors in its oversight of (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the Company's independent auditors' qualifications and independence; and (iv) the performance of the Company's internal audit function and independent auditors; (b) decide whether to appoint, retain or terminate the Company's independent auditors and to pre-approve all audit, audit-related and other services, if any, to be provided by the independent auditors; and (c) prepare this Report. The Board of Directors has determined, upon the recommendations of the Corporate Governance and Nominating Committee, that each member of the Audit Committee is independent within the meaning of the rules of the NYSE and the SEC. The Board of Directors has also determined that each member is financially literate and that four members have accounting or related financial management expertise, as such qualifications are defined under the rules of the NYSE, and three of these are audit committee financial experts within the meaning of the rules of the SEC.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting principles and the establishment and effectiveness of internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for performing an independent audit of the financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States), expressing an opinion as to the conformity of such financial statements with generally accepted accounting principles and auditing management's assessment of the effectiveness of internal control over financial reporting. The independent auditors have free access to the Audit Committee to discuss any matters they deem appropriate.

In performing its oversight role, the Audit Committee has considered and discussed the audited financial statements with management and the independent auditors. The Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended by SAS 90 and as currently in effect. The Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, Independent Discussions with Audit Committees, as currently in effect, and has discussed with the auditors the auditors' independence. All non-audit services performed by the independent auditors must be specifically pre-approved by the Audit Committee or a member thereof.

During 2005, the Audit Committee performed all its duties and responsibilities under the Audit Committee Charter. In addition, based on the reports and discussions described in this Report, the Audit Committee recommended to the Board of Directors that the audited financial statements of Central Pacific Financial Corp. for 2005 be included in its Annual Report on Form 10-K for such fiscal year.

Respectfully submitted by the members of the Audit Committee of the Board of Directors:

B. JEANNIE HEDBERG, CHAIR  
EARL E. FRY, VICE CHAIR  
CHRISTINE H. H. CAMP FRIEDMAN  
MIKE K. SAYAMA  
MAURICE H. YAMASATO

## COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

### Director Compensation

The Company and the Bank each has a policy of paying fees to non-management directors for their attendance at board and board committee meetings. The Company and the Bank pay each of their non-management directors \$800 per board meeting attended and \$600 per board committee meeting attended. In addition, the Company pays \$10,000 annually to each non-management director, and the Bank pays \$15,000 annually to each non-management director. The Company pays the Chair of the Audit Committee \$12,000 annually, the Chair of the Compensation Committee \$8,000 annually, and the Chair of the Corporate Governance and Nominating Committee \$8,000 annually.

Non-employee directors of the Company and the Bank have been eligible to participate in the Company's 1997 Stock Option Plan and continue to be eligible to participate in the Company's 2004 Stock Compensation Plan. The Company has in recent years annually granted restricted Common Stock of the Company to non-employee directors of both the Company and the Bank. In March 2005, the Company granted the equivalent of \$6,000 of the Company's Common Stock (with restrictions) to each of the Company's non-employee directors, and in addition, the equivalent of \$6,000 of the Company's Common Stock (with restrictions) to each of the Bank's non-employee directors (where an individual is both a director of the Company and the Bank, they received a total of \$12,000 worth of the Company's Common Stock (with restrictions)). In October 2005, the Boards of the Company and the Bank approved increasing the annual grants of restricted Common Stock of the Company to non-employee directors of the Company and the Bank to the equivalent of \$10,000 of the Company's Common Stock (with restrictions) (where an individual is both a director of the Company and the Bank, they would receive a total of \$20,000 worth of the Company's Common Stock (with restrictions)).

During 1997, non-employee directors received a one-time grant of stock options to purchase, in the aggregate, 294,000 shares of Common Stock at an exercise price of \$8.9375 per share. Options vest at a rate of 3,000 shares per year until the earlier of the director's retirement at age 70 or 10 years from the date of grant.

The Company also maintains a Directors Deferred Compensation Plan, which became effective as of January 1, 2001, and under which each non-employee director of the Company and the Bank may elect to defer all or a portion of his or her annual and/or chair retainer and meeting fees. Under the Directors Deferred Compensation Plan, a participating director may elect from various payment alternatives, but full payout must occur by no later than the tenth anniversary of separation from service. Under the Directors Deferred Compensation Plan, deferred amounts are valued based on corresponding investments in certain investment funds offered by the Bank's Trust Division which may be selected by the director. The Directors Deferred Compensation Plan is a nonqualified deferred compensation plan under which distributions are made from the general assets of the Company under the direction and oversight of the Compensation Committee.

