CB BANCSHARES INC/HI
Form 10-Q
May 10, 2001

1

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-12396

CB BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

HAWAII	99-0197163
(State of Incorporation)	(IRS Employer Identification No.)

201 MERCHANT STREET HONOLULU, HAWAII 96813
(Address of principal executive offices)

(808) 535-2500
(Registrant's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

The number of shares outstanding of each of the registrant's classes of common stock as of April 30, 2001 was:

Class	Outstanding
Common Stock, $1.00 Par Value	3,187,712 shares

1

2

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (Unaudited)
CB BANCSHARES, INC. AND SUBSIDIARIES

(in thousands)	MARCH 31, 2001	December 31, 2000	M
ASSETS			
Cash and due from banks	$ 35,696	$ 40,172	$
Interest-bearing deposits in other banks	1,010	1,058	
Federal funds sold	21,560	610	
Investment and mortgage-backed securities:			
Available-for-sale	280,963	298,089	
FHLB Stock	32,949	32,430	
Loans held for sale	49,716	33,696	
Net loans	1,239,265	1,250,215	
Premises and equipment	18,576	18,081	
Other real estate owned	2,758	3,458	
Accrued interest receivable and other assets	45,822	43,591	
TOTAL ASSETS	$ 1,728,315	$ 1,721,400	$
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing	$ 128,502	$ 128,742	$
Interest-bearing	1,126,921	1,089,519	
Total deposits	1,255,423	1,218,261	
Short-term borrowings	75,700	170,700	
Accrued expenses and other liabilities	18,065	20,714	
Long-term debt	244,438	181,563	
Minority interest in consolidated subsidiary	7,000	7,000	
TOTAL LIABILITIES	1,600,626	1,598,238	
Stockholders' equity:			
Preferred stock	--	--	
Common stock	3,190	3,189	
Additional paid-in capital	54,621	54,594	
Retained earnings	74,767	72,284	
Accumulated other comprehensive loss, net of tax	(4,889)	(6,905)	
TOTAL STOCKHOLDERS' EQUITY	127,689	123,162	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,728,315	$ 1,721,400	$

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
CB BANCSHARES, INC. AND SUBSIDIARIES

	THREE MONTHS ENDED MARCH 31,	
(in thousands, except per share data)	2001	2000
INTEREST INCOME:		
Interest and fees on loans	$ 28,139	$ 24,917
Interest and dividends on investment and mortgage-backed securities:		
Taxable interest income	5,036	5,229
Nontaxable interest income	388	384
Dividends	520	527
Other interest income	178	148
Total interest income	34,261	31,205
INTEREST EXPENSE:		
Deposits	13,086	10,328
FHLB advances and other short-term borrowings	2,242	2,179
Long-term debt	3,131	3,441
Total interest expense	18,459	15,948
Net interest income	15,802	15,257
Provision for credit losses	2,750	1,906
Net interest income after provision for credit losses	13,052	13,351
NONINTEREST INCOME:		
Service charges on deposit accounts	834	646
Other service charges and fees	1,139	918
Net realized gains (losses) on sales of securities	387	(437)
Net gains on sales of loans	162	140
Other	591	447
Total noninterest income	3,113	1,714
NONINTEREST EXPENSE:		
Salaries and employee benefits	5,866	4,934
Net occupancy expense	1,592	1,845
Equipment expense	816	501
Other	3,843	3,888
Total noninterest expense	12,117	11,168
Income before income taxes	4,048	3,897

Income tax expense	1,247	1,463
NET INCOME	$ 2,801	$ 2,434
PER SHARE DATA:		
BASIC	$ 0.88	$ 0.75
DILUTED	$ 0.83	$ 0.75

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
CB BANCSHARES, INC. AND SUBSIDIARIES

