FEDERAL RESERVE SYSTEM

Central Pacific Financial Corp.
Honolulu, Hawaii

Order Approving the Acquisition of a Bank Holding Company

Central Pacific Financial Corp. ("Central Pacific"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire CB Bancshares, Inc. ("CBBI"), and CBBI's subsidiary bank, City Bank ("City Bank"), both in Honolulu, Hawaii. Central Pacific also has requested the Board's approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and 1843(j)) to acquire Datatronix Financial Services, Inc., also in Honolulu ("Datatronix"), a nonbanking subsidiary of CBBI that engages in data processing and data transmission activities.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (68 Federal Register 24,478 (2003)). The time for filing comments has expired, and the Board has considered the proposal and all comments received during the comment period in light of the factors set forth in sections 3 and 4 of the BHC Act.

Central Pacific is the third largest commercial banking organization in Hawaii and controls Central Pacific Bank in Honolulu ("CP Bank"), with total deposits of approximately $1.7 billion, which represent approximately 8.3 percent of total deposits in depository institutions in the state ("state deposits").[1] CBBI is the fourth largest commercial banking organization in Hawaii and controls

[1] In this context, depository institutions include commercial banks, savings banks, and savings associations. Deposit data are as of June 30, 2003.

City Bank, with total deposits of approximately $1.2 billion, which represent approximately 5.7 percent of state deposits. On consummation of the proposal, Central Pacific would remain the third largest commercial banking organization in Hawaii, controlling deposits of approximately $2.9 billion, which represent 14 percent of state deposits.

The proposal by Central Pacific to acquire CBBI and City Bank is opposed by management of CBBI, and CBBI has submitted comments to the Board urging denial on several grounds. The Board previously has stated that, in evaluating acquisition proposals, it must apply the criteria in the BHC Act in the same manner to all proposals, whether they are supported or opposed by the management of the institutions to be acquired.[2] Section 3(c) of the BHC Act requires the Board to review each application in light of certain factors specified in the Act. These factors require consideration of the effects of the proposal on competition, the financial and managerial resources and future prospects of the companies and depository institutions concerned, and the convenience and needs of the communities to be served.[3] Section 4(j) of the BHC Act requires the Board to consider whether the nonbanking aspects of the transaction can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as

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[2] See North Fork Bancorporation, Inc., 86 Federal Reserve Bulletin 767, 768 (2000) ("North Fork"); The Bank of New York Company, Inc., 74 Federal Reserve Bulletin 257, 259 (1988) ("BONY").

[3] In addition, the Board is required by section 3(c) of the BHC Act to disapprove a proposal if the Board does not have adequate assurances that it can obtain information on the activities or operations of the company and its affiliates, or in the case of a foreign bank, if such bank is not subject to comprehensive supervision on a consolidated basis. See 12 U.S.C. § 1842(c).

undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

In considering these factors, the Board is mindful of the potential adverse effects that contested acquisitions might have on the financial and managerial resources of the company to be acquired and the acquiring organization. In addition, the Board takes into account the potential for adverse effects that a prolonged contest may have on the safe and sound operation of the institutions involved. The Board has long held that, if the statutory criteria are met, withholding approval based on other factors, such as whether the proposal is acceptable to the management of the organization to be acquired, would be outside the limits of the Board's discretion under the BHC Act.[4]

As explained below, the Board has carefully considered the statutory criteria in light of all of the comments and information provided by CBBI and the responses submitted by Central Pacific.[5] The Board also has carefully considered all other information available, including information accumulated in the application process, supervisory information of the Board and other agencies, relevant examination reports, and information provided by the Hawaii Division of

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4 See FleetBoston Financial Corporation, 86 Federal Reserve Bulletin 751, 752 (2000); North Fork; BONY.

5 CBBI has provided comments and information on a number of issues, including the competitive impact of the proposal; potential branch closures; the accuracy and sufficiency of Central Pacific's financial projections and resources; the managerial resources of Central Pacific; the ability of Central Pacific to consummate the proposed acquisition in light of CBBI's corporate defenses and opposition, ongoing litigation, and provisions of Hawaiian corporate law; the potential loss of CBBI's status as a minority-owned depository institution; and the effect of the proposed acquisition on the convenience and needs of the communities served by CBBI and Central Pacific.

Financial Institutions ("DFI") and the Federal Deposit Insurance Corporation ("FDIC"). In considering the statutory factors, particularly the effect of the proposal on the financial and managerial resources of Central Pacific, the Board has received detailed financial information, including the terms and cost of the proposal and the resources that Central Pacific proposes to devote to the transaction.

After reviewing the proposal in light of the requirements of the BHC Act, and for the reasons explained below, the Board has determined to approve the application and notice subject to Central Pacific's commitments and the conditions established herein by the Board. The Board's decision is conditioned on the requirement that Central Pacific's offer not differ in any material aspect from the terms that it has provided to the Board. Accordingly, if Central Pacific amends or alters the terms of the offer as described by Central Pacific to the Board or is unable to complete all aspects of its proposal, it must consult with the Board to determine whether the difference is material to the Board's analysis and conclusions regarding the statutory factors and, therefore, would require a modification to this order, a new application, or further proceedings before the Board.

In reviewing this proposal, the Board has taken into account the potential for adverse effects on the financial and managerial resources of the companies involved if there is prolonged opposition to the proposal. As discussed below, the Board has followed its standard practice of requiring that consummation of the proposal, including the acquisition of at least a majority of the shares of CBBI, be completed within three months from the date of this order. If the transaction is not concluded within this period, the Board will review carefully any requests by Central Pacific to extend the consummation period and would expect to grant an extension of the period only if the Board is satisfied that the statutory factors continue to be met.

