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CB BANCSHARES INC/HI
Form 8-K
April 12, 2004

FORM 8-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Current Report Pursuant to Section 13
of the Securities Exchange Act of 1934

Date of Report (Date Earliest Event reported) - April 12, 2004

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)

Item 12. Disclosure of Operations and Financial Condition

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On April 12, 2004, CB Bancshares, Inc. issued a press release announcing the Company's results of operations for the first quarter ended March 31, 2004 (attached as Exhibit A).

The earnings release includes non-GAAP financial measures, which excludes the effect of expenses associated with the unsolicited hostile takeover proposal announced by Central Pacific Financial Corp. on April 17, 2003 and gain from the early pay-off of an asset-backed security. The earnings release also presents the calculation of the efficiency ratio, which excludes the unsolicited hostile takeover proposal expenses, gain from the early pay-off of an asset-backed security and amortization of intangibles.

Management uses these non-GAAP financial measures because they provide meaningful information regarding the Company's operating performance and facilitate management's comparisons to the Company's historical operating results. The Company believes that these non-GAAP financial measures can also be useful to investors in facilitating comparisons to the Company's historical operating results.

These non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles and may be different from non-GAAP financial measures used by other companies. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP.

Signatures

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

Date: April 12, 2004

CB Bancshares, Inc.

By: /s/ Dean K. Hirata

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

EXHIBIT A

FOR IMMEDIATE RELEASE

Contact: Dean K. Hirata
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Chief Financial Officer
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CB BANKSHARES, INC. REPORTS A 146.8% INCREASE
IN FIRST QUARTER RESULTS

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HONOLULU, HAWAII, April 12, 2004 - CB Bancshares, Inc. (NASDAQ: CBBI), parent company of City Bank, reported consolidated net income of \$9.8 million for the quarter ended March 31, 2004, an increase of 146.8% over the same quarter last year. Diluted earnings per share of \$2.21 for the first quarter of 2004 increased 140.2% over the same quarter last year.

Ronald K. Migita, President and Chief Executive Officer of CB Bancshares, Inc. said, "We are extremely pleased to report our record financial results for the first quarter ending March 31, 2004. We have produced four consecutive quarters of outstanding financial performance. Our core businesses are strong, net interest margin has increased, and loan volume continues to grow, while our credit quality continues to improve. We believe that our Company is well positioned to deliver sustainable growth and to enhance value for our shareholders."

At March 31, 2004, the Company had \$1.9 billion in assets, up 13.1% as compared to March 31, 2003. The Company also had \$1.3 billion in deposits, up 14.2% and \$1.3 billion in loans, up 16.6%.

Net interest income was \$21.3 million for the first quarter of 2004, an increase of \$3.0 million, or 16.1%, over the same period in 2003. The increase in net interest income was due to an 11 basis point increase in the net interest margin (to 4.87%) and a \$197.2 million increase in the average balance of interest-earning assets and a \$154.5 million rise in the average balance of interest-bearing liabilities.

Noninterest income was \$7.4 million for the first quarter of 2004, an increase of \$1.9 million, or 35.1%, over the same quarter last year. The increase was primarily due to a gain of \$2.6 million that resulted from the early pay-off of an asset-backed security.

Noninterest expense totaled \$14.5 million for the first quarter of 2004, an increase of \$900,000, or 6.6%, over the first quarter of 2003. The increase was primarily due to an increase of \$800,000 in salaries and employee benefits resulting from higher incentive-based compensation and an increase in personnel to staff mainland loan offices and \$348,000 of expenses related to the unsolicited hostile takeover proposal.

The efficiency ratio (excluding the unsolicited hostile takeover proposal expenses, gain on early pay-off of asset-backed securities and amortization of intangibles) improved from 56.98% for the first quarter of 2003 to 53.18% for the first quarter of 2004. Inclusive of these items, the efficiency ratio was 57.29% and 50.67% for the first quarter of 2003 and 2004, respectively.

Nonperforming loans and nonperforming assets were \$4.6 million at March 31, 2004, which represented decreases of \$7.0 million, or 60.3%, and \$7.8 million, or 62.8%, respectively, as compared to March 31, 2003. The decrease in nonperforming assets was primarily due to a \$5.1 million decrease in nonperforming real estate loans and an \$800,000 reduction in other real estate owned.