	THREE MONTHS ENDED MA
(in thousands)	2001
Cash flows from operating activities:	
Net income	$ 2,801
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Provision for credit losses	2,750
Net (gain) loss on sale of investment and mortgage-backed securities	(387)
Depreciation and amortization	950
Deferred income taxes	(18)
Decrease (increase) in accrued interest receivable	86
Decrease in accrued interest payable	(1,933)
Loans originated for sale	(42,298)
Sale of loans held for sale	25,502
Increase in other assets	(2,297)
(Increase) decrease in income taxes payable	(86)
Decrease in other liabilities	(2,123)
Other	(16)
Net cash provided by (used in) operating activities	(17,069)
Cash flows from investing activities:	
Net decrease (increase) in deposits in other banks	48
Net increase in federal funds sold	(20,950)
Purchase of available-for-sale securities	(50)
Proceeds from sales of available-for-sale securities	15,108
Proceeds from maturities of available-for-sale securities	5,941
Increase in FHLB Stock	(519)
Net decrease (increase) in loans	8,324
Proceeds from sales of premises and equipment	--
Capital expenditures	(1,179)
Proceeds from sales of foreclosed assets	1,538

Net cash provided by (used in) investing activities	8,261
Cash flows from financing activities:	
Net increase in deposits	36,747
Net decrease in short-term borrowings	(95,000)
Proceeds from long-term debt	75,000
Principal payments on long-term debt	(12,125)
Cash dividends paid	(318)
Option exercised	28
Stock repurchases	--
Net cash provided by financing activities	4,332
Decrease in cash and due from banks	(4,476)
Cash and due from banks at beginning of period	40,172
Cash and due from banks at end of period	$ 35,696
Supplemental schedule of non-cash investing activities:	
Interest paid on deposits and other borrowings	$ 20,391
Income taxes paid	1,450

See accompanying notes to the consolidated financial statements.

4

5

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS) (Unaudited)
CB BANCSHARES, INC. AND SUBSIDIARIES

(in thousands, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings
BALANCE AT DECEMBER 31, 2000	$ 3,189	$ 54,594	$ 72,284
COMPREHENSIVE INCOME (LOSS):			
NET INCOME	--	--	2,801
UNREALIZED VALUATION ADJUSTMENT	--	--	--
TOTAL COMPREHENSIVE INCOME	--	--	2,801
OPTIONS EXERCISED	1	27	--
CASH DIVIDENDS ($0.10 PER SHARE)	--	--	(318)

BALANCE AT MARCH 31, 2001	$ 3,190	$ 54,621	$ 74,767
Balance at December 31, 1999	$ 3,255	$ 56,219	$ 62,159
Comprehensive income (loss):			
Net income	--	--	2,434
Unrealized valuation adjustment	--	--	--
Total comprehensive income (loss)	--	--	2,434
Cash dividends ($0.07 per share)	--	--	(228)
Repurchased, cancelled and retired shares	(17)	(434)	--
Balance at March 31, 2000	$ 3,238	$ 55,785	$ 64,365

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
CB BANCSHARES, INC. AND SUBSIDIARIES
NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include the accounts of CB Bancshares, Inc. (the "Parent Company") and its wholly-owned subsidiaries (the "Company"): City Bank and its wholly-owned subsidiaries (the "Bank"); Datatronix Financial Services, Inc.; and O.R.E., Inc. Significant intercompany transactions and balances have been eliminated in consolidation. The Bank owns 50% of Pacific Access Mortgage, LLC, a mortgage brokerage company. The investment is accounted for using the equity method. Effective July 1, 2000, International Savings & Loan Association (the "Association") was merged with and into the Bank (the "Merger"). The consolidated financial statements include all adjustments of a normal and recurring nature, which are, in the opinion of management, necessary for a fair presentation of the financial results for the interim periods.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes normally included in financial statements prepared in conformity with generally accepted accounting principles. Accordingly, these consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2000.

Results of operations for interim periods are not necessarily indicative of results for the full year.

NEW ACCOUNTING PRINCIPLES

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires entities to recognize all derivatives in their financial statements as either assets or liabilities measured at fair value. The effective date for SFAS No. 133, as amended, was fiscal years beginning after June 15, 2000, or January 1, 2001 for the Company. The Company implemented the standard as of January 1, 2001.