The Board's decision and conclusions on this proposal are limited to the application of the statutory factors set out in the BHC Act to the proposal. The Board expresses no view or recommendation on whether this transaction is in the best interests of the shareholders or whether it should be accepted by the management or shareholders of CBBI.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal clearly are outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[6]

The proposed merger of Central Pacific and CBBI would combine the third and fourth largest commercial banking organizations in Hawaii. The Board has reviewed carefully the competitive effects of the proposal in each relevant banking market in light of all the facts of record, including information collected by the Federal Reserve System, information provided by Central Pacific and CBBI, information provided by the Department of Justice and other relevant agencies, and public information. The Board also has carefully considered comments submitted by CBBI on the competitive effects of the proposal. CBBI contends that the merger would reduce competition for several reasons, including alleging that the

[6] 12 U.S.C. § 1842(c)(1).

transaction will result in a reduction in banking services, higher fees, the elimination of certain banking products, and reduced customer convenience.

To determine the effect of a particular transaction on competition, it is necessary to designate the area of effective competition between the parties, which the courts have held is decided by reference to the relevant "line of commerce," or product market, and the geographic market. CBBI contends that the competitive analysis should focus on the impact of the merger on the provision of banking services to small- and medium-size businesses and consumers. On this basis, CBBI contends that the proposed merger would have anticompetitive effects in certain Hawaiian banking markets as well as the entire state.

The Board and the courts consistently have recognized that the appropriate product market for analyzing the competitive effects of bank mergers and acquisitions is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by banking institutions.[7] According to the Supreme Court, the clustering of banking products and services facilitates convenient access to these products and services, and vests the cluster with economic significance beyond the individual products and services that constitute the cluster.[8] Several studies support the conclusion that both

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[7] See Chemical Banking Corporation, 82 Federal Reserve Bulletin 239 (1996) ("Chemical"), and the cases and studies cited therein. The Supreme Court has emphasized that it is the cluster of products and services that, as a matter of trade reality, makes banking a distinct line of commerce. See United States v. Philadelphia National Bank, 374 U.S. 321, 357 (1963) ("Philadelphia National"); accord United States v. Connecticut National Bank, 418 U.S. 656 (1974); United States v. Phillipsburg National Bank, 399 U.S. 350 (1969) ("Phillipsburg National").

[8] See Phillipsburg National, 399 U.S. at 361.

businesses and households continue to seek this cluster of services.[9] Consistent with these precedents and studies, and on the basis of the facts of record in this case, the Board concludes that the cluster of banking products and services represents the appropriate product market for analyzing the competitive effects of this proposal.

In defining the relevant geographic market, the Board consistently has sought to identify the area in which the cluster of banking products and services is provided by competing institutions and in which purchasers of the products and services seek to obtain these products and services.[10] In applying these standards to bank acquisition proposals, the Board and the courts repeatedly have held that the geographic market for the cluster of banking products and services is local in nature.[11] In delineating the relevant geographic market in which to assess the competitive effects of a bank merger or acquisition, the Board reviews population density; worker commuting patterns; the usage and availability of banking products; advertising patterns of financial institutions; the presence of shopping,

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[9] Cole and Wolken, Financial Services Used by Small Businesses: Evidence from the 1993 National Survey of Small Business Finance, 81 Federal Reserve Bulletin 629 (1995); Elliehausen and Wolken, Banking Markets and the Use of Financial Services by Households, 78 Federal Reserve Bulletin 169 (1992); Elliehausen and Wolken, Banking Markets and the Use of Financial Services by Small- and Medium-Sized Businesses, 76 Federal Reserve Bulletin 726 (1990).

[10] See, e.g., Sunwest Financial Services, Inc., 73 Federal Reserve Bulletin 463 (1987); Pikeville National Corporation, 71 Federal Reserve Bulletin 240 (1985); Wyoming Bancorporation, 68 Federal Reserve Bulletin 313 (1982), aff'd 729 F.2d 687 (10th Cir. 1984).

[11] See Philadelphia National, 374 U.S. at 357; Phillipsburg National; First Union Corporation, 84 Federal Reserve Bulletin 489 (1998); Chemical; St. Joseph Valley Bank, 68 Federal Reserve Bulletin 673 (1982) ("St. Joseph").

employment, and other necessities; and other indicia of economic integration and transmission of competitive forces among banks.[12] In Hawaii, the Board has paid particular attention to an analysis of relevant commuting data, the state's mountainous island geography, the economic integration of the local areas, and evidence of where customers conduct their banking business.[13]

In applying these principles in Hawaii, the Board previously has identified five local geographic markets in which effects of bank expansion proposals on competition must be analyzed.[14] Based on these and all other facts of record in this case, the Board continues to believe that Hawaii is comprised of five local banking markets and that the record in this case supports a competitive analysis based on these five local markets.

Central Pacific and CBBI compete directly in four of these local banking markets: East Hawaii Island (Hilo), Honolulu, Kauai and West Maui.[15] The Board has reviewed carefully the competitive effects of the proposal in each of

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[12] See Crestar Bank, 81 Federal Reserve Bulletin 200, 201, n.5 (1995); Pennbancorp, 69 Federal Reserve Bulletin 548 (1983); St. Joseph.

[13] See First Hawaiian, Inc., 77 Federal Reserve Bulletin 52, n. 13 (1991) ("First Hawaiian"). In reaching this conclusion, the Board relied in part on evidence derived from a survey conducted by the Federal Reserve Bank of San Francisco. All the consumers surveyed reported that they maintained their primary transaction accounts in local markets. All the businesses surveyed maintained their primary transaction accounts with the local offices of depository institution, and all the businesses that borrowed from depository institutions obtained their loans from local offices. See id.

[14] See Bancorp Hawaii, Inc., 76 Federal Reserve Bulletin 759 (1990), which identified the following Hawaiian banking markets: East Hawaii Island (Hilo), Honolulu, Kauai, West Hawaii Island (Kailua-Kona), and West Maui.

[15] These markets are described in Appendix A.

these banking markets in light of all the facts of record, including the number of competitors that would remain in the market, the relative share of total deposits in depository institutions controlled by Central Pacific and CBBI in the markets ("market deposits"),[16] the concentration level of market deposits and the increase in this level as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Guidelines ("DOJ Guidelines"),[17] and other characteristics of the markets.[18] Consummation of the proposal would be consistent with Board precedent and the DOJ Guidelines in each of the four banking markets.[19]

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[16] Deposits and market share data are as of June 30, 2003, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board has previously indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the calculation of market share on a 50 percent weighted basis. See, e.g., First Hawaiian.

