

CB BANCSHARES INC/HI
Form 425
May 03, 2004

*Creating A Stronger
Hawaii Bank*

May 2004

Merger of

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This document contains forward-looking statements. Such statements include, but are not limited to, (i) statements about the benefits of a merger between Central Pacific Financial Corp. (CPF) and CB Bancshares, Inc. (CBBI), including future financial and operating results, costs savings and accretion to reported and cash earnings that may be realized from such merger; (ii) statements with respect to CPF 's plans, objectives, expectations and intentions and other statements that are not historical facts; and (iii) other statements identified by words such as believes , expects , anticipates , estimates , intends , plans , targets , projects and other similar expressions. These statements are based upon the current beliefs and expectations of management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (1) the business of CPF and CBBI may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; (2) expected revenue synergies and cost savings from the merger may not be fully

realized or realized within the expected time frame; (3) revenues following the merger may be lower than expected; (4) deposit attrition, operating costs, customer loss and business disruption, including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers, may be greater than expected following the merger; (5) any necessary approvals for the merger may not be obtained on the proposed terms; (6) the failure of CPF's and CBBI's shareholders to approve the merger; (7) competitive pressures among depository and other financial institutions may increase significantly and may have an effect on pricing, spending, third-party relationships and revenues; (8) the strength of the United States economy in general and the strength of the Hawaii economy may be different than expected, resulting in, among other things, a deterioration in credit quality or a reduced demand for credit, including the resultant effect on the combined company's loan portfolio and allowance for loan losses; (9) changes in the U.S. legal and regulatory framework; and (10) adverse conditions in the stock market, the public debt market and other capital markets (including changes in interest rate conditions) and the impact of such conditions on the combined company's activities.

Additional factors that could cause actual results to differ materially from those described in the forward-looking statements can be found in CPF's and CBBI's reports (such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) filed with the Securities and Exchange Commission (SEC) and available at the SEC's Internet web site (www.sec.gov). All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters attributable to CPF or CBBI or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. CPF and CBBI do not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statement is made.

FORWARD LOOKING INFORMATION

CPF will amend its registration statement on Form S-4 to register shares of CPF common stock to be issued in this transaction. The registration statement is not final and will be further amended. The registration statement will include a joint proxy statement/prospectus for solicitation of proxies from CPF and CBBI shareholders, in connection with meetings of such shareholders at a date or dates subsequent hereto. Investors and security holders are urged to read the registration statement and joint proxy statement and any other relevant documents (when available) filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. Investors and security holders may obtain a free copy of documents filed with the SEC at the SEC's Internet web site at (www.sec.gov). Such documents may also be obtained free of charge from CPF by directing such request to: Central Pacific Financial Corp., 220 South King Street, Honolulu, Hawaii 96813, Attention: David Morimoto, (808) 544-0627; or from CBBI by directing such request to: CB Bancshares, Inc., 201 Merchant Street, Honolulu, Hawaii 96813, Attention: Investor Relations, (808) 535-2518.

CPF and CBBI, and their respective directors and executive officers and certain other persons may be deemed to be participants in the solicitation of proxies from the shareholders of CBBI and CPF in connection with the merger. Information about the directors and executive officers of CPF and their ownership of and interests in CPF stock is set forth in the proxy statement for CPF's 2004 Annual Meeting of Shareholders. Information about the directors and executive officers of CBBI and their ownership of and interests in CBBI stock is set forth in the proxy statement for CBBI's 2004 Annual Meeting of Shareholders. Additional information regarding the interests of those participants may be obtained by reading the joint proxy statement/prospectus regarding the proposed transaction when it becomes available.

Transaction Overview

Transaction Summary

(1)

Based on CPF stock price of \$26.85 on 04/22/04.

(2)

Based on CBBI stock price of \$73.13 on 04/22/04.

Aggregate Consideration per CBBI Share

2.6752 shares of CPF Stock + \$20.00

in cash shareholders can elect

cash or stock (subject to proration)

Offer Price⁽¹⁾

\$91.83 per CBBI share

Premium Over Closing Price (04/22/04)⁽²⁾

26%

Implied Transaction Value

\$420 million

Pro Forma Ownership

58% CPF; 42% CBBI

Anticipated Closing

Q3-2004

Shareholder Votes Required

CPF and CBBI

Due Diligence

Completed

Transaction Rationale

**Expected to be
accretive to CPF
Shareholders**

**Premium to CBBI
Shareholders**

**Opportunities for
synergies**

Investor visibility

**Stronger
competitive position**

**Increased lending
capacity**

**Leverage combined
track record of
outstanding
performance and efficiency**

**Combining
complementary
strengths in retail
banking and commercial lending**

**Expand product
offering to customer
base**

**In-market
transaction**

**Similar culture and
heritage**

**Both use Fiserv
platform**

Financial

Strategic

Integration

Experienced Management Team

**Position in
New Company**

Officer

**Years of
Banking**

Experience

Age

**Prior
Position**

Ron Migita

62

35

Chairman

CEO & President

(CBB)