The Company uses interest rate swaps, caps and floors to modify the interest rate characteristics of certain assets and liabilities. Interest rate swaps are primarily used to convert certain fixed rate deposits to floating interest rates. Since adoption of SFAS 133, these interest rate swaps have been designated and qualify as fair value hedging instruments.

On January 1, 2001, the Company recorded the cumulative effect of adopting SFAS 133 in its identified fair value hedges. A transition amount of $263,000 associated with establishing fair values of the derivative instruments and hedged items on the balance sheet was recorded. No adjustments were required to net earnings in connection with adopting SFAS 133.

During the first quarter of 2001, no amounts were reclassified to earnings in connection with the ineffective portion of fair value hedges, no amounts were excluded from the measure of effectiveness, and there were no transactions that no longer qualified as a fair value hedge. During the first quarter of 2001, the Company has not had any cash flow hedges.

Derivatives not designated as hedges primarily consist of options and instruments containing option features that behave based on limits ("caps", "floors", or "collars"). These instruments are used to hedge risks associated with interest rate movements. Although these instruments are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS No. 133, as amended.

RECLASSIFICATIONS

Certain amounts in the consolidated financial statements for 2000 have been reclassified to conform with the 2001 presentation. Such reclassifications had no effect on the consolidated net income as previously reported.

NOTE B - LOANS

THE LOAN PORTFOLIO CONSISTED OF THE FOLLOWING AT THE DATES INDICATED:

(in thousands)	MARCH 31, 2001	December 31, 2000	March 31, 2000
Commercial	$ 239,464	$ 246,877	$ 228,531
Real estate:			
Construction	32,796	26,237	16,253
Commercial	192,761	192,194	201,479
Residential	679,849	693,068	654,513
Installment and consumer	116,592	114,562	95,405
Gross loans	1,261,462	1,272,938	1,196,181
Less:			
Unearned discount	4	4	4
Net deferred loan fees	5,724	5,272	4,938
Allowance for credit losses	16,469	17,447	18,630

Loans, net	$1,239,265	$1,250,215	$1,172,609

NOTE C - SEGMENT INFORMATION

The Company's business segments are organized around services and products provided. The segment data presented below was prepared on the same basis of accounting as the consolidated financial statements described in Note A. Intersegment income and expense are valued at prices comparable to those for unaffiliated companies.

(in thousands)	Retail	Wholesale	Treasury
THREE MONTHS ENDED MARCH 31, 2001			
NET INTEREST INCOME	$ 7,370	$ 7,683	$ 747
INTERSEGMENT NET INTEREST INCOME (EXPENSE)	588	(1,836)	1,248
PROVISION FOR CREDIT LOSSES	752	1,998	--
OTHER OPERATING INCOME (EXPENSE)	(2,635)	(2,196)	130
ADMINISTRATIVE AND OVERHEAD EXPENSE ALLOCATION	(1,984)	(1,455)	(330)
INCOME TAX EXPENSE (BENEFIT)	822	63	570
NET INCOME (LOSS)	1,765	135	1,225
TOTAL ASSETS	842,776	365,232	333,593

Prior to the Merger, the Company's segments were organized around significant subsidiaries as opposed to products and services as a combined entity. As a result, comparative segment data for 2000 is not readily available or practicable to provide.

NOTE D - EARNINGS PER SHARE CALCULATION

	THREE MONTHS ENDED MARCH 31,			
	2001			
	INCOME (NUMERATOR)	SHARES (DENOM-INATOR)	PER SHARE AMOUNT	Income (Numerator)
(in thousands, except number of shares and per share data)				

Basic:				
Net income	$ 2,801	3,189,067	$ 0.88	$ 2,434
Effect of dilutive securities - Stock incentive plan options	--	169,978	--	--
Diluted:				
Net income and assumed conversions	$ 2,801	3,359,045	$ 0.83	$ 2,434

At March 31, 2000 there were no securities that could potentially dilute basic earnings per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations contain statements relating to future results of the Company (including certain projections and business trends) that are considered "forward-looking statements." Actual results may differ materially from those projected as a result of certain risks and uncertainties including, but not limited to, changes in political and economic conditions, interest rate fluctuations, competitive product and pricing pressures within the Company's market, equity and bond market fluctuations, personal and corporate customers' bankruptcies and financial condition, inflation and results of litigation. Accordingly, historical performance, as well as reasonably applied projections and assumptions, may not be a reliable indicator of future earnings due to risks and uncertainties.