[17] Under the DOJ Guidelines, 49 Federal Register 26,823 (1984), a market is considered highly concentrated if the post-merger HHI is more than 1800. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions

[18] The effects of the proposal on the concentration of banking resources in these markets are described in Appendix B.

[19] As previously noted, CBBI contends that the competitive analysis should focus on the impact of the merger on providing banking services to small- and medium-sized businesses and consumers. CBBI provides no information that supports finding lending to small or mid-size businesses as a separate product market. Even if the competitive analysis defined the relevant product market more narrowly to

The Department of Justice also has conducted a detailed review of the expected competitive effects of the proposal. The Department of Justice has advised the Board that consummation of the proposal would not be likely to have a significantly adverse effect on competition in any relevant banking market. The FDIC and the DFI have been afforded an opportunity to comment and have not objected to consummation of the proposal.

After carefully reviewing all the facts of record, including public comments on the competitive effects of the proposal, and for the reasons discussed in the order and appendices, the Board concludes that consummation of the proposal would not be likely to result in a significantly adverse effect on competition or on the concentration of banking resources in any of the markets in which Central Pacific and CBBI directly compete or in any other relevant banking market. Accordingly, based on all the facts of record, the Board has determined that competitive factors are consistent with approval of the proposal.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effects of the proposal on the convenience and needs of the communities to be served and to take into account the records of the relevant

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comprise only lending to small or mid-size businesses, the Board does not believe that consummation of the proposal would have a significantly adverse effect on competition in those products in any relevant banking market. In each case there are numerous competitors, the changes in market share resulting from this transaction are not significantly adverse, and the barriers to entry by depository institutions and others are relatively low. CBBI argues that branch closures and the elimination of services will hurt consumers. As discussed below, Central Pacific has stated that it will open a new branch for every branch closed. CBBI currently provides a wide array of services to its customers and expects to integrate CBBI's products and services into its operations as appropriate.

insured depository institutions under the Community Reinvestment Act ("CRA").[20] The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account an institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.

The Board has considered carefully the convenience and needs factor and the CRA performance records of the subsidiary depository institutions of Central Pacific and CBBI in light of all the facts of record. As part of its review, the Board carefully considered comments submitted by CBBI expressing concerns about the record of Central Pacific in meeting the convenience and needs of the communities it serves and Central Pacific's responses to those concerns.[21] In particular, CBBI criticized Central Pacific's record of small business and home mortgage lending to LMI borrowers and its record of lending in LMI communities in Hawaii. In addition, CBBI expressed concern about potential branch closings.[22]

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[20] 12 U.S.C. § 2901 et seq.

[21] In connection with this application, Central Pacific has also publicly announced its willingness to commit an additional $1 million in qualified investments and charitable donations to support local community needs.

[22] CBBI has expressed concern that the proposal might result in the loss of jobs. Central Pacific has announced publicly its intention to retain almost all the employees of City Bank after consummation of this proposal. Moreover, the factors that the Board can consider when reviewing an application are limited by applicable law. The effect of a proposed transaction on employment in a community is not among the factors included in the acts administered by the Board. The convenience and needs factor has been consistently interpreted by the

A. CRA Performance Evaluations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of evaluations by the appropriate federal supervisors of the CRA performance records of the relevant insured depository institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[23]

The subsidiary banks of Central Pacific and CBBI each received "satisfactory" ratings at their most recent CRA performance evaluations. Central Pacific's subsidiary bank, CP Bank, received a "satisfactory" rating by the FDIC, as of August 23, 2002 (the "2002 Evaluation"), and CBBI's subsidiary bank, City Bank, received a "satisfactory" rating by the FDIC, as of September 11, 2001 (the "2001 Evaluation"). Examiners found no evidence of prohibited discrimination or other illegal credit practices at either of the insured depository institutions involved in this proposal and found no violations of the substantive provisions of fair lending laws.

B. CRA Performance of Central Pacific

1. Lending Test

CP Bank received a rating of "low satisfactory" under the lending test in the 2002 Evaluation, in which examiners concluded that CP Bank's lending

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federal financial supervisory agencies, the courts, and Congress to relate to the effects of a proposal on the availability and quality of banking services in the community. See Wells Fargo & Company, 82 Federal Reserve Bulletin 455, 457 (1996).

[23] See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

record reflected adequate responsiveness to community credit needs and adequate penetration throughout its assessment area.[24] They also commented that CP Bank had adopted a business strategy that focused on commercial and industrial and nonfarm, nonresidential loans, with residential lending correspondingly de-emphasized. As previously noted by the Board, the CRA does not require financial institutions to provide any particular type of products or services to its customers.

The 2002 Evaluation reported that CP Bank's lending record demonstrated good penetration among business customers of different sizes, including loans to small businesses and small loans to businesses.[25] During the review period, CP Bank originated approximately $149.2 million in small loans to businesses in its assessment areas, of which approximately 18.6 percent by number were made to businesses in LMI areas. Examiners also noted that approximately 65 percent of CP Bank's small loans to businesses were made to small businesses, which significantly exceeded the record of lenders in the aggregate ("aggregate lenders"), and concluded that CP Bank was clearly addressing the credit needs of small businesses. Examiners also concluded that CP Bank's lending to small businesses in the Honolulu MSA was excellent relative to aggregate lenders. In

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[24] The review period was January 1, 2000, through June 30, 2002. CP Bank's assessment areas for the 2002 Evaluation included the Honolulu Metropolitan Statistical Area ("MSA") and the non-MSA portions of Hawaii ("Hawaii non-MSA"), which together comprised the entire state. CP Bank's deposits and lending activities were more heavily concentrated in its Honolulu MSA assessment area. Accordingly, examiners gave substantially more weight to CP Bank's activities in the Honolulu MSA assessment area when determining the bank's overall CRA rating.