Clint Arnoldus

57

29

CEO

Chairman, CEO &

President (CPF)

Neal Kanda

55

30

President & COO

VP, Treasurer (CPF)

Dean Hirata

46

14

EVP, CFO

SVP, CFO (CBB)

Blenn Fujimoto

45

24

EVP, Hawaii Market

CFSO (CPB)

Alwyn Chikamoto

50

27

EVP, National Market

CCO (CPB)

Doug Weld

55

30

EVP, CCO

CCO (CityBank)

CPF-CBBI: Superior Performance

Overview of CPF and CBBI

CBBI

CPF

39% CRE

21% 1 4 family

20% Commercial

29% CRE

35% 1 4 family

16% Commercial

Source: Company filings and press releases. Data as of 03/31/04.

Headquarters

Honolulu

Honolulu

Branch Offices

24 branches on 4 islands

22 branches on 4 islands

Common Heritage

Founded to serve the Japanese-American community in Hawaii

Total Assets

\$2.28 billion

\$1.87 billion

Total Deposits

\$1.81 billion

\$1.31 billion

Total Loans

\$1.46 billion

\$1.35 billion

Loan Composition

**Performance Review of
CPF and CBBI**

Net Interest Margin

Return on Average Equity

Efficiency Ratio

Return on Average Assets

CBBI

CPF

Source: Company press releases. Data for first quarter ended March 31, 2004

(1) Excludes after-tax unsolicited takeover proposal expenses and gain on early pay-off of asset-backed security in 2004.

(2) Defined as noninterest expense excluding unsolicited takeover proposal expenses and amortization of intangibles as a percentage of total operating revenue excluding gain on early pay-off of asset-backed security.

4.52%

1.43%

15.76%

54.59%

4.87%

2.11%

1.86⁽¹⁾

22.71%

19.95⁽¹⁾

50.67%

53.18⁽¹⁾⁽²⁾

CPF: A Proven Track Record

Source: Company filings.

Profitability Ratios

Efficiency Ratio

65.36

%

58.43

%

55.59

%

53.02

%

52.97

%

ROAA

1.03

1.16

1.60

1.74

1.64

ROAE

10.93

13.55

19.34

20.55

18.33

Asset Quality Ratios

NPAs/Loans & OREO

0.94

%

0.80

%

0.25

%

0.18

%

0.25

%

Reserves/Loans

1.77

1.75

1.94

1.88

1.72

Capital Ratios

Total Equity/Total Assets

8.75

%

7.89

%

8.01

%

8.55

%

8.97

%

Total Risk-Based Capital Ratio

12.50

10.89

11.37

12.82

17.16

Asset Growth

5.48

%

10.35

%

1.03

%

10.49

%

7.01

%

Deposit Growth

2.88

4.40

6.45

13.11

6.84

1999

2000

2001

2002

2003

0.97%

1.01%

1.09%

1.19%

2.11%

0.97%

1.34%

1.41%

1.45%

1.86%

0.0

0.5

1.0

1.5

2.0%

2.5%

1Q03

2Q03

3Q03

4Q03

1Q04

CBBI GAAP

CBBI Adjusted

(1)

(1)

ROAA

ROAE

Source: Company filings and press releases.

(1) Excludes after-tax unsolicited takeover proposal expenses and gain on early pay-off of asset-backed security in 2004.

CBBI: Strong Profitability Growth

22.71%

13.00%

11.80%

10.83%

10.54%

19.95%

15.77%

15.29%

14.45%

10.54%

0

5

10

15

20

25%

1Q03

2Q03

3Q03

4Q03

1Q04

CBBI GAAP

CBBI Adjusted

**CPF-CBBI: A Powerful
Combination**

Shareholders of Both Banks Win

Significant value creation

Expected to be accretive to EPS in first full year

Consolidation, scale and efficiency result in fully phased-in anticipated annual cost saves of \$19.5 million by 2006

Large, well capitalized balance sheet of over \$4 billion

Substantial capital generation over time

CBBI shareholders receive 26% ⁽¹⁾ premium

Increased investor visibility & trading liquidity

Over \$700 million pro forma market cap⁽²⁾

NYSE listing

(1) Based on CBBI stock price of \$73.13 as of 04/22/04.

(2) Based on CPF share price of \$26.85 as of 04/22/04.