As circumstances, conditions or events change that affect the Company's assumptions and projections on which any of the statements are based, the Company disclaims any obligation to issue any update or revision to any forward-looking statement contained herein.

NET INCOME

Consolidated net income for the quarter ended March 31, 2001, totaled $2.8 million, an increase of $367,000, or 15.1%, over the same quarter last year. Diluted earnings per share for the first quarter of 2001 was $0.83 as compared to $0.75 for the same period in 2000, an increase of $0.08, or 10.7%. The increase in consolidated net income for the first three months of 2001, over the corresponding period in 2000, was primarily due to a 81.6% increase in noninterest income and a 3.6% increase in net interest income; partially offset by a 44.3% increase in the provision for credit losses and an 8.5% increase in noninterest expense.

The Company's annualized return on average total assets for the three months ended March 31, 2001 was 0.66% as compared to 0.61% for the same period last year. The Company's annualized return on average stockholders' equity was 9.05% for the three months ended March 31, 2001, as compared to 8.46% for the same period last year.

NET INTEREST INCOME

Net interest income, on a taxable equivalent basis, was $16.0 million for the three months ended March 31, 2001, an increase of $545,000, or 3.5% over the same period in 2000. The increase was primarily due to an increase in outstanding loans of $109.4 million, or 9.1%; partially offset by an interest recovery of $480,000 on a certain nonperforming commercial loan in the first quarter of 2000 and a decrease in the net interest margin. For the quarter ended March 31, 2001, the Company's net interest margin was 3.96%, a decrease of 12 basis points (1% equals 100 basis points) from the same period in 2000. The decrease in the net interest margin for the first three months of 2001 as compared to the same period in 2000 was primarily due to a 48 basis point increase in the cost of funds, partially offset by a 23 basis point increase in the yield on average earning assets.

A comparison of net interest income for the three months ended March 31, 2001 and 2000 is set forth below on a taxable equivalent basis:

	THREE MONTHS ENDED MARCH 3			
	2001			
(dollars in thousands)	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE	Average Balance
ASSETS				
Earning assets:				
Interest-bearing deposits in other banks	$ 1,077	$ 18	6.78%	$ 1
Federal funds sold and securities purchased under agreement to resell	11,830	160	5.49	10,1
Taxable investment and mortgage-backed securities	295,064	5,556	7.64	313,9
Nontaxable investment securities	30,904	597	7.83	30,4
Loans(1)	1,302,216	28,142	8.76	1,170,1
Total earning assets	1,641,091	34,473	8.52	1,524,8
Nonearning assets:				
Cash and due from banks	30,795			39,5
Premises and equipment	18,176			17,8
Other assets	47,716			46,4
Less allowance for credit losses	(17,730)			(18,2
Total assets	$ 1,720,048			$ 1,610,4
Interest-bearing liabilities:				
Savings deposits	$ 378,917	$ 2,585	2.77%	$ 359,4

Time deposits	735,947	10,501	5.79	640,2
Short-term borrowings	133,914	2,242	6.79	143,6
Long-term debt	202,945	3,131	6.26	227,0
Total interest-bearing deposits and liabilities	1,451,723	18,459	5.16	1,370,4
Noninterest-bearing liabilities:				
Demand deposits	118,368			106,7
Other liabilities	24,405			17,5
Total liabilities	1,594,496			1,494,7
Stockholders' equity	125,552			115,7
Total liabilities and stockholders' equity	$ 1,720,048			$ 1,610,4
Net interest income and margin on total earning assets		16,014	3.96%	
Taxable equivalent adjustment		(212)		
Net interest income		$ 15,802		

(1) Yields and amounts earned include loan fees. Nonaccrual loans have been included in earning assets for purposes of these computations.