[25] In this context, "loans to small businesses" includes loans to businesses with gross annual revenues of $1 million or less, and "small loans to businesses" includes loans of $1 million or less to businesses.

this assessment area, CP Bank originated 73.3 percent and 55.8 percent of its business loans to small businesses in 2000 and 2001, respectively. In 2000 and 2001, CP Bank originated 83.6 percent and 63.6 percent, respectively, of its loans to small businesses in amounts of $100,000 or less. In CP Bank's Hawaii non-MSA assessment area, examiners found that 19 percent of the loans CP Bank made to small businesses were made to businesses in moderate-income tracts in 2000 (the only year for which aggregate lending data were available), which compared favorably with aggregate lenders. Moreover, the majority of CP Bank's small loans to small businesses in its Hawaii non-MSA assessment area were extended to small businesses.

The 2002 Evaluation noted CP Bank's participation in flexible lending programs tailored to the needs of small businesses and LMI individuals who might not qualify for more traditional loan products. CP Bank, as a Small Business Administration ("SBA") Preferred Lender, originated approximately $9.7 million in SBA loan products during the review period. Examiners reported that CP Bank assisted new or very small businesses in qualifying for credit by offering term business loans with minimum loan amounts of $10,000 and business lines of credit with no minimum loan amount.

During the review period, CP Bank originated approximately $149.4 million in loans reportable under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 et seq.) ("HMDA") in its assessment areas, of which approximately 15.1 percent by number were in LMI geographies.[26] In its Honolulu MSA assessment area, CP Bank extended 15.4 percent and 18.8 percent of its HMDA loans to borrowers in moderate-income census tracts in 2000

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[26] Although CP Bank increased both the number of and dollar volume of its mortgage loans, the bank's market share remained almost unchanged, in part because of the increased number of lenders in the market.

and 2001, respectively, which examiners described as very good relative to aggregate lenders. Examiners found that CP Bank's distribution of HMDA loans to moderate-income borrowers in the Hawaii non-MSA portions of its assessment areas was comparable with the percentage of moderate-income households in the area. Although CP Bank did not originate a significant number of loans in low-income areas in its assessment areas, examiners concluded that there were limited opportunities to make such loans. Examiners noted that in the Honolulu MSA, owner-occupied housing represented less than 1 percent of housing units in low-income areas. In the Hawaii non-MSA assessment areas, examiners noted that there were only two low-income census tracts, that both were very isolated, and that one had been partially evacuated.

The 2002 Evaluation also noted CP Bank's participation in mortgage loan programs sponsored at the federal, state, and local level, including programs of the Federal National Mortgage Association, the County of Kauai Home Buyer Gap Mortgage program, and the Hula Mae program that were designed to increase home ownership among LMI individuals. Through these flexible lending programs and CP Bank's Affordable Program/First Time Homebuyer Program, CP Bank originated more than $600,000 in mortgage loans during the reporting period.

Central Pacific represented that since the 2002 Evaluation, it has undertaken certain initiatives to further enhance its lending performance, including hiring additional mortgage lending personnel and instituting a monetary incentive program for CRA-related mortgage loans. In addition, CP Bank has instituted a new training program for branch managers and loan officers with respect to flexible mortgage lending programs.

Examiners characterized CP Bank as a leader in making community development loans and noted that the majority of these loans addressed the need for financing for affordable rental housing. Examiners reported that CP Bank's emphasis on affordable housing and its investment in a community loan fund that served LMI individuals and provided loans to small business entrepreneurs demonstrated good responsiveness to the credit needs of its community. During the review period, CP Bank extended $14.2 million in community development loans and a $9 million standby letter of credit in its assessment area, including $2.7 million in loans in its Hawaii non-MSA assessment area. CP Bank's community development loans benefited affordable housing projects and community organizations, which included a 91-unit apartment complex that provides affordable housing to low-income, disabled persons; a hospital in a LMI community; and a micro-enterprise development program.

2. Investment Test

CP Bank received an "outstanding" rating for investment activities in the 2002 Evaluation. During the review period, CP Bank's qualified investments in its assessment areas totaled approximately $20.5 million. Examiners noted that CP Bank's investment, grant, and donation activities were very responsive to the credit and economic needs of its assessment areas. The 2002 Evaluation also reported that CP Bank's grants and donations benefited community organizations that provided affordable housing projects for LMI individuals, financing and other services for small businesses, and community development services tailored to LMI individuals.

3. Service Test

CP Bank received an "outstanding" rating for its retail banking services in the 2002 Evaluation. Examiners reported that CP Bank's retail banking delivery services were readily accessible to all portions of its assessment areas. In addition, the 2002 Evaluation found that CP Bank's 14 full-service branches offered a full array of bank products and services, and that all branches maintained hours that did not inconvenience any portion of the bank's assessment areas or any group of individuals. Examiners noted that CP Bank maintained alternative delivery systems, including automated teller machines ("ATMs"), 24-hour telephone banking, and internet banking. The 2002 Evaluation also noted that since its previous CRA evaluation, CP Bank had initiated new banking products to help meet certain retail banking needs of LMI individuals and small businesses, including a low-cost checking account with no minimum balance and unlimited check-writing privileges.

C. CRA Performance of CBBI

1. Lending Test

City Bank received a "high satisfactory" rating for lending activities at the 2001 Evaluation.[27] Examiners reported that City Bank's overall lending performance in its assessment areas reflected a responsiveness to community credit needs.[28] The 2001 Evaluation stated that City Bank's lending record demonstrated good penetration among home mortgage borrowers of different income levels. During the review period, City Bank funded residential mortgage loans totaling more than $347 million in its combined assessment areas. Examiners found that the percentages of City Bank's total HMDA-reportable loans in LMI census tracts and to LMI borrowers in its assessment areas during the review period was comparable with those percentages for aggregate lenders.

Examiners indicated that City Bank's small business lending in its combined assessment areas also reflected a responsiveness to area credit needs.

