CB BANCSHARES INC/HI
Form 10-K405
March 15, 2001

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

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

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)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, Par value $1.00 per share

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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of January 31, 2001, registrant had outstanding 3,188,534 shares of common stock. The aggregate market value of registrant's Common Stock held by non-affiliates based on the closing price on January 31, 2001 was approximately $100,970,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the annual meeting of shareholders to be held on April 26, 2001 are incorporated by reference into Part III and IV.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes "forward-looking statements" within the meaning of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this report that address results or developments that CB Bancshares, Inc. (the "Company") expects or anticipates will or may occur in the future, where statements are preceded by, followed by or included the words "believes", "plans", "intends", "expects", "anticipates" or similar expressions, including such things as (i) business strategy; (ii) economic trends and market condition, particularly in Hawaii; (iii) the direction of interest rates and prepayment speeds of mortgage loans and mortgage-backed securities; (iv) the adequacy of the Company's allowances for credit and real estate losses based on credit risks inherent in the lending processes; (v) expansion and growth of the Company's business and operations; (vi) renewal of existing credit agreements with and availability of additional advances from the Federal Home Loan Bank of Seattle (the "FHLB"); and (vii) other matters are forward-looking statements. These statements are based upon certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. These statements are subject to a number of risks and uncertainties, many of which are beyond the control of the Company, including general economic, market or business conditions; real estate market conditions, particularly in Hawaii; the opportunities (or lack thereof) that may be presented to and pursued by the Company; competitive actions by other companies; changes in laws and regulations; and other factors. Actual results could differ materially from those contemplated by these forward-looking statements. Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even substantially realized, and that they will have the expected consequences to or effects on the Company and its business or operations. Forward-looking statements made in this report speak as of the date hereof. The Company undertakes no obligation to update or revise any forward-looking statement in this report.

PART I

ITEM 1. BUSINESS

CB BANCSHARES, INC.

CB Bancshares, Inc. is a bank holding company incorporated in the State of Hawaii in 1980. As a bank holding company, the Company has the flexibility to directly or indirectly engage in certain bank-related activities other than banking, subject to regulation by the Board of Governors of the Federal Reserve System. The Company has three wholly-owned subsidiaries, City Bank (the "Bank"), Datatronix Financial Services, Inc. ("Datatronix") and O.R.E., Inc., which are discussed below.

On July 1, 2000, International Savings and Loan Association, Limited (the "Association") a wholly-owned subsidiary of the Company, and the Bank merged with the Bank being the surviving corporation.

CITY BANK

City Bank is a state-chartered bank organized under the laws of the State of Hawaii in 1959. The Bank is insured by the Federal Deposit Insurance Corporation (the "FDIC"), and provides full commercial banking services through 18 branches on the island of Oahu, 1 branch on the island of Hawaii, and 2 branches on the island of Maui. These services include receiving demand, savings and time deposits; making commercial, real estate and consumer loans; financing international trade activities; issuing letters of credit; handling domestic and foreign collections; selling travelers' checks and bank money orders; and renting safe deposit boxes.

The Bank's primary focus has been corporate lending to small- to medium-sized businesses by maintaining relationships and expertise within business segments and providing personal customer service. Efforts will continue to develop and enhance the expertise of the corporate sales force and to leverage these corporate relationships to generate core deposit growth. The Bank also has restructured in order to link the corporate and wholesale lending to the retail banking group with the intent of developing seamless service between the corporate loan officers and the branch personnel and to increase cross-sale opportunities between business customers and derivative retail customers. The Bank has developed and begun to implement its customer relationship management program which it believes will significantly enhance this effort.

The Bank also plans to further develop its electronic banking force by continuing to develop internet banking capability for both business and retail customers. In 1999, the Bank launched its "iCityBanker" product to its business customers and in October 2000, launched the same to its retail customers. iCityBanker was the first internet-based delivery system in the State of Hawaii, which enables customers to access their accounts, transfer funds and pay bills using a standard Web browser. In the near future, the Bank plans to provide additional functionality, which include wire transfer, electronic data interchange, mortgage lending and E-commerce capability.

INTERNATIONAL SAVINGS AND LOAN ASSOCIATION, LIMITED

The Association was chartered by the Territory of Hawaii in 1925. The Association's principal business consisted of attracting deposits from the general public and utilizing advances from the FHLB and other borrowings to fund its real estate lending activities, which consisted primarily of lending to one-to-four family residential properties. As mentioned previously, on July 1, 2000, the Association was merged with and into the Bank. With the merger, all Association loan and deposit accounts became Bank accounts. At June 30, 2000, the Association had total assets of $796.7 million.

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DATATRONIX FINANCIAL SERVICES, INC.