### Report of the Compensation Committee

Set forth below is a report of the Compensation Committee addressing the Company's compensation policies for 2005 applicable to the Company's executives, including the Named Executive Officers.

*The following Report of the Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filings under the Securities Act or under the Exchange Act, except to the extent we specifically incorporate this Report of the Compensation Committee by reference.*

## Overview

During 2005, the first full year following the merger with CB Bancshares, Inc., the Compensation Committee completed a comprehensive review of the Company's compensation framework to ensure that it supports the short-term and long-term objectives of the merged organization. After refining the Company's compensation philosophy, the Committee reviewed each compensation component, from salaries to retirement benefits, within the context of the total compensation framework.

To assist it with its review, the Committee engaged a compensation consultant who specializes in the banking industry. The consultant was independent and reported directly to the Committee.

## Compensation Philosophy

The Company's compensation philosophy includes principles guiding compensation plan design and the desired competitive positioning of compensation. The central objectives of the Company's compensation plans are to link compensation to Company performance, to attract and retain highly qualified executives critical to the Company's long-term success, and to align executives' long-term interests with those of shareholders. The plans are also designed to allow flexibility in responding to the unique constraints and changing conditions in the Hawaii market. For the three-year period following the merger, an additional goal guiding plan design is to help facilitate a smooth integration and the achievement of all cost and operational synergy objectives associated with the merger.

The desired positioning of an executive's total compensation is about the 70th percentile of a peer group of comparable banks, assuming the Company's performance is at expected, target levels. The Committee believes this positioning is appropriate to attract and retain top-caliber talent in a very competitive market during a complex integration process. This desired competitive positioning also reflects the Company's high performance relative to peers. Target-level performance goals are designed to position the Company's performance above most peers.

The Company uses a peer group of high-performing banks with comparable asset size, located primarily on the West Coast and East Coast. The Compensation Committee worked closely with the compensation consultant to develop this peer group, and it is consistent with the peer groups used for performance benchmarking by industry analysts. The peer group will be updated periodically to maintain that consistency. Although the peer group is the primary compensation benchmark, the Compensation Committee also reviews data from industry surveys, Hawaii competitors, and the consultant's database.

## Compensation Framework

**Salary.** The Company pays its executives cash salaries that are intended to be competitive and take into account the individual's experience, performance, responsibilities, and past and potential contribution to the Company. The Company generally targets salaries at about the 60th to 65th percentile of the peer group described above, with flexibility to reflect other market data and each individual's situation. Salary decisions also take into account the positioning of projected total compensation with target-level performance incentives based on the proposed new salary.

On January 25, 2006, the Company's Board approved the compensation for all executive officers for 2006, effective January 1, 2006. Salary increases for Messrs. Arnoldus, Kanda, and Isono were in the range of 5% to 6%. The salary increases for Messrs. Hirata and Fujimoto were higher to reflect their promotion to Vice Chair and to address a competitive shortfall identified during the compensation review.

**Annual Cash Incentive Compensation.** The Company uses annual incentives to focus attention on current strategic priorities and drive achievement of corporate objectives. Awards are provided under the terms of the 2004 Annual Executive Incentive Plan. Executives with the corporate title of Executive Vice



President or above as of January 1, 2005, including the Named Executive Officers, are eligible to participate.

In 2005, the Committee defined specific threshold, target, and maximum award opportunities as a percentage of salary for each executive (within the parameters of the approved plan). The 2005 awards were contingent on achieving performance goals relative to criteria such as EPS, credit quality, and efficiency, which were based primarily on the same objectives communicated to shareholders and industry analysts. For the CEO and the President, the board also considered performance relative to factors such as customer satisfaction. The criteria were weighted to reflect the Company's strategic objectives, with EPS receiving the highest weighting. After taking into account the weighting of all criteria, the Compensation Committee determined that the incentive objectives for 2005 were achieved at the target level, and each executive received a target incentive award.