NONPERFORMING ASSETS

A summary of nonperforming assets at March 31, 2001, December 31, 2000 and March 31, 2000 follows:

(dollars in thousands)	MARCH 31, 2001
Nonperforming assets:	
Nonperforming loans:	
Commercial	$ 9,199
Real estate:	
Commercial	2,269
Residential	5,916
Total real estate loans	8,185
Consumer	--
Total nonperforming loans	17,384
Other real estate owned	2,758

Total nonperforming assets	$20,142
Past due loans:	
Commercial	$ 1,951
Real estate	2,636
Consumer	851
Total past due loans (1)	$ 5,438
Restructured:	
Commercial	$ 1,978
Real estate:	
Commercial	--
Residential	10,352
Total restructured loans (2)	$12,330
Nonperforming assets to total loans and other real estate owned (end of period):	
Excluding 90 days past due accruing loans	1.54%
Including 90 days past due accruing loans	1.96%
Nonperforming assets to total assets (end of period):	
Excluding 90 days past due accruing loans	1.17%
Including 90 days past due accruing loans	1.48%

(1) Represents loans which are past due 90 days or more as to principal and/or interest, are still accruing interest and are in the process of collection.

(2) Represents loans which have been restructured, are current and still accruing interest.

Nonperforming loans at March 31, 2001 totaled $17.4 million, an increase of $4.3 million, or 32.9%, over March 31, 2000. The increase in nonperforming loans was primarily due to an increase in the commercial category, partially offset by a decrease in the residential real estate loan category.

Nonperforming commercial loans were $9.2 million at March 31,2001, an increase of $7.7 million over March 31, 2000. The increase was due to: 1) a $3.7 million loan placed on non-accrual status in the third quarter of 2000; 2) loans totaling $2.6 million to a real estate developer that were placed on nonaccrual in the first quarter of 2001; and 3) a $1.9 million loan to a builder supplier that was placed on nonaccrual in the first quarter of 2001.

Other real estate owned was $2.8 million at March 31, 2001, a decrease of $3.0 million, or 52.5%, from March 31, 2000. The decrease in other real estate owned was consistent with the decrease in nonperforming residential real estate loans and the increase in real estate sales activity in Hawaii.

Restructured loans were $12.3 million at March 31, 2001, a decrease of $5.1 million, or 29.1%, from March 31, 2000. The decrease was primarily due to the restructuring of a certain commercial real estate loan to a market interest rate in the second quarter of 2000 and the reclassification of certain commercial loans and residential real estate loans to nonperforming loans and past due loans.

At March 31, 2001, the Company was not aware of any significant potential problem loans (not otherwise classified as nonperforming, past due, or restructured in the above table) where possible credit problems of the borrower caused management to have serious concerns as to the ability of such borrower to comply with the present scheduled repayment terms. The Company's future levels of nonperforming loans will be reflective of Hawaii's economy and the financial condition of its customers.

PROVISION AND ALLOWANCE FOR CREDIT LOSSES

The provision for credit losses is based upon management's judgment as to the adequacy of the allowance for credit losses (the "Allowance") to absorb future losses. The Company uses a systematic methodology to determine the adequacy of the Allowance and related provision for credit losses to be reported for financial statement purposes. The determination of the adequacy of the Allowance is ultimately one of management's judgment, which includes consideration of many factors, including, among other things, the amount of problem and potential problem loans, net charge-off experience, changes in the composition of the loan portfolio by type and geographic location of loans and in overall loan risk profile and quality, general economic factors and the fair value of collateral.