The provision for credit losses was \$500,000 in the first quarter of 2004, a decrease of \$3.8 million, or 88.5%, compared to the same period in 2003. The Company's lower provision in 2004 reflects the significant improvement in asset quality. The allowance for credit losses to total nonperforming loans increased to 620.4% at March 31, 2004 from 267.7% at March 31, 2003.

At March 31, 2004, total stockholders' equity was \$178.0 million, an increase of \$23.4 million, or 15.2%, over March 31, 2003. Return on equity for the quarter ended March 31, 2003 was 22.71% (19.95% excluding the after-tax unsolicited hostile takeover proposal expenses and gain on early pay-off of

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asset-backed securities). In March 2004, a cash dividend of \$0.36 per share was paid to shareholders, an increase of \$0.26, or 260%, over the \$0.10 per common share paid last year.

CB Bancshares, Inc. is a bank holding company, which provides a full range of banking products and services for small-and-medium-sized businesses and retail customers through its principal subsidiary, City Bank. City Bank maintains 22 branches on the islands of Oahu, Hawaii, Maui and Kauai.

This communication may be deemed to include forward-looking statements, such as statements that relate to CB Bancshares' financial results. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intent," "estimate," "may increase," "may fluctuate," and similar expressions or future or conditional verbs such as "will," "should," "would," and "could." Forward-looking statements are CB Bancshares' current estimates or expectations of future events or future results. For such statements, CB Bancshares claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those indicated by these statements because the realization of those results is subject to many risks and uncertainties. CB Bancshares' 2003 Annual Report on Form 10-K and other periodic reports to the Securities and Exchange Commission contain additional information about factors that could affect actual results. All forward-looking statements included in this communication are based on information available at the time of the release, and CB Bancshares assumes no obligation to update any forward-looking statement.

CONSOLIDATED FINANCIAL HIGHLIGHTS

CB Bancshares, Inc. and Subsidiaries

At or for the Quarter Ended

March 31, 2004 and 2003

| | 2004 | 2003 | Change | |
|--------------------------------|--|-------------|-----------|---------|
| | (dollars in thousands, except number of shares and per share data) | | | |
| | | | Amount | Percent |
| QUARTER ENDED MARCH 31: | | | | |
| Net income | \$9,802 | \$3,972 | \$5,830 | 146.8 % |
| Net income - adjusted (1) | 8,608 | 3,972 | 4,636 | 116.7 |
| Per share data: | | | | |
| Diluted: | | | | |
| Net income | 2.21 | 0.92 | 1.29 | 140.2 |
| Net income - adjusted (1) | 1.94 | 0.92 | 1.02 | 110.9 |
| Cash dividends | 0.36 | 0.10 | 0.26 | 260.0 |
| Average shares outstanding (2) | 4,439,467 | 4,333,696 | 105,771 | 2.4 |
| AT MARCH 31: | | | | |
| Balance sheet: | | | | |
| Total assets | \$1,873,523 | \$1,656,759 | \$216,764 | 13.1 % |
| Loans | 1,349,512 | 1,157,014 | 192,498 | 16.6 |
| Loans, net | 1,299,474 | 1,015,423 | 284,051 | 28.0 |
| Deposits | 1,308,578 | 1,146,094 | 162,484 | 14.2 |
| Stockholders' equity | 177,953 | 154,526 | 23,427 | 15.2 |
| Asset quality: | | | | |
| Nonperforming loans | 4,624 | 11,659 | (7,035) | (60.3) |
| Nonperforming assets (3) | 4,624 | 12,430 | (7,806) | (62.8) |

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| | | | | |
|-----------------------------|--------|--------|---------|-------|
| Allowance for credit losses | 28,686 | 31,210 | (2,524) | (8.1) |
|-----------------------------|--------|--------|---------|-------|

Per share data:

| | | | | |
|--------------|-------|-------|-------|------|
| Book value | 41.22 | 36.23 | 4.99 | 13.8 |
| Market value | 69.91 | 44.35 | 25.56 | 57.6 |

Balance sheet averages:

| | | | | |
|----------------------|-------------|-------------|-----------|--------|
| Total assets | \$1,865,743 | \$1,657,589 | \$208,154 | 12.6 % |
| Loans | 1,332,010 | 1,152,321 | 179,689 | 15.6 |
| Earning assets | 1,773,298 | 1,576,069 | 197,229 | 12.5 |
| Deposits | 1,251,916 | 1,148,644 | 103,272 | 9.0 |
| Stockholders' equity | 173,582 | 152,768 | 20,814 | 13.6 |