**Long-Term Incentives.** The Company uses long-term incentives to encourage ownership, foster retention, and align executives' interests with the long-term interests of shareholders. The Committee believes the retention and alignment benefits of long-term incentives are particularly important during the three-year period following the merger. To support that objective, the Committee implemented a grant methodology and communicated goals in 2005 that cover the entire three-year period from 2005 to 2007 and defined specific long-term incentive award opportunities as a percentage of salary for each executive, similar to the approach used for the annual incentive plan awards.

The long-term incentive awards are contingent on achieving weighted goals relative to EPS, credit quality, and efficiency over a three-year period. Target-level goals are comparable to those communicated to shareholders and industry analysts for the three-year period following the merger. The Committee weighted each year's goals to reflect a gradual progression to the three-year earnings targets, with 2007 results weighted more heavily than 2005 results.

The total award value for the three-year period was allocated equally to the three types of long-term incentives summarized below.

**Long-Term Incentives Performance Shares.** These are shares of restricted stock that will vest in March 2008 if (1) the executive remains employed by the company through the vesting date and (2) the Company achieves its performance goals relative to EPS, credit quality, and efficiency over the three-year period. Performance relative to threshold, target, and maximum goals for the award criteria will determine the number of shares that actually vest in 2008. Upon vesting, the recipient is entitled to the full-value shares without any other obligation or restriction. The Committee believes performance shares align the recipient's interests directly with those of shareholders and deliver the benefit of actual share ownership upon vesting.

To foster commitment to the integration goals and reward employees for their contribution, the Company provided grants of performance shares to all employees as of March 15, 2005.

**Long-Term Incentives SARs.** Stock-settled SARs represent the right to receive the appreciation in stock price on a predetermined number of shares, with the total appreciation value paid in the form of stock. This long-term incentive device is comparable to a traditional stock option in most respects, and it provides an incentive to increase the stock price.

In 2005, the SARs grant included both a performance vesting provision and a service vesting provision. The SARs were granted on April 29, 2005, and performance in fiscal year 2005 (EPS, credit quality, and efficiency) determined the number of SARs that each executive earned. These earned SARs are then subject to service vesting conditions through March 15, 2008. If employed at the date of vesting, the executive will be entitled to any appreciation in stock price since the date of grant for each vested SAR.

*Long-Term Incentives Cash Long-Term Incentive.* The value of this cash award will be determined by performance over the three-year period from 2005 to 2007. The award criteria are the same as for the other types of long-term incentives (EPS, credit quality, and efficiency), and each year's results are weighted to reflect a gradual progression to the 2007 earnings goal. This incentive device helps address the executives' cash needs associated with the vesting of the other types of long-term incentives. It also protects a portion of the total long-term award from market factors affecting price but outside management control, while still focusing the executive on objectives over a three-year period. On April 27, 2005, the Board adopted the Central Pacific Financial Corp. Long-Term Executive Incentive Plan as a vehicle to provide cash long-term incentive benefits.

*401(k) Retirement Savings Plan.* The Company sponsors a 401(k) Retirement Savings Plan (the "401(k) Plan") pursuant to which the Company makes annual profit-sharing contributions (the "Profit Sharing Contribution") as determined by the Bank's Board of Directors depending on the profitability of the Bank during the year, subject to certain limitations on contributions under the Internal Revenue Code and the 401(k) Plan.

Employees with not less than one year of service with the Company are eligible to participate in the profit sharing portion of the 401(k) Plan. The Profit Sharing Contribution is allocated among participating employees, including the Named Executive Officers, in the proportion which each participant's compensation for the fiscal year bears to the total compensation for all participating employees for such year. Benefits attributable to Profit Sharing Contributions vest at a rate of twenty percent (20%) per year, and participants may receive distributions from their profit sharing accounts only upon retirement, termination of employment, attainment of age 59½, or financial hardship.

The Bank's Board of Directors makes its determination of the amount of the Profit Sharing Contribution based upon management's recommendation at the end of the fiscal year. For 2005, the Profit Sharing Contribution equaled three percent (3%) of the pre-tax income of the Company (excluding the effect of the Profit Sharing Contribution expense), less the amount of cash dividends paid by the Company during the fiscal year. In 2005, the Company's Profit Sharing Contribution was \$2,692,000, which equaled 7.4% of total compensation paid to all participating employees for the year.