The following table sets forth the activity in the allowance for credit losses for the periods indicated:

(dollars in thousands)	THREE MONTHS ENDE 2001
Loans outstanding (end of period)	$ 1,305,450
Average loans outstanding	$ 1,302,216
Balance at beginning of period	$ 17,447
Loans charged off:	
Commercial	3,035
Real estate	
Commercial	--
Residential	467
Consumer	474
Total loans charged off	3,976
Recoveries on loans charged off:	
Commercial	10
Real estate:	
Commercial	--
Residential	143

Consumer		95
Total recoveries on loans previously charged off		248
Net charge-offs		(3,728)
Provision charged to expense		2,750
Balance at end of period	$	16,469
Net loans charged off to average loans		1.16%(1)
Net loans charged off to allowance for credit losses		91.80%(1)
Allowance for credit losses to total loans (end of period)		1.26%
Allowance for credit losses to nonperforming loans (end of period):		
Excluding 90 days past due accruing loans		0.95X
Including 90 days past due accruing loans		0.72X

(1) Annualized.

The provision for credit losses was $2.8 million for the first quarter of 2001, an increase of $844,000, or 44.3%, over the same quarter last year. The increase in the provision for credit losses was primarily related to the increase in the loan portfolio of 9.1% and the $2.5 million increase in the net charge-offs from the three months ended March 31, 2000 to the three months ended March 31, 2001.

13

14

The Allowance at March 31, 2001 was $16.5 million and represented 1.26% of total loans. The corresponding ratios at December 31, 2000 and March 31, 2000 were 1.34% and 1.56%, respectively.

Net charge-offs were $3.7 million for the first three months of 2001, an increase of $2.5 million, or 206.1%, over the same period in 2000. The increase was primarily due to higher charge-offs in the commercial and consumer loan categories. The increase in the commercial loan category was primarily due to the charge-off of three commercial loans totaling $3.0 million during the first quarter of 2001. Such amounts were previously provided for in the Allowance.

The Allowance decreased to 0.95 times nonperforming loans (excluding 90 days past due accruing loans) at March 31, 2001 from 1.42 times at March 31, 2000 as a result of the increase in nonperforming loans.

In management's judgment, the Allowance was adequate to absorb potential losses currently inherent in the loan portfolio at March 31, 2001. However, changes in prevailing economic conditions in the Company's markets or in the financial condition of its customers could result in changes in the level of nonperforming assets and charge-offs in the future and, accordingly, changes in the Allowance.

NONINTEREST INCOME

Noninterest income totaled $3.1 million for the first quarter of 2001, an increase of $1.4 million, or 81.6%, over the first quarter of 2000.

Service charges on deposit accounts increased $188,000, or 29.1%, for the first quarter of 2001 over the same period in 2000. These increases resulted from an increase in deposit accounts.

Other service charges and fees increased $221,000, or 24.1%, for the first three months of 2001 over the same period in 2000. These increases were primarily due to higher ATM fee income recorded during the three months ended March 31, 2001.

Net realized gains on sales of securities was $387,000 for the three months ended March 31, 2001 compared to net realized losses of $437,000 in the same period in 2000.

Net gains on sales of loans increased $22,000, or 15.7%, for the first quarter of 2001 from the same period in 2000.

Other noninterest income increased $144,000, or 32.2%, for the first three months of 2001 over the same period in 2000. The increase was primarily due to the revaluation of foreign currency, which resulted in a gain of $63,000.

NONINTEREST EXPENSE

Noninterest expense totaled $12.1 million for the first quarter of 2001, an increase of $950,000, or 8.5%, from the same period in 2000. The efficiency ratio (exclusive of intangibles) improved from 64.9% for the three months ended March 31, 2000 to 63.3% for the three months ended March 31, 2001.

Salaries and employee benefits increased $932,000, or 18.9%, for the first quarter ended March 31, 2001 from the same period in 2000. The increases were primarily due to higher incentive-based compensation related to the growth in loans and deposits.

Net occupancy expense decreased $253,000, or 13.7%, for the first three months ended March 31, 2001 from the same period in 2000. The decrease was primarily due to decreases in lease rents for various branch locations.

Equipment expense increased $315,000, or 62.9%, for the first quarter 2001 from the same period in 2000. The lower equipment expense in the prior year was primarily due to a $300,000 refund of certain software lease payments received in the first quarter of 2000.