SELECTED FINANCIAL RATIOS:

Return on average:

| | | |
|--|--------|--------|
| Total assets | 2.11 % | 0.97 % |
| Total assets - adjusted (1) | 1.86 | 0.97 |
| Stockholders' equity | 22.71 | 10.54 |
| Stockholders' equity - adjusted (1) | 19.95 | 10.54 |
| Net interest margin | 4.87 | 4.76 |
| Efficiency ratio | 50.67 | 57.29 |
| Efficiency ratio - adjusted (4) | 53.18 | 56.98 |
| Nonperforming loans to total loans (at March 31) | 0.34 | 1.01 |
| Nonperforming assets to total assets (at March 31) (3) | 0.25 | 0.75 |
| Allowance for credit losses to total loans (at March 31) | 2.13 | 2.70 |
| Allowance for credit losses to nonperforming loans (at March 31) | 620.37 | 267.69 |

Notes:

- (1) Excludes after-tax unsolicited hostile takeover proposal expenses and gain on early pay-off of asset-backed security in 2004 (see supplemental financial information).
- (2) Average outstanding shares retroactively adjusted for the 390,345 common shares issued in connection with the 10% stock dividend distributed to shareholders of record on June 16, 2003.
- (3) Nonperforming assets consist of nonperforming loans and other real estate owned.
- (4) Defined as noninterest expense excluding unsolicited hostile takeover proposal expenses and amortization of intangibles as a percentage of total operating revenue excluding gain on early pay-off of asset-backed security (see supplemental financial information).

Supplemental Financial Information
 CB Bancshares, Inc. and Subsidiaries
 Reconciliation of Non-GAAP Financial Measures
 At or for the Quarter Ended
 March 31, 2004 and 2003

| | 2004 | 2003 |
|-----------------------------------|---|---------|
| | (dollars in thousands, except per share data) | |
| Net income: | | |
| Net income | \$9,802 | \$3,972 |
| Unsolicited proposal expenses (1) | 235 | -- |

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| | | |
|--|----------|----------|
| Gain on early pay-off of asset-backed security (2) | (1,429) | -- |
| Net income, excluding unsolicited proposal expenses and gain on early pay-off of asset-backed security | \$8,608 | \$3,972 |
| Earnings per share: | | |
| Net income | \$2.21 | \$0.92 |
| Unsolicited proposal expenses (1) | 0.05 | -- |
| Gain on early pay-off of asset-backed security (2) | (0.32) | -- |
| Net income, excluding unsolicited proposal expenses and gain on early pay-off of asset-backed security | \$1.94 | \$0.92 |
| Return on average assets: | | |
| Net income | 2.11 % | 0.97 % |
| Unsolicited proposal expenses (1) | 0.06 | -- |
| Gain on early pay-off of asset-backed security (2) | (0.31) | -- |
| Net income, excluding unsolicited proposal expenses and gain on early pay-off of asset-backed security | 1.86 % | 0.97 % |
| Return on average stockholders' equity: | | |
| Net income | 22.71 % | 10.54 % |
| Unsolicited proposal expenses (1) | 0.55 | -- |
| Gain on early pay-off of asset-backed security (2) | (3.31) | -- |
| Net income, excluding unsolicited proposal expenses and gain on early pay-off of asset-backed security | 19.95 % | 10.54 % |
| Efficiency ratio: | | |
| Net interest income | \$21,257 | \$18,302 |
| Noninterest income | 7,445 | 5,511 |
| Total operating revenue (a) | \$28,702 | \$23,813 |
| Less gain on early pay-off of asset-backed security | (2,012) | -- |
| Total operating revenue, adjusted (b) | \$26,690 | \$23,813 |
| Noninterest expense (c) | \$14,542 | \$13,642 |
| Unsolicited proposal expenses | (348) | -- |
| Amortization of intangibles | 1 | (74) |
| Noninterest expense, adjusted (d) | \$14,195 | \$13,568 |
| GAAP efficiency ratio (c / a) | 50.67 % | 57.29 % |
| Efficiency ratio, excluding gain on early pay-off of asset-backed security, unsolicited proposal expenses, and amortization of intangibles (d / b) | 53.18 % | 56.98 % |

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Notes:

- (1) Represents after-tax expenses associated with the defense of the unsolicited hostile takeover proposal by Central Pacific Financial Corp. announced on April 16, 2003.
- (2) Represents after-tax gain on early pay-off of asset-backed security.