Datatronix Financial Services, Inc., a wholly-owned subsidiary, was incorporated in the State of Hawaii in June 2000 and opened for business on July 1, 2000. Datatronix offers outsourcing services such as check processing to banks, thrifts, credit unions and other financial institutions in the State of Hawaii. As of December 31, 2000, the Bank was its sole customer; however, several local institutions have shown interest in contracting with Datatronix for services.

O.R.E., INC.

O.R.E., Inc., a wholly-owned subsidiary of the Company, was organized for the primary purpose of engaging in the disposition of real and/or personal property that are encumbered by loans of the Bank. To date, no transactions have been consummated and the company is inactive.

FHLB BORROWINGS

A primary source of funds for the Company is advances from the FHLB. The Bank has credit line agreements allowing for both short- and long-term advances. The current agreements provide for the Bank to borrow up to 35% of total qualified assets, provided that adequate mortgage loans are available to be pledged as security. At December 31, 2000, the Company had $170.3 million in short-term advances from the FHLB ranging in maturity from January 2001 to April 2001 and rates from 6.48% to 6.80% and $180.2 million in long-term debt from the FHLB ranging in maturity from January 2001 to September 2014 and rates from 5.30% to 8.22%. Advances are priced at the date of advance as either fixed or LIBOR-based. The credit line agreements have normal FHLB default provisions which, among other matters, accelerate the maturity date if there are material

adverse changes to the financial condition of the Bank and/or if repayment ability becomes impaired. As of December 31, 2000, these borrowings were collateralized by $71.0 million of securities, $736.6 million in loans and all stock in the FHLB. See the Liquidity section of Management's Discussion and Analysis as well as Notes J and K of Notes to the Company's Consolidated Financial Statements for further information.

COMPETITION AND ECONOMIC ENVIRONMENT

The earnings and growth of the Company and its subsidiaries are affected by the changes in the monetary and fiscal policies of the United States (the "U.S."), as well as by general, local, national and international economic conditions. The overall growth of loans and investments, deposit levels and interest rates are directly influenced by the monetary policies of the Federal Reserve System. Since these changes are generally unpredictable, it is difficult to ascertain the impact of such future changes on the operations of the Company and its subsidiaries.

The banking business is highly competitive. The Bank competes for deposits and loans with five other commercial banks and two other savings associations located in Hawaii. In addition to other commercial banks and savings associations, the Bank competes for savings and time deposits and certain types of loans with other financial institutions, such as consumer finance companies, credit unions, merchandise retailers, and a variety of financial services and advisory companies. The Bank also competes for mortgage loans with insurance and mortgage companies.

The economy of Hawaii is supported principally by tourism, governmental expenditures (primarily for the military), construction, and agriculture. The government has made certain strides in attempting to broaden the state's economic base in the areas of diversified agriculture, biotechnology, information technology and film. A small island economy like that of Hawaii, which significantly depends on imports for consumption, is greatly influenced by the changes in external economic conditions. A key to the economic performance of the state is the health of the U.S. and Japan economies and, to a lesser extent, the economies of Canada, Europe and other Asian nations. After rapid expansion in the late 1980's, the Hawaii economy began to stumble in the early 1990s with the onset of the national recession and Gulf War and their related negative impact on the tourism industry. This condition was exacerbated by Hurricane Iniki in 1992 and the recession of the Japan economy which caused previously inflated real estate values to collapse. During the same period, Hawaii construction activity slowed and foreign investment in Hawaii (particularly by Japanese real estate investors) sharply declined. Most recently, the state began to benefit from the trickle effects of the U.S. mainland's economic boom and thus, in 2000, the Hawaii State Department of Business, Economic Development and Tourism reports that visitor arrivals, visitor expenditures, consumer price index, personal income, jobs, and the gross state product will have increased by 4.2%, 9.2%, 2.1%, 5.0%, 2.0%, and 4.8%, respectively over 1999. The year 2000 was excellent for the Hawaii tourism industry with a record 7 million visitors to the islands, or 3.5% above 1999. As compared to 1999, room charges increased 5%, occupancy rates increased to 76% from 72% and overall hotel revenues increased by 11.8% to $2.7 billion.

The U.S. Department of Commerce Bureau of Economic Analysis reports that the U.S. mainland experienced increases in the gross domestic product of 5% in 2000 and 4.2% in 1999 over the year prior. Fourth quarter 2000 gross domestic product grew only 1.4% compared to 5.6% in the second quarter of 2000. Consumer spending increases slowed as well to 2.9% in the fourth quarter compared to 4.5% in the third quarter.

