

CB BANCSHARES INC/HI
Form 10-Q
November 14, 2001

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 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

(State of Incorporation)

99-0197163

(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

No

The number of shares outstanding of each of the registrant's classes of common stock as of October 31, 2001 was:

Class	Outstanding
Common Stock, \$1.00 Par Value	3,505,632 shares

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CB BANCSHARES, INC. AND SUBSIDIARIES

(in thousands)	September 30, 2001	December 31, 2000	September 30, 2000
Assets			
Cash and due from banks	\$ 35,144	\$ 40,172	\$ 35,104
Interest-bearing deposits in other banks	1,013	1,058	279
Federal funds sold	12,380	610	475
Investment and mortgage-backed securities:			
Held-to-maturity	20,940		
Available-for-sale	225,095	298,089	298,674
FHLB Stock	34,116	32,430	31,915
Loans held-for-sale	63,645	33,696	5,863
Net loans	1,212,927	1,250,215	1,248,908
Premises and equipment	18,251	18,081	18,571
Other real estate owned	3,598	3,458	4,731
Accrued interest receivable and other assets	44,006	43,591	43,660
Total assets	\$1,671,115	\$1,721,400	\$1,688,180
Liabilities and stockholders equity			
Deposits:			
Noninterest-bearing	\$ 143,931	\$ 128,742	\$ 113,131
Interest-bearing	1,022,465	1,089,519	1,056,140
Total deposits	1,166,396	1,218,261	1,169,271
Short-term borrowings	101,600	170,700	193,700
Accrued expenses and other liabilities	18,384	20,714	18,366
Long-term debt	250,454	181,563	181,688
Minority interest in consolidated subsidiary	2,720	7,000	7,000
Total liabilities	1,539,554	1,598,238	1,570,025
Stockholders equity:			
Preferred stock			
Common stock	3,506	3,189	3,199
Additional paid-in capital	65,418	54,594	54,852
Retained earnings	65,214	72,284	69,579
Accumulated other comprehensive loss, net of tax	(2,577)	(6,905)	(9,475)
Total stockholders equity	131,561	123,162	118,155
Total liabilities and stockholders equity	\$1,671,115	\$1,721,400	\$1,688,180

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See accompanying notes to the consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENTS OF INCOME** (Unaudited)
CB BANCSHARES, INC. AND SUBSIDIARIES

	Quarter ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
(in thousands, except per share data)				
Interest income:				
Interest and fees on loans	\$ 27,202	\$ 28,708	\$ 82,917	\$ 80,144
Interest and dividends on investment and mortgage-backed securities:				
Taxable interest income	3,579	4,693	12,773	15,018
Nontaxable interest income	388	395	1,164	1,168
Dividends	592	533	1,688	1,588
Other interest income	134	56	397	418
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total interest income	<u>31,895</u>	<u>34,385</u>	<u>98,939</u>	<u>98,336</u>
Interest expense:				
Deposits	8,502	12,384	32,871	33,981
FHLB advances and other short-term borrowings	1,160	3,411	4,202	8,101
Long-term debt	3,222	3,058	9,884	9,872
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total interest expense	<u>12,884</u>	<u>18,853</u>	<u>46,957</u>	<u>51,954</u>
Net interest income	<u>19,011</u>	<u>15,532</u>	<u>51,982</u>	<u>46,382</u>
Provision for credit losses	3,650	1,525	8,671	5,306
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net interest income after provision for credit losses	<u>15,361</u>	<u>14,007</u>	<u>43,311</u>	<u>41,076</u>
Noninterest income:				
Service charges on deposit accounts	969	720	2,743	2,060
Other service charges and fees	1,159	969	3,551	2,990
Net realized gains (losses) on sales of securities	72	1	688	(421)
Net gains on sales of loans	740	124	1,152	388
Impairment of asset backed securities	(6,619)		(6,619)	
Other	613	853	1,680	1,900
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total noninterest income	<u>(3,066)</u>	<u>2,667</u>	<u>3,195</u>	<u>6,917</u>
Noninterest expense:				
Salaries and employee benefits	5,772	5,735	17,534	15,649
Net occupancy expense	1,704	1,648	4,904	5,360
Equipment expense	788	805	2,408	2,205
Other	5,156	3,949	13,759	11,900
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total noninterest expense	<u>13,420</u>	<u>12,137</u>	<u>38,605</u>	<u>35,114</u>
Income (loss) before income taxes	<u>(1,125)</u>	<u>4,537</u>	<u>7,901</u>	<u>12,879</u>
Income tax expense (benefit)	(449)	1,548	2,636	4,686
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income (loss)	<u>\$ (676)</u>	<u>\$ 2,989</u>	<u>\$ 5,265</u>	<u>\$ 8,193</u>

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	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Per share data:				
Basic	\$ (0.19)	\$ 0.85	\$ 1.50	\$ 2.31
Diluted	\$ (0.19)	\$ 0.85	\$ 1.48	\$ 2.31
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to the consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS** (Unaudited)
CB BANCSHARES, INC. AND SUBSIDIARIES

(in thousands)	Nine months ended September 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 5,265	\$ 8,193
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	8,671	5,306
Net realized (gains) loss on sale of securities	(688)	421
Depreciation and amortization	2,238	2,004
Deferred income taxes	(3,001)	2,112
Decrease (increase) in accrued interest receivable	312	(1,560)
Increase (decrease) in accrued interest payable	(2,814)	(323)
Loans originated for sale	(132,778)	(39,574)
Sale of loans held for sale	103,981	41,516
Impairment of asset backed securities	6,619	
Decrease (increase) in other assets	(707)	(2,671)
Increase (decrease) in income taxes payable	198	(822)
Increase (decrease) in other liabilities	44	(377)
Other	115	328
Net cash provided by (used in) operating activities	<u>(12,545)</u>	<u>14,553</u>
Cash flows from investing activities:		
Net decrease (increase) in interest-bearing deposits in other banks	45	(203)
Net decrease (increase) in federal funds sold	(11,770)	5,225
Purchases of investment securities held-to-maturity	(20,963)	
Purchase of available-for-sale securities	(50)	(5,643)
Proceeds from sales of available-for-sale securities	40,902	7,656
Proceeds from maturities of available-for-sale securities	32,606	11,805
Net increase in FHLB Stock	(1,686)	(188)
Net decrease (increase) in loans	23,651	(132,268)
Capital expenditures	(2,408)	(2,662)
Proceeds from sales of foreclosed assets	4,738	6,616
Net cash provided by (used in) investing activities	<u>65,065</u>	<u>(109,662)</u>
Cash flows from financing activities:		
Net increase (decrease) in deposits	(51,865)	63,127
Net increase (decrease) in short-term borrowings	(69,100)	38,816
Proceeds from long-term debt	146,200	10,000
Principal payments on long-term debt	(77,309)	(53,452)
Net increase (decrease) in minority interest in consolidated subsidiary	(4,280)	7,000
Cash dividends paid	(1,056)	(773)
Stock options exercised	189	
Cash in lieu payments on stock dividend	(54)	
Stock repurchases	(273)	(1,423)
Net cash provided by (used in) financing activities	<u>(57,548)</u>	<u>63,295</u>