*Executive Retirement Benefits.* The Committee included executive retirement benefits in its comprehensive evaluation of the compensation framework in 2005. The Company's analyses of competitive positioning of total compensation took into account the value of benefits in peer banks such as deferred compensation plans and supplemental executive retirement plans.

As summarized below under Executive Compensation, the Company currently has Supplemental Executive Retirement Plan agreements ("SERP") with Messrs. Arnoldus, Kanda, Hirata, and Fujimoto. The SERP with Mr. Arnoldus was in place prior to 2005 and remains unchanged. The SERPs with Messrs. Hirata and Fujimoto were approved by the company in January 2006, with an effective date of July 1, 2005. Mr. Fujimoto did not have a SERP prior to the new agreement that took effect on July 1, 2005. Mr. Hirata had a SERP already in place prior to 2005, and the new SERP that took effect on July 1, 2005 is projected to eventually provide a higher benefit after approximately 13 more years of service. As part of his retirement agreement described below, the Company has provided Mr. Kanda with a SERP benefit comparable to the SERP benefits provided to Messrs. Hirata and Fujimoto.

Based on the compensation review and recommendations from the outside compensation consultant, the Committee concluded that benefits attributable to the approved SERPs are consistent with peer group and broader industry practices. The recently approved SERPs were designed based on recommendations provided by the outside consultant. Furthermore, the SERPs include retention and non-competition provisions that protect the Company and help support the objective of maintaining a stable, committed, and qualified team of key executives at a critical time.

**Other Compensation.** In connection with the Company's merger with CB Bancshares, Inc. some Company officers received merger-related bonus payments in 2005. Each of Messrs. Kanda, Fujimoto and Isono received a retention bonus: \$100,000 was paid to each of these executives on the merger closing date in 2004 and \$100,000 was paid on the first anniversary of the merger closing date. Mr. Arnoldus received a one-time merger-related bonus in 2004, but there was no such payment in 2005.

The Named Executive Officers also participate in the Company's broad-based employee benefit plans, such as medical, dental, supplemental disability and term life insurance programs.

Certain Company executives are eligible to participate in the Company's Defined Benefit Pension Plan (the Pension Plan), SERP and the Split Dollar Life Insurance Plan (the Insurance Plan). See **ELECTION OF DIRECTORS Compensation of Directors and Executive Officers Executive Compensation Defined Benefit Pension Plan and Supplemental Executive Retirement Plan**. Under the Insurance Plan, the Company provides life insurance coverage for certain senior officers. The Insurance Plan agreements provide death benefits of approximately two times the officer's normal annual salary during employment and an amount approximating the officer's final normal annual salary upon retirement. Of the Named Executive Officers, Messrs. Fujimoto and Kanda participate in the Pension Plan, Messrs. Arnoldus, Kanda, Hirata, and Fujimoto are eligible to receive benefits pursuant to the SERP, and Mr. Kanda participates in the Insurance Plan.

### **Chief Executive Officer Compensation**

In determining Mr. Arnoldus' 2005 compensation, the Compensation Committee considered the Company's performance, his experience and background, and peer compensation. Other considerations included his leadership, management philosophy, vision and other factors that were determined to be key to the Company's future success.

Mr. Arnoldus' salary was \$600,000 in 2005 and was increased 5% to \$630,000 effective January 1, 2006. The increase was based on the Company's performance and Mr. Arnoldus' leadership and contribution in 2005, as well as competitive benchmarking of CEO compensation in comparable banks. The salary increase, combined with incentives and all other compensation, is projected to position his total compensation at approximately the 70th percentile of the peer group if target-level performance goals are achieved.

Mr. Arnoldus received a bonus of \$360,000 (60% of salary) under the terms of the 2004 Annual Executive Incentive Plan, based on achievement of target-level goals in 2005. The award calculation was consistent with the approved plan without any discretionary adjustment.

Mr. Arnoldus received a merger-related option grant in 2004 with the stipulation that he would receive no additional equity grants for at least three years from the date of the merger. As a result, Mr. Arnoldus did not receive any equity grant in 2005. With respect to long-term compensation, the Committee provided Mr. Arnoldus with a long-term incentive grant similar to what was provided to other executives. The agreement will entitle him to a cash long-term incentive payout in 2008 if performance goals are achieved. The amount of the award was calculated to take into account the value of the merger-related option grant made to him in 2004.