REGULATORY CONSIDERATIONS

The following discussion sets forth certain elements of the regulatory framework applicable to the Company. Federal and state regulation of financial

institutions is intended primarily for the protection of depositors rather than shareholders of those entities. To the extent that the following discussion describes statutory or regulatory provisions, it is not intended to be complete and is qualified in its entirety by reference to the particular statutory or regulatory provisions, and any case law or interpretive letters concerning such provisions. In addition, there are other statutes and regulations that apply to and regulate the operation of the Company and its subsidiaries. Any change in applicable laws, or regulations, may have a material or possibly adverse effect on the business of the Company or other subsidiaries of the Company.

BANK HOLDING COMPANY. The Company is a bank holding company subject to supervision and regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") under the Bank Holding Company Act of 1956, as amended (the "BHCA"). As a bank holding company, the Company's activities and those of its banking and non-banking subsidiaries are limited to the business of banking and activities closely related or incidental to banking and to certain expressly permitted nonbanking activities. In addition, the Company may not acquire directly or indirectly more than 5% of any class of the voting shares of, or substantially all of the assets of, a bank or any other company without the prior approval of the Federal Reserve Board.

THE BANK. The Bank is organized under the laws of the State of Hawaii and is subject to significant regulation by the FDIC and the Division of Financial Institutions of the Department of Commerce and Consumer Affairs, State of Hawaii. The Bank is also subject to significant federal and state regulation which materially affects its operations.

THE COMMUNITY REINVESTMENT ACT. The Community Reinvestment Act (the "CRA") requires lenders to identify the communities served by the Company's offices and to identify the types of credit the institution is prepared to extend within such communities. Under the CRA regulations of the FDIC and the other federal banking agencies, an institution's performance in making loans and investments and maintaining branches and providing services in low- and moderate-income areas within the communities that it serves is evaluated. In connection with its assessment of CRA performance, the FDIC assigns a rating of "outstanding," "satisfactory," "needs to improve," or "substantial noncompliance."

THE FEDERAL HOME LOAN BANKS. Under the Federal Home Loan Bank Act, as amended, the ongoing stock investment requirement is equal to 0.3% of total assets, 1% of residential mortgages and mortgage-backed securities, or 5% of advances divided by the institution's Qualifying Assets Ratio (QAR), whichever is higher. The institution's QAR will determine a ratio of stock to borrowings (the higher the QAR, the lower the stock to borrowings requirement). The stock is recorded as a restricted investment security at par. Furthermore, FHLB advances must be collateralized with certain types of assets. Accordingly, the Company has pledged certain loans to the FHLB as collateral for its advances.

DIVIDEND RESTRICTIONS. The principal source of the Company's cash flow has been dividend payments received from the Bank and the Association. Dividends paid to the Company by the Bank and the Association in 2000 totaled $5.1 million. Under the laws of Hawaii, payment of dividends by the Bank is subject to certain restrictions, and payment of dividends by the Company is likewise subject to certain restrictions.

The Company increased its quarterly dividend in the second quarter of 1998 from $0.05 per share to $0.06 per share and increased to $0.07 per share in the second quarter of 1999. The quarterly dividend was subsequently increased to $0.10 per share in the third quarter of 2000. The Company will continue to evaluate the dividend on a quarterly basis. In addition, applicable regulatory

authorities are authorized to prohibit banks, thrifts and their holding companies from paying dividends which would constitute an unsafe and unsound banking practice. The Federal Reserve Board (the "FRB") has indicated that it would generally be an unsafe and unsound banking practice for banks to pay dividends except out of current operating earnings. Furthermore, an insured depository institution, such as the Bank, cannot make a capital distribution (broadly defined to include, among other things, dividends, redemptions and other repurchases of stock), or pay management fees to its holding company if, thereafter, the depository institution would be undercapitalized.

CAPITAL STANDARDS. The Company and the Bank are subject to capital standards promulgated by the FRB, the FDIC, and the Hawaii Division of Financial Institutions. At the end of 2000, the minimum ratio of total capital to risk-weighted assets, provided for in the guidelines adopted by the FRB, including certain off-balance-sheet items such as standby letters of credit, was 8%. At least half of the total capital is to be comprised of common equity, retained earnings, non-cumulative perpetual preferred stock, and a limited amount of cumulative perpetual preferred stock less goodwill ("Tier 1 Capital"). The remainder may consist of a limited amount of subordinated debt, other preferred stock, certain other instruments, and a limited amount of reserves for loan losses ("Tier 2 Capital"). The FDIC's risk-based capital guidelines for state non-member banks of the Federal Reserve System are generally similar to those established by the FRB for bank holding companies.

The FRB and FDIC also have adopted minimum leverage ratios for bank holding companies and banks requiring bank organizations to maintain a Leverage Ratio (defined as Tier 1 Capital divided by average total assets less goodwill) of at least 4% of total assets. The Leverage Ratio is the minimum requirement for the most highly rated banking organizations, and other banking organizations are expected to maintain an additional cushion of at least 100 to 200 basis points (1% equals 100 basis points), taking into account the level and nature of risk, to be allocated to the specific banking organizations by the primary regulator.