CONSOLIDATED BALANCE SHEETS
 CB Bancshares, Inc. and Subsidiaries
 (Unaudited)

| (in thousands) | March 31, 2004 | March 31, 2003 |
|--|--------------------|--------------------|
| ASSETS | | |
| Cash and due from banks | \$56,577 | \$34,410 |
| Interest-bearing deposits in other banks | 1,109 | 19,428 |
| Federal funds sold | 2,300 | -- |
| Investment securities: | | |
| Held to maturity | 105,441 | 174,120 |
| Available-for-sale | 281,756 | 202,610 |
| Restricted | 31,889 | 30,382 |
| Loans held for sale | 21,352 | 110,381 |
| Loans, net | 1,299,474 | 1,015,423 |
| Premises and equipment | 16,712 | 16,373 |
| Other assets | 56,913 | 53,632 |
| Total assets | \$1,873,523 | \$1,656,759 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits: | | |
| Non-interest bearing | \$205,336 | \$172,076 |
| Interest bearing | 1,103,242 | 974,018 |
| Total deposits | 1,308,578 | 1,146,094 |
| Short-term borrowings | 115,400 | 6,400 |
| Other liabilities | 24,487 | 27,617 |
| Long-term debt | 244,385 | 319,402 |
| Minority interest in consolidated subsidiary | 2,720 | 2,720 |
| Total liabilities | 1,695,570 | 1,502,233 |
| Stockholders' equity: | | |
| Preferred stock | -- | -- |
| Common stock | 4,353 | 3,917 |
| Additional paid-in capital | 103,466 | 78,834 |
| Retained earnings | 64,778 | 67,221 |
| Unreleased shares to employee stock ownership plan | (1,284) | (1,448) |
| Accumulated other comprehensive income, net of tax | 6,640 | 6,002 |
| Total stockholders' equity | 177,953 | 154,526 |
| Total liabilities and stockholders' equity | \$1,873,523 | \$1,656,759 |

CONSOLIDATED STATEMENTS OF INCOME
 CB Bancshares, Inc. and Subsidiaries

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(Unaudited)

| (in thousands) | Three months ended March 31, | |
|---|------------------------------|----------|
| | 2004 | 2003 |
| Interest income: | | |
| Interest and fees on loans | \$22,313 | \$20,684 |
| Interest and dividends on investment securities: | | |
| Taxable interest income | 3,784 | 3,185 |
| Nontaxable interest income | 386 | 390 |
| Dividends | 314 | 496 |
| Other interest income | 6 | 178 |
| Total interest income | 26,803 | 24,933 |
| Interest expense: | | |
| Deposits | 2,711 | 3,483 |
| Short-term borrowings | 542 | 43 |
| Long-term debt | 2,293 | 3,105 |
| Total interest expense | 5,546 | 6,631 |
| Net interest income | 21,257 | 18,302 |
| Provision for credit losses | 500 | 4,330 |
| Net interest income after provision for credit losses | 20,757 | 13,972 |
| Noninterest income: | | |
| Service charges on deposit accounts | 1,092 | 1,111 |
| Other service charges and fees | 1,634 | 1,693 |
| Net realized gains on sales of securities | 2,353 | 252 |
| Net realized gains on sales of loans | 1,066 | 882 |
| Item processing fee income | 479 | 425 |
| Other | 821 | 1,148 |
| Total noninterest income | 7,445 | 5,511 |
| Noninterest expense: | | |
| Salaries and employee benefits | 7,975 | 7,174 |
| Net occupancy expense | 1,723 | 1,629 |
| Equipment expense | 573 | 609 |
| Unsolicited hostile takeover proposal expenses | 348 | -- |
| Other | 3,923 | 4,230 |
| Total noninterest expense | 14,542 | 13,642 |
| Income before income taxes | 13,660 | 5,841 |
| Income tax expense | 3,858 | 1,869 |
| NET INCOME | \$9,802 | \$3,972 |