Other noninterest expense decreased $45,000, or 1.2%, for the first three months of 2001 from the same period in 2000.

INCOME TAXES

The Company's effective income tax rates (exclusive of the tax equivalent adjustment) for the first three months of 2001 was 30.8% as compared to 37.5% for the same period in 2000. The decline in the effective tax rate was primarily due to the utilization of capital losses.

LIQUIDITY AND CAPITAL RESOURCES

The consolidated statements of cash flows identify three major sources and uses of cash as operating, investing and financing activities.

The Company's operating activities used $17.1 million in the first quarter of

2001, which compares to $0.4 million provided by operating activities in the same period in last year. The primary use of cash flows from operations in 2001 was the origination of $42.3 million of loans held for sale, which was partially offset by the sale of $25.3 million of loans held for sale. During the first quarter of 2000, the Company originated $12.3 million of loans held for sale and sold $15.3 million of loans held for sale.

Investing activities provided cash flow of $8.3 million in the first quarter of 2001, compared to using $53.4 million during the same period last year. The primary use of cash for investing activities in the first quarter of 2000 was the net increase in loans of $49.4 million.

Financing activities provided cash flow of $4.3 million in the first quarter of 2001, compared to $29.5 million during the same period last year. During the first quarter of 2001, the Company repaid $95.0 million of short-term advances, funded by the $75.0 million in proceeds from long-term debt and the $36.7 million net increase in deposits.

15

16

The Company and the Bank are subject to capital standards promulgated by the Federal banking agencies and the Hawaii Division of Financial Institutions. Prior to the Merger, the Association was subject to the minimum capital standards established by the Office of Thrift Supervision for all savings associations. Quantitative measures established by regulation to ensure capital adequacy required the Company, the Bank, and the Association (prior to the Merger) to maintain minimum amounts and ratios (set forth in the following table at March 31, 2001 and 2000) of Tier 1 and Total capital to risk-weighted assets, and of Tier 1 capital to average assets. The March 31, 2000 ratios for the Bank do not include the operations of the Association.

16

17

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES	
(dollars in thousands)	AMOUNT	RATIO	AMOUNT	RATIO
AS OF MARCH 31, 2001				
TIER 1 CAPITAL TO RISK-WEIGHTED ASSETS:				
CONSOLIDATED	$139,578	11.52%	$ 48,447	4.00%
BANK	136,363	11.28	48,376	4.00
TOTAL CAPITAL TO				

RISK-WEIGHTED ASSETS:				
CONSOLIDATED	$154,767	12.78%	$ 96,894	8.00%
BANK	151,530	12.53	96,752	8.00
TIER 1 CAPITAL TO				
AVERAGE ASSETS:				
CONSOLIDATED	$139,578	8.11%	$ 68,802	4.00%
BANK	136,363	7.61	71,671	4.00
As of March 31, 2000				
Tier 1 Capital to				
Risk-Weighted Assets:				
Consolidated	$123,114	11.63%	$ 42,331	4.00%
Bank	72,289	10.15	28,492	4.00
Association	49,533	12.60	15,719	4.00
Total Capital to				
Risk-Weighted Assets:				
Consolidated	$136,435	12.89%	$ 84,662	8.00%
Bank	81,244	11.41	56,983	8.00
Association	52,173	13.28	31,438	8.00
Tier 1 Capital to				
Average Assets:				
Consolidated	$123,114	7.65%	$ 64,407	4.00%
Bank	72,289	8.17	35,393	4.00
Association	49,533	6.70	29,590	4.00

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company disclosed both quantitative and qualitative analyses of market risks in its 2000 Form 10-K. No significant changes have occurred during the three months ended March 31, 2001.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

No reports on Form 8-K were filed in the first quarter of 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CB BANCSHARES, INC.
(REGISTRANT)

Date May 10, 2001

By /s/ Dean K. Hirata

Dean K. Hirata
Senior Vice President and
Chief Financial Officer
(principal financial officer)