[27] The review period was January 1, 1999, through June 30, 2001.

[28] City Bank's assessment areas for the 2001 Evaluation included the Honolulu MSA, Hawaii County, and Maui County, except for the islands of Lanai and Molokai.

City Bank made small loans to businesses totaling approximately $11.1 million during the review period, including approximately $5.1 million in loans to small businesses. In the 2001 Evaluation, examiners reported that approximately 31 percent of City Bank's small loans to businesses, by number and dollar volume, were extended to businesses in LMI census tracts.

The 2001 Evaluation also found that City Bank had made a relatively high level of community development loans during the review period. Examiners noted that many of City Bank's community development loans had financed affordable housing programs and were made in conjunction with nonprofit community development organizations and developers. During the review period, City Bank originated approximately $27 million in community development loans, including $8.9 million in multifamily affordable housing loans and $14.2 million in loans that promoted economic development.

2. Investment Test

City Bank received a "low satisfactory" rating for investment activities in the 2001 Evaluation. The 2001 Evaluation reported that City Bank maintained an adequate level of community development investments. Examiners noted that City Bank made qualified investments totaling approximately $3.3 million, including approximately $1 million in qualified investments in low-income, community financial organizations and $1.2 million in securities backed by mortgage loans to LMI borrowers.

3. Service Test

City Bank received a "high satisfactory" rating for retail banking services in the 2001 Evaluation. Examiners reported that the bank's banking services were accessible to essentially all portions of its assessment areas, and noted that it offered alternative delivery systems, including ATMs, 24-hour telephone banking, and internet banking. During the review period, City Bank offered a low-cost checking account for LMI customers.

D. Branch Closings

The Board has considered the public comments about potential branch closings in light of all the facts of record. Central Pacific has provided the Board with its branch closing policy and states that it has not made final decisions about branches that may be closed after consummation of the proposal. Moreover, Central Pacific has represented that it will open a new branch for every branch of CP Bank or City Bank that is closed as a result of this merger. The Board has considered carefully CP Bank's branch closing policy and its record of opening and closing branches. The branch closing policy provides that if CP Bank considers closing a branch in a low-income or predominantly minority area, bank management must meet with community representatives to discuss measures that might keep the branch open. Examiners reviewed its branch closing policy as part of the 2002 Evaluation and found it to be in compliance with federal law. The Board expects that Central Pacific would continue to follow a branch closing policy satisfactory to examiners for any branch closed in connection with the proposed transaction.

The Board also has considered that federal banking law provides a specific mechanism for addressing branch closings.[29] Federal law requires an insured depository institution to provide notice to the public and to the appropriate

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[29] Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 Federal Register 34,844 (1999)), requires that a bank provide the public with at least 30 days' notice and the appropriate federal supervisory agency and customers of the branch with at least 90 days' notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

federal supervisor before closing a branch. In addition, the Board notes that the FDIC, as the appropriate federal supervisor of CP Bank, will continue to review its branch closing record in the course of conducting CRA performance evaluations.

E. Minority Depository Institution

CBBI also has expressed concern that the proposed transaction and merger of City Bank and CP Bank might result in the termination of City Bank's status as a minority depository institution under Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA").[30]

The Board is mindful of the beneficial role played by minority depository institutions in promoting access to banking services for all communities. However, neither section 308 of FIRREA nor the guidance issued under that section by the relevant agencies prohibits bank holding companies from acquiring minority depository institutions, and the current proposal does not involve the types of competing bids contemplated by section 308. In addition, the Board notes that the FDIC would be required to review the merger of CP Bank and City Bank before such a merger could proceed. Central Pacific has stated that, after consummation of the proposal, the resulting organization will continue to have substantial minority ownership and management participation. The Board expects Central Pacific and CP Bank to continue to conduct their businesses in a

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[30] Section 308 of FIRREA requires the Secretary of the Treasury to consult with the Office of Thrift Supervision and the FDIC to devise methods to achieve certain goals for minority depository institutions, including preserving the number of such institutions and favoring bids by minority depository institutions to acquire another minority depository institution over bids by other acquirers. See Pub. L. No. 101-73, 103 Stat. 354 (1989) (see 12 U.S.C.A. § 1463 note). See also FDIC Policy Statement Regarding Minority Depository Institutions, 67 Federal Register 18,618 (2002).

manner that promotes equal access to banking services for all segments of their communities, including minority individuals.

F. Conclusion on Convenience and Needs Factor

The Board has carefully considered all the facts of record, including reports of examination of CRA record of the institutions involved, information provided by Central Pacific, all comments received and responses to the comments, and confidential supervisory information.[31] Based on a review of the entire record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor, including the CRA performance records of the relevant depository institutions, are consistent with approval.

Financial and Managerial Factors

Section 3 of the BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including public comments, reports of examination, and other confidential supervisory information assessing the financial and managerial resources of the organizations. The Board

[31] CBBI also expressed concern that the merger would result in a diminution in products available to customers. Central Pacific indicates that it expects to integrate CBBI's products and services into its offices as appropriate, thereby providing customers with access to a broader array of services. In analyzing the potential effects of this proposal on the availability of banking products, the Board has placed significant weight on Central Pacific's actual record of performance in meeting the convenience and needs of the communities it serves. The Board expects Central Pacific to continue to meet the convenience and needs of its communities, including LMI areas, by offering products and services that help meet the banking needs of it customers, including LMI individuals and small businesses, after the acquisition of CBBI.

has also considered information provided by other banking agencies, including the FDIC and the DFI. In addition, the Board has considered publicly available financial and other information on the organizations and their subsidiaries, and all the information submitted on the financial and managerial aspects of the proposal by Central Pacific and CBBI. CBBI, in particular, has expressed concerns about the integration of the organizations' operations, Central Pacific's estimates of the cost savings that might result from the proposed merger, and Central Pacific's managerial depth and experience.[32]

In evaluating financial factors in expansion proposals by banking organizations, the Board consistently has considered capital adequacy to be especially important.[33] The Board expects banking organizations contemplating expansion to maintain strong capital levels substantially in excess of the minimum levels specified in the Board's Capital Adequacy Guidelines. Strong capital is particularly important in proposals that involve higher transaction costs or risks, such as proposals that are contested.