### **Deductibility of Compensation**

Section 162(m) of the Internal Revenue Code places a limit on the tax deduction for compensation in excess of \$1 million paid to the chief executive officer and four most highly compensated executive officers of a corporation in a taxable year. The 2004 Annual Executive Incentive Plan and the 2004 Stock Compensation Plan are designed to constitute performance based compensation. All of the compensation the Company paid in 2005 to the Named Executive Officers is expected to be deductible.

under Section 162(m). The Committee retains the flexibility, however, to pay non-deductible compensation if it believes doing so is in the best interests of the Company.

### **Conclusion**

Based on our review of the compensation framework during 2005, we believe that the Company's total compensation package for executives is competitive, reasonable, and aligned with the long-term interests of shareholders. The Committee has positioned the framework so that performance-based incentives make up a large portion of an executive's total compensation package, and the incentives have been designed to support the Company's integration goals and continued success in the future.

Respectfully submitted by the members of the Compensation Committee of the Board of Directors:

COLBERT M. MATSUMOTO, CHAIR  
DWIGHT L. YOSHIMURA, VICE CHAIR  
RICHARD J. BLANGIARDI  
CLAYTON K. HONBO  
PAUL J. KOSASA

### **Compensation Committee Interlocks and Insider Participation**

The Compensation Committee of the Company is composed entirely of the following five independent directors: Colbert M. Matsumoto (Chair), Dwight L. Yoshimura (Vice Chair), Richard J. Blangiardi, Clayton K. Honbo and Paul J. Kosasa.

### **Executive Compensation**

*Summary of Cash and Certain Other Compensation.* The following table sets forth certain summary information concerning compensation paid or accrued by the Company to or on behalf of any person who served as the Company's Chief Executive Officer during the last fiscal year and each of the four other most highly compensated executive officers of the Company or the Bank, determined as of the end of 2005. The individuals listed in the following table comprise our Named Executive Officers.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Long Term Compensation					
		Annual Compensation		Awards Restricted Stock Award (\$)	Securities Underlying Options/SARs (#)*	Payouts LTIP** (\$)	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)				
Clint Arnoldus	2005	600,000	360,000				60,224 (1)
Chief Executive Officer, Central Pacific Financial Corp. and Central Pacific Bank	2004	516,692			180,000		1,123,168 (2)
	2003	469,203			49,605		61,448 (3)
Neal K. Kanda	2005	285,000	142,500		4,936		140,339 (4)
President and Chief Operating Officer, Central Pacific Financial Corp. and Central Pacific Bank	2004	244,341	71,250				139,334 (5)
	2003	219,300			15,457		42,890 (6)
Blenn A. Fujimoto,	2005	194,670	87,602		3,075		131,647 (7)
Vice Chairman, Hawaii Market, Central Pacific Bank	2004	191,580	48,668				136,093 (8)
	2003	183,600	-		12,941		39,940 (9)
Dean K. Hirata,	2005	200,040	90,000		3,160		32,470 (10)
Executive Vice President, Chief Financial Officer, Central Pacific Financial Corp., Vice Chairman, Chief Financial Officer, Central Pacific Bank	2004	54,178	33,750				6,771 (11)
	2003	N/A	N/A	N/A	N/A	N/A	N/A
Denis K. Isono	2005	189,263	85,168		2,990		129,468 (12)
Executive Vice President, Operations and Services, Central Pacific Financial Corp. and Central Pacific Bank	2004	185,845	47,316				134,411 (13)
	2003	178,500			8,338		29,917 (14)

\* SAR stands for Stock Appreciation Rights and refers to SARs payable in cash or stock, including SARs payable in cash or stock at the election of the Company or Named Executive Officer.

\*\* LTIP stands for Long-Term Incentive Plan and refers to any plan providing compensation intended to serve as an incentive for performance to occur over a period longer than one fiscal year, whether such performance is measured by reference to financial performance of the Company or an affiliate, the Company's stock price, or any other measure, but excluding restricted stock, stock option and SAR Plans.

(1) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Arnoldus of \$16,532, a \$12,000 automobile allowance, and \$28,372 in country club memberships.

(2) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Arnoldus of \$26,991, a \$12,000 automobile allowance, and a \$1,080,000 one-time merger bonus.

(3) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Arnoldus of \$31,198, a \$12,000 automobile allowance, and \$15,556 related to residential security system expenses.