FRB guidelines also provide that banking organizations experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets. Furthermore, the guidelines indicate that the FRB will continue to consider a "tangible Tier 1 leverage ratio" in evaluating proposals for expansion or new activities. The tangible Tier 1 leverage ratio is the ratio of a banking organization's Tier 1 Capital, less intangibles, to total assets, less intangibles.

Failure to meet capital guidelines could subject a bank or savings association to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and to certain restrictions on its business. At December 31, 2000, the Company and the Bank exceeded applicable capital requirements. The consolidated capital position of the Company at December 31, 2000 was as follows:

	Company ratio	Minimum required ratio
Risk-based Capital:		
Tier 1 capital ratio	12.04%	4.00%
Total capital ratio	13.29%	8.00%
Leverage ratio	8.01%	4.00%

COMPANY SUPPORT OF THE BANK. A depository institution insured by the FDIC can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC after August 9, 1989, in connection with (i) the default of a commonly controlled FDIC-insured depository institution or (ii) any assistance provided by the FDIC to a commonly controlled FDIC-insured depository institution "in danger of default". "Default" is defined generally as the appointment of a conservator or receiver and "in danger of default" is defined generally as the existence of certain conditions indicating that a "default" is likely to occur in the absence of regulatory assistance.

Under FRB regulations, a bank holding company is required to serve as a source of financial and managerial strength to its subsidiary banks and may not conduct its operations in an unsafe or unsound manner. In addition, it is the FRB's policy that in serving as a source of strength to its subsidiary banks, a bank holding company should stand ready to use available resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity and should maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks. A bank holding company's failure to meet its obligations to serve as a source of strength to its subsidiary banks will generally be considered by the FRB to be an unsafe and unsound banking practice or a violation of the FRB regulations or both. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. Moreover, Congress has passed legislation pursuant to which depositors are granted a preference over all other unsecured creditors in the event of the insolvency of a bank or thrift.

AFFILIATE TRANSACTIONS. Sections 23A and 23B of the Federal Reserve Act (i) limit the extent to which a financial institution or its subsidiaries may engage in "covered transactions" with an affiliate, to an amount equal to 10% of such institution's capital and surplus and an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital and surplus and (ii) require that all transactions with an affiliate be on terms substantially the same, or at least as favorable to the institution or subsidiary, as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and other similar types of transactions.

SAFETY AND SOUNDNESS. The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires each federal banking regulatory agency to prescribe, by regulation, standards for all insured depository institutions and depository institution holding companies relating to (i) internal controls, information systems and audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) interest rate risk exposure; (v) asset growth; (vi) compensation, fees and benefits; and (vii) such other operational and managerial standards as the agency determines to be appropriate. The compensation standards would prohibit employment contracts, compensation or benefit arrangements, stock option plans, fee arrangements or other compensatory arrangements that provide excessive compensation, fees or benefits or could lead to material financial loss. In addition, each federal banking regulatory agency must prescribe by regulation standards specifying (i) a maximum ratio of classified assets to capital; (ii) minimum earnings sufficient to absorb losses without impairing capital (iii) to the extent feasible, a minimum ratio of market value to book value for publicly traded shares of depository institutions and depository institution holding companies; and (iv) such other standards relating to asset quality, earnings and valuation as the agency determines to be appropriate. If an insured depository

institution or its holding company fail to meet any of the standards promulgated by regulations, then such company will be required to submit a plan to its federal regulator specifying the steps it will take to correct the deficiency. The federal banking agencies have uniform rules concerning these standards.

PROMPT CORRECTIVE ACTION. Under FDICIA, each federal banking agency is required to take prompt corrective action to resolve the problems of insured depository institutions that do not meet minimum capital ratios. The extent of an agency's power to take prompt corrective action depends upon whether an institution is "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized."

The federal banking agencies have adopted regulations to implement the prompt corrective action provisions of FDICIA. Under the regulations, an institution shall be deemed to be (i) "well capitalized" if it has total risk-based capital of 10% or more, has a Tier 1 risk-based capital ratio of 6% or more, has a Tier 1 leverage capital ratio of 5% or more and is not subject to any order or final capital directive to meet and maintain a specific capital level for any capital measure, (ii) "adequately capitalized" if it has a total risk-based capital ratio of 8% or more, a Tier 1 risk-based capital ratio of 4% or more and a Tier 1 leverage capital ratio of 4% or more (3% under certain circumstances) and does not meet the definition of "well capitalized," (iii) "undercapitalized" if it has a total risk-based capital ratio that is less than 8%, a Tier 1 risk-based capital ratio of 4% or more or a Tier 1 leverage capital ratio that is less than 4% (3% under certain circumstances), (iv) "significantly