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[32] CBBI alleges that integrating the organizations would be especially difficult for Central Pacific in light of the contested nature of the transaction and the potential that officers and managers of CBBI might leave the combined organization. CBBI also argues that Central Pacific has not adequately accounted for the possible financial effects if CBBI shareholders assert dissenter's rights. In addition, CBBI argues that information provided by Central Pacific to the Board and to the public is insufficient to permit an analysis of the financial and managerial aspects of the proposal, including the likely cost savings from the proposal. After receiving Central Pacific's initial application and notice, the Board requested additional information on all aspects of the proposal, including plans for integration and revised financial projections and cost estimates, and has received substantial confidential and nonconfidential information that has been included in the record.

[33] See, e.g., First Union Corporation, 87 Federal Reserve Bulletin 683, 688 (2001); Chemical.

Central Pacific, CP Bank, CBBI, and City Bank are currently well capitalized. Central Pacific has described in detail the terms and costs of its proposed offer to acquire CBBI. Central Pacific proposes to acquire the shares of CBBI with a combination of cash and shares of Central Pacific's common stock. Funds to acquire the common stock of CBBI will come from Central Pacific's available cash on hand, dividends from CP Bank, funds that Central Pacific has recently raised through the issuance of trust preferred securities, and funds that Central Pacific anticipates raising in further issuances of trust preferred or other securities.[34] On consummation of the proposal, Central Pacific, CP Bank, CBBI, and City Bank would have a cushion above the minimum levels necessary to meet the regulatory definition of well capitalized. In addition, Central Pacific has committed to the Board that Central Pacific and CP Bank will remain well capitalized.

In addition to carefully reviewing the capital structure of the resulting institution, the Board has considered the impact of this transaction on the other

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[34] CBBI has expressed concerns about Central Pacific's reliance on trust preferred securities in light of recent opinions by the Financial Accounting Standards Board ("FASB") regarding the status of trust preferred securities. See Consolidation of Variable Interest Entities, FASB Interpretation, No. 46 (2003); Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, Statement of Financial Accounting Standards, No. 150 (May 2003). Earlier this year, the Board issued supervisory guidance directing bank holding companies to continue to include certain trust preferred securities as tier 1 capital for regulatory capital purposes pending further review of this matter by the Board. See Federal Reserve Board Supervisory Letter, SR 03-13 (July 2, 2003). The Board is in the process of considering the regulatory capital implications of the FASB opinions and will provide further guidance as appropriate on the treatment of trust preferred securities as capital. The Board has also considered information provided by Central Pacific on its alternatives to using trust preferred securities to meet its capital requirement.

financial resources of Central Pacific. Central Pacific's earnings historically have exceeded those of institutions in its peer group. The Board also has reviewed the financial resources of the combined organization, taking into account Central Pacific's projected costs as well as projections regarding potential customer attrition and cost savings.[35] These projections indicate that Central Pacific should be able to remain well capitalized on consummation of this proposal and to continue to meet its cash obligations.[36]

The Board also has considered the managerial resources of the entities involved and of the proposed combined organization. CBBI alleges that the management of Central Pacific is inexperienced in transactions involving bank acquisitions and lacks the managerial skill to consummate the transaction. CBBI also alleges that managing the combined entity would put severe strain on the

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[35] Under Hawaiian law, dissenting shareholders in a merger between corporations may request to receive cash consideration instead of shares of the resulting company. CBBI has argued that there would be adverse financial consequences to Central Pacific if 25 percent of CBBI's shareholders dissent from the merger and elect to receive a cash payment for their CBBI shares in an amount equal to the value of Central Pacific's tender offer or greater. In evaluating the potential effects of this proposal on the financial resources of Central Pacific, the Board has considered the effects of the assertion of dissenter's rights consistent with CBBI's assumptions in light of Central Pacific's ability to raise additional funds to consummate this transaction, its commitment to remain well capitalized, and the terms and conditions of its proposal as outlined in the application process.

[36] CBBI has expressed concern that Central Pacific's projected cost savings are unrealistic in light of Central Pacific's representations that it would retain almost all City Bank employees and would open a new branch for every branch it closes in connection with the proposal. The Board has evaluated the financial effects of this proposal under the assumption that Central Pacific will not realize any cost savings and that customer attrition will be greater than anticipated by Central Pacific.

management of Central Pacific because the transaction would almost double the size of Central Pacific.

The Board has carefully reviewed all available information on the management of Central Pacific, including confidential reports of examination, information submitted by Central Pacific and CBBI, and publicly available information. In particular, the Board has reviewed the information submitted by Central Pacific, including confidential information, about its plans for integrating and managing the combined organization. Several factors reduce concern with respect to the managerial resources of the combined entity. Central Pacific, CBBI, and their subsidiary depository institutions currently are satisfactorily managed, with appropriate risk management processes in place. Both institutions operate in the same markets and engage in similar types of activities. In addition, Central Pacific has represented that both institutions use much of the same information technology for their banking operations. As mentioned above, Central Pacific and City Bank are well capitalized, and both institutions have records of positive earnings. Central Pacific's plan for integrating CBBI and its subsidiaries into Central Pacific appears adequate.[37] Based on these and all the

[37] CBBI also expressed concern about the ability of Central Pacific to manage and operate CBBI and City Bank in the event that Central Pacific does not acquire sufficient shares of CBBI to effect a corporate merger. The Board previously has noted that the BHC Act permits a company to acquire less than all the shares of a bank or a bank holding company. See North Fork, BONY. Central Pacific has stated that it expects to acquire sufficient shares to effect a corporate merger with CBBI and does not intend to be a minority shareholder of CBBI. The Board is unable to predict at this time whether Central Pacific will succeed with its proposal or whether the level it is able to acquire will cause dissension in the ongoing operation of CBBI. However, the Board notes that both Central Pacific and CBBI have capable managements, and the Federal Reserve maintains sufficient authority to take appropriate action if necessary to require the safe and sound operation and management of the institutions.

facts of record, the Board concludes that the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval, as are the other supervisory considerations that the Board must consider under section 3 of the BHC Act.