**It s a Logical Fit and
Easy to Integrate**

Similar roots and culture

Common roots, post-WWII founding

**Founded to serve the Japanese-American community in
Hawaii**

Local values

Focused on personalized service

Same market

Small and mid-sized businesses, retail customers

Overlapping geography

Common Fiserv-based technology platform

**Good For Hawaii, Local
Community & Customers**

Creates a stronger bank for Hawaii

\$2.8B in loans⁽¹⁾ ; \$3.1B in deposits⁽¹⁾ ; \$4.2B in assets⁽¹⁾

14% deposit market share in Hawaii⁽²⁾

Customers in the local community benefit

Continue tradition of personalized high touch service

Added convenience: Larger branch & ATM network

Broader menu of products and services

Larger lending capacity

\$1 million community investment fund

(1) Source: Company press releases. Data as of 03/31/04.

(2) Source: SNL Securities.

**CPF-CBBI: Significantly Builds
Deposit Market Share in Hawaii**

Source: SNL Securities data as of 06/30/03.

**Pro
Forma**

0.2%

0.6%

1.8%

1.9%

3.7%

5.6%

8.1%

13.7%

18.4%

29.8%

30.0%

0

5

10

15

20

25

30

35%

Bank of

Hawaii

First

Hawaiian

American

Savings

CPF

CBBI

Territorial

Savings

Finance

Factors

Hawaii

National

Home

Street

Orient

Bancorp

Jumbo CDs

18.4%

Non-Jumbo CDs

15.0%

Demand Deposits

7.1%

NOW &
Other
Transaction
Accounts

2.9%

MMDA
& Savings

56.6%

Jumbo CDs

17.4%

Non-Jumbo CDs

18.8%

Demand Deposits

2.5%

NOW &
Other
Transaction
Accounts

3.0%

MMDA
& Savings

58.3%

Total: \$2,959.9M

Cost of Funding: 0.72%

Total: \$1,206.7M

Cost of Funding: 0.73%

Total: \$1,753.3M

Cost of Funding: 0.70%

Jumbo CDs

19.1%

Non-Jumbo CDs

12.3%

Demand Deposits

10.4%

NOW &
Other
Transaction
Accounts

2.8%

Source: CPF and CBBI financials.

Note: As of 12/31/03.

MMDA & Savings

55.4%

CPF

Pro Forma

CBBI

**CPF-CBBI: Strong Core Deposit
Base**

CRE
38.5%

CRE
34.1%

1-4 Family
27.3%

Other
0.3%

Consumer
7.5%

MultiFamily
4.2%

Construction
& Dev

9.0%

Commercial

17.7%

Total: \$2,773.5M

Total Yield: 6.36%

CRE
29.2%

1 4 Family
34.5%

Other

0.5%

Consumer

10.5%

MultiFamily
1.6%

Construction
& Dev

8.0%

Commercial

15.8%

Other

0.1%

Total: \$1,318.0M

Total Yield: 6.79%

Consumer

4.7%

MultiFamily

6.6%

Source: CPF and CBBI financials.

Note: As of 12/31/03.

Construction
& Dev

9.8%

Commercial

19.5%

1 4 Family

20.9%

CPF

Total: \$1,455.6M

Total Yield: 5.97%

Pro Forma

CBBI

**CPF-CBBI: Diversified Loan
Portfolio**

Transaction Assumptions

Earnings for CPF

\$2.19 per share in 2004, \$2.35 per share in 2005, \$2.51 per share in 2006

Earnings for CBBI⁽¹⁾

\$6.40 per share in 2004, \$6.78 per share in 2005, \$7.19 per share in 2006

\$19.5 million of cost saves

17% of combined operating expenses

67% realized in 2005, 100% in 2006

**Core-deposit intangible estimated at \$24 million, amortized over
10 years**

Approximately \$50 million net after-tax restructuring charge

Source: CPF Management.

Note: There is no assurance that these projections will be realized and actual results may differ significantly from such projections.

Synergies

**Combined
Non-Interest
Expense
2004E**

2006

2005

Cost Savings

Fully phased-in savings of \$19.5 million by 2006

Hiring freeze

Attrition rate

Voluntary resignation program

Implementation Plan

Source: CPF Management.

Note: There is no assurance that these projections will be realized and actual results may differ significantly from such projections.

(\$ in thousands)

Compensation and Benefits

\$62,300

\$6,490

\$9,735

Net Occupancy

11,100

1,858

2,787

Other Expenses

42,000

4,604

6,906

Total Non-Interest Expense

115,400

12,952

19,428

% of Total Non-Interest Expense

11

%

17%

**Pro Forma EPS Impact of
Proposed Transaction**

Earnings Projections

2005

Projected for Fiscal Year

Note: Neither CBBI nor any analyst has published any estimates for 2004, 2005 and 2006. There is no assurance that these projections will be realized and actual results may differ significantly from such projections.

Note: Assumes cost saves of \$13 million in 2005 and \$19.5 million in 2006.

(1) Source: CPF guidance.

(2) Assumed EPS estimates for CBBI of \$6.40 in 2004, \$6.78 in 2005 and \$7.19 in 2006 provided by CPF management.

2006

CPF Stand-Alone GAAP EPS⁽¹⁾

\$2.35

\$2.51

Pro Forma GAAP EPS⁽²⁾

\$2.57

\$2.87

Accretion to CPF (\$)

\$0.22

\$0.36

Accretion to CPF (%)

9

%

14

%

Pro Forma Cash EPS⁽²⁾

\$2.62

\$2.92

Accretion to CPF (\$)

\$0.27

\$0.41

Accretion to CPF (%)

11

%

16%

CPF-CBBI: Strong Balance Sheet

CPF

CBBI

Pro Forma

Source: Company press releases. Data as of 03/31/04. Based on CPF stock price of \$26.85 on 04/22/04.

(\$ in millions)

3/31/04

Loans

\$1,461

\$1,350

\$2,811

Assets

2,284

1,874

4,348

Deposits

1,805

1,309

3,114

Shareholders Equity

204

178

533

CPF-CBBI: Solid Capital Ratios

CPF

CBBI

Source: CPF and CBBI Management.

(1) Defined as Tier 1 Capital divided by Average Tangible Assets.

3/31/04

Pro Forma

High internal cash generation with over 20% Return on Tangible Equity.

(\$ in millions)

Tangible Equity

\$203.5

\$178.0

\$216.9

Tangible Equity/Tangible Assets

8.91

%

9.50

%

5.38 %

Leverage Ratio⁽¹⁾

11.93

9.33

7.46

Tier 1 Risk-Based Ratio

15.52

11.30

9.20

Total Risk-Based Capital Ratio

16.85

12.56

10.46

CPF-CBBI: Strong Asset Quality

CPF

CBBI

Pro Forma

Source: Company press releases.

03/31/04

NPAs/Loans & OREO

0.51

%

0.34

%

0.43

%

Reserves/Loans

1.70

2.13

1.91

Reserves/NPLs

322.8

620.4

442.8

NCOs/Average Loans

0.06

0.09

0.08

Appendix

Pro Forma Earnings Impact

Earnings Projections

2005

2006

Projected for Fiscal Year

Note: All estimates for both CPF and CBBI provided by CPF Management. There is no assurance that these projections will be realized and actual results may differ significantly from such projections.

(1) Includes opportunity cost of cash component of consideration and restructuring charges.

(\$ in millions)

CPF s Earnings

\$38.5

\$41.2

CBBI s Earnings

30.8

32.7

After-Tax Cost Savings

7.8

11.7

CDI Amortization

(1.5)

(1.5

)

Other Adjustments⁽¹⁾

(3.3)

(3.3)

Pro Forma Net Income

\$72.4

\$80.8

Pricing Mechanics

(1)

Equal to 2.6752 multiplied by the Common Shares Outstanding.

(2)

Equal to \$20 multiplied by the Common Shares Outstanding.

(3)

CPF Measuring Price is defined as the average price of CPF's Common Stock over the 10-trading day period prior to closing.

(4)

Equal to \$20 + (2.6752 multiplied by the CPF Measuring Price).

(5)

Equal to Aggregate Cash to be Paid (Based on Common Shares Outstanding) divided by the Consideration Per Share.

(6)

Equal to Common Shares Outstanding less Shares to Receive Cash.

(7)

Equal to the Per Share Consideration divided by the CPF Measuring Price.

Total CBBI Common Shares Outstanding as of April 22, 2004:

4,395,096

Number of CPF Shares to be Exchanged Based on Common Shares Outstanding (1):

11,757,761

Cash to be Paid Based on Common Shares Outstanding (2):

87,901,920

\$

CPF

Shares of CBBI

Percentage

Shares of CBBI

Percentage

Stock

Measuring

Consideration

to Receive

to Receive

to Receive

to Receive

Exchange

Price ⁽³⁾

Per Share ⁽⁴⁾

Cash ⁽⁵⁾

Cash

Stock ⁽⁶⁾

Stock

Ratio ⁽⁷⁾

22.00

\$

78.85

\$

1,114,737

25.4%

3,280,359

74.6%

3.5843

24.00

\$

84.20

\$

1,043,906

23.8%

3,351,190

76.2%

3.5085

26.00

\$

89.56

\$

981,539

22.3%

3,413,557

77.7%

3.4444

26.85

\$

91.83

\$

957,234

21.8%

3,437,862

78.2%

3.4201

28.00

\$

94.91

\$

926,204

21.1%

3,468,892

78.9%

3.3895

30.00

\$

100.26

\$

876,775

19.9%

3,518,321

80.1%

3.3419

32.00

\$

105.61

\$

832,354

18.9%

3,562,742

81.1%

3.3002

*Creating A Stronger
Hawaii Bank*

May 2004

Merger of

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