(4) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Kanda of \$16,532, a \$8,400 automobile allowance, a \$100,000 merger-related executive retention bonus, and \$15,407 in country club memberships.

- (5) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Kanda of \$26,991, a \$8,400 automobile allowance, and a \$100,000 merger-related executive retention bonus.
- (6) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Kanda of \$31,198 and a \$8,400 automobile allowance.
- (7) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Fujimoto of \$16,532, an automobile allowance of \$8,400, a \$100,000 merger-related executive retention bonus, and \$6,715 in country club memberships.
- (8) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Fujimoto of \$26,991, an automobile allowance of \$8,400, and a \$100,000 merger-related executive retention bonus.
- (9) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Fujimoto of \$31,198 and an automobile allowance of \$8,400.
- (10) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Hirata of \$15,774, an automobile allowance of \$8,400, and \$4,518 in country club memberships.
- (11) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Hirata of \$1,625, and an automobile allowance of \$2,700. Mr. Hirata became an executive officer of the Company on September 15, 2004 with the CB Bancshares, Inc. merger.
- (12) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Isono of \$16,532, an automobile allowance of \$8,400, a \$100,000 merger-related executive retention bonus, and \$4,536 in country club memberships.
- (13) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Isono of \$22,501, an automobile allowance of \$8,400, and a \$100,000 merger-related executive retention bonus.
- (14) Includes contributions to the Company's 401(k) Retirement Savings Plan for the account of Mr. Isono of \$18,817 and an automobile allowance of \$8,400.

*Long-Term Cash Incentives.* On April 27, 2005, the Board adopted the Central Pacific Financial Corp. Long-Term Executive Incentive Plan. The Plan provides for contingent cash awards based on the Company's performance over a three-year period. The following table provides information with respect to the long-term cash awards to Named Executive Officers in 2005.

**Long-Term Incentive Plans Contingent Cash Awards in 2005**

Name	Maximum Dollar Value of Contingent Cash Awards (1)	Performance Period (2)	Estimated future payouts		Maximum
			Threshold	Target	
ARNOLDUS, Clint	\$ 619,350	Three years	\$ 288,000	\$ 360,000	\$ 540,000
KANDA, Neal K.	\$ 242,250	Three years	\$ 114,000	\$ 142,500	\$ 213,750
FUJIMOTO, Blenn A.	\$ 155,736	Three years	\$ 70,081	\$ 87,602	\$ 136,269
HIRATA, Dean K.	\$ 160,000	Three years	\$ 72,014	\$ 90,000	\$ 140,028
ISONO, Denis K.	\$ 151,411	Three years	\$ 68,134	\$ 85,168	\$ 132,484

(1) The cash awards are contingent on the Company meeting annual performance goals for the years 2005 - 2007. Each year's results are weighted to reflect a gradual progression to the 2007 earnings goal, with 50% of the total award value based on 2007 performance. For each year, there are three weighted performance criteria: earnings per share, credit quality, and efficiency ratio. Earnings per share has the heaviest weighting. There are minimum, target, and maximum goals for each criterion. For 2005, the Company's performance was slightly above target goal levels. The estimated future payouts in the table above reflect 2005 performance; because maximum goals were not achieved in 2005, the estimated maximum future payout is lower than the maximum value on the original date of grant. The contingent cash awards to Messrs. Kanda, Fujimoto, Hirata, and Isono were granted under the Central Pacific Financial Corp. Long-Term Executive Incentive Plan. They are one component of a three-component long-term incentive program consisting of equal parts cash, performance shares, and SARs. The cash award to Mr. Arnoldus was made under the 2004 Stock Compensation Plan. He did not receive a grant of performance shares or SARs.

(2) Although the cash awards are earned on an annual basis, they do not vest until March 2008.

*Performance Share Grants.* The following table provides information with respect to performance share grants to Named Executive Officers in 2005.

**Long-Term Incentive Plans Performance Share Grants in 2005**

Name	Maximum Number of Shares (1)	Performance Period (2)	Estimated future payouts		Maximum
			Threshold	Target	
ARNOLDUS, Clint	N/A	N/A	N/A	N/A	N/A
KANDA, Neal K.	8,810	Three years	4,788	5,702	8,193
FUJIMOTO, Blenn A.					