Provisions of Hawaiian Law and CBBI's Shareholders' Rights Plan

CBBI is a Hawaiian corporation and Hawaiian law contains various provisions governing proposals to acquire Hawaiian corporations that are unsolicited by the management.[38] In addition, CBBI's bylaws provide certain rights to shareholders that are intended to protect against bidders that are not approved by CBBI's management ("CBBI rights plan").[39] CBBI argues that the HCSAA and the CBBI rights plan present insurmountable barriers to Central Pacific's contested acquisition of CBBI.[40]

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[38] See Haw. Rev. Stat. § 414E (2003))(the "Hawaii Control Share Acquisition Act" or "HCSAA") (any shares of a Hawaiian corporation held by a party that has acquired more than 10 percent of the corporation without the approval of either the corporation's directors or a majority of the voting shares of the corporation are denied voting rights for one year, are nontransferable, and may be redeemed at book value by the acquired corporation). On May 28, 2003, CBBI convened a shareholder meeting pursuant to the HCSAA. The shareholders voting at this meeting failed to approve Central Pacific's offer to acquire CBBI. CBBI asserts that, in light of the results of the May 28 meeting, Central Pacific is barred from consummating its offer to acquire CBBI.

[39] Under the CBBI rights plan, rights to purchase additional shares of CBBI or any successor corporation at a set price will be distributed to all shareholders of CBBI at a specified time. CBBI's board of directors may cause the company to redeem these rights at any time before the distribution date.

[40] CBBI has initiated a lawsuit alleging that Central Pacific and other parties violated the HCSAA through a voting agreement and Central Pacific has initiated a lawsuit challenging the validity of the CBBI rights plan. CBBI asserts that the Board should delay consideration of the Central Pacific/CBBI application until the legal actions are resolved. The matters raised by CBBI and Central Pacific are

The Board may not approve the acquisition of a bank by a bank holding company if the acquisition is prohibited by state law.[41] The Board, however, has previously approved transactions on condition that the particular transaction is consummated only in compliance with applicable state law.[42]

The HCSAA is part of the general corporate law, not a statute governing the banking activities or operations of the companies involved in the proposal. Whether the HCSAA is an obstacle to consummation of this transaction depends on the actions taken by the management and shareholders of CBBI. For example, the HCSAA would not prevent consummation of the proposal if either CBBI's management or shareholders approve the transaction. Central Pacific has stated that it will not consummate the proposal unless it obtains approval as required by the HCSAA. The Board's approval is conditioned on compliance by Central Pacific with all applicable Hawaiian law governing this transaction.

CBBI's board of directors has significant discretion in determining whether the CBBI rights plan will become effective in a particular case and, specifically, whether it will have any effect on this proposal. Central Pacific has stated that it will condition its tender offer for CBBI shares on, among other things, the inapplicability of the CBBI rights plan. Because the cost of consummating the

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matters of general corporate law appropriately within the jurisdiction of the courts to determine, and Board action under the BHC Act would not interfere with judicial review of the pending lawsuits. In light of this order's condition, discussed in this section, that Central Pacific must comply with state law in consummating the transaction, the Board does not believe that a delay in its review under the BHC Act is warranted.

41 See Whitney National Bank of Jefferson Parish v. Bank of New Orleans and Trust Company, 379 U.S. 411 (1965); Security Pecos Bancshares, Inc., 85 Federal Reserve Bulletin 640, 641 (1999).

42 See North Fork; BONY.

transaction would be significantly affected if the CBBI rights plan is triggered, the Board's approval is limited to consummation of the proposal without applying the CBBI rights plan.

Nonbanking Activities

Central Pacific also has filed a notice under sections 4(c)(8) and 4(j) of the BHC Act to acquire Datatronix, a nonbanking subsidiary of CBBI that engages in data processing and data transmission activities. The Board has determined by regulation that the activity for which notice has been provided is closely related to banking for purposes of section 4(c)(8) of the BHC Act and, therefore, permissible for bank holding companies.[43] Central Pacific has committed to conduct this activity in accordance with the Board's regulations and orders governing this activity for bank holding companies.

In order to approve this notice, the Board also must determine that the acquisition of Datatronix and the performance of the proposed activities by Central Pacific can reasonably be expected to produce benefits to the public that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.[44] As part of its evaluation of these factors, the Board considers the financial and managerial resources of Central Pacific and its subsidiaries, and the company to be acquired, and the effect of the proposed transaction on those resources. For the reasons noted above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

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[43] See 12 C.F.R. 225.28(b)(14).

[44] See 12 U.S.C. § 1843(j)(2)(A).

The Board has considered the competitive effects of Central Pacific's proposed acquisition of Datatronix in light of all the facts of record. The markets for data processing and data transmission activities are national and unconcentrated. The record in this case also indicates that there are numerous providers of these services. Based on all the facts of record, the Board concludes that consummation of the proposal would have a de minimis effect on competition for the proposed services. Accordingly, the Board concludes that it is unlikely that significantly adverse competitive effects would result from the nonbanking acquisition proposed in the transaction.

Central Pacific has indicated that the proposal would enable it, through its bank and nonbank subsidiaries, to provide CBBI and Datatronix customers with access to certain investment and trust products and services that CBBI and Datatronix currently do not offer. Furthermore, customers of CBBI would have an expanded service area, with numerous offices and ATMs throughout the state. In addition, Central Pacific has stated that it might integrate Datatronix with Central Pacific's existing bank servicing data processing assets, which could yield cost savings to consumers through the elimination of certain operational and administrative redundancies.

The Board also concludes that the conduct of the proposed nonbanking activities within the framework established in this order and Regulation Y is not likely to result in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would not be outweighed by the public benefits of the proposal, such as increased customer convenience and gains in efficiency. Accordingly, based on all the facts of record, the Board has determined that the balance of public interest factors that it must consider under the standard of section 4(j) of the BHC Act is favorable and consistent with approval of the proposal.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the proposed transaction should be, and hereby is, approved.[45] In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Central Pacific with the conditions imposed in this order and the commitments made in connection with the application and notice, including compliance with

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[45] CBBI requested that the Board hold a public meeting or hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authorities.

Under its regulations, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. § 225.16(e). Section 4 of the BHC Act and the Board's regulations provide for a hearing on a notice to acquire nonbanking companies if there are disputed issues of material fact that cannot be resolved in some other manner. 12 U.S.C. § 1843(c)(8); 12 C.F.R. 225.25(a)(2). The Board has considered carefully CBBI's request in light of all the facts of record. In the Board's view, CBBI has had ample opportunity to submit its views, and has submitted written comments that have been considered carefully by the Board in acting on the proposal. CBBI's request fails to demonstrate why its written comments do not present its evidence adequately and fails to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the request for a public meeting or hearing on the proposal is denied.

state law. In particular, in the event of any material change in the transaction, such as a material change in the price, financing, terms, conditions, or structure of the transaction, or an inability to complete all the aspects of the transaction as proposed, Central Pacific must consult with the Board to determine whether the change is consistent with the Board's action in this case, or whether further Board action is necessary. The Board reserves the right in the event of significant changes in the proposal to require a new application from Central Pacific. The Board's approval of the nonbanking aspects of the proposal also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board find necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The commitments made in the application process are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

In previous cases, the Board has recognized that a prolonged contest for ownership of a banking institution might result in adverse effects on the financial and managerial resources of the organizations or other factors.[46] CBBI has expressed concern that a prolonged, contested acquisition of CBBI would be costly to CBBI and Central Pacific and would divert the time and resources of the management of these institutions.

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[46] See North Fork at 775; BONY at 259, 272.

The BHC Act does not provide a specific time period for consummation of a transaction. Generally, however, the Board requires consummation of an approved transaction within three months from the date of the Board's order to ensure that there are no substantial changes in an applicant's or target's condition or other factors that might require the Board to reconsider its approval.

In this case, although prolonged delay may have a negative impact on Central Pacific and CBBI, a short delay should not affect the financial or managerial resources of either organization or other factors so severely as to warrant denial of the proposal. Accordingly, the Board has followed its standard practice and requires that the transaction, including the acquisition of at least a majority of the shares of CBBI, be consummated within three months after the effective date of this order unless that period is extended by the Board. If Central Pacific requests an extension of time to consummate the proposal, the Board will examine carefully all relevant circumstances, and may require Central Pacific to provide supplemental information if necessary to evaluate the managerial and financial resources of Central Pacific and CBBI or other factors at the time any extension is requested, and the impact of any extension on those resources and on the other statutory factors that the Board must consider under the BHC Act. The Board would extend the consummation period only if the Board is satisfied that the statutory factors continue to be met. The proposed banking acquisition may not be consummated before the fifteenth calendar day after the effective date of this order.

By order of the Board of Governors,[47] effective December 15, 2003.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

[47] Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.

APPENDIX A

Hawaiian Banking Markets in which Central Pacific Competes Directly with CBBI

East Hawaii Island (Hilo)	Eastern portion of the island of Hawaii, including the Hilo Ranally Metro Area ("RMA") and the town of Pahoa.
Honolulu	Honolulu RMA.
Kauai	The island of Kauai, including the towns of Eleele, Hanalei, Hanapepe, Kapaa, Koloa, Lihue, Princeville, and Waimea.
West Maui	Western portion of the island of Maui, including the towns of Kahului, Kihei, Lahaina, Paia, Pukalani, Wailea, and Wailuku.

APPENDIX B

Banking Markets

East Hawaii Island (Hilo)	Central Pacific operates the fourth largest depository institution in the market, controlling deposits of approximately \$59.1 million, which represent approximately 8.5 percent of market deposits. CBBI operates the fifth largest depository institution in the market, controlling deposits of approximately \$30.3 million, which represent approximately 4.3 percent of market deposits. On consummation of the proposal, Central Pacific would operate the third largest depository institution in the market, controlling deposits of approximately \$89.4 million, which represent approximately 12.8 percent of market deposits. Seven depository institutions would remain in the market. The HHI would increase by 73 points to 2727.
Honolulu	Central Pacific operates the fourth largest depository institution in the market, controlling deposits of approximately \$1.5 billion, which represent approximately 10.1 percent of market deposits. CBBI operates the fifth largest depository institution in the market, controlling deposits of approximately \$1.1 billion, which represent approximately 7.5 percent of market deposits. On consummation of the proposal, Central Pacific would operate the third largest depository institution in the market, controlling deposits of approximately \$2.6 billion, which represent approximately 17.6 percent of market deposits. Eight depository institutions would remain in the market. The HHI would increase by 150 points to 2659.
Kauai	Central Pacific operates the fourth largest depository institution in the market, controlling deposits of approximately \$47.4 million, which represent approximately 6.8 percent of market deposits. CBBI operates the sixth largest depository institution in the market, controlling deposits of approximately

$1.1 million, which represent less than 1 percent of market deposits. On consummation of the proposal, Central Pacific would remain the fourth largest depository institution in the market, controlling deposits of approximately $48.6 million, which represent approximately 7 percent of market deposits. Five depository institutions would remain in the market. The HHI would increase by 2 points to 3598.

West Maui	Central Pacific operates the fourth largest depository institution in the market, controlling deposits of approximately $79 million, which represent approximately 5.6 percent of market deposits. CBBI operates the fifth largest depository institution in the market, controlling deposits of approximately $51.8 million, which represent approximately 3.7 percent of market deposits. On consummation of the proposal, Central Pacific would remain the fourth largest depository institution in the market, controlling deposits of approximately $130.7 million, which represent approximately 9.3 percent of market deposits. Six depository institutions would remain in the market. The HHI would increase by 42 points to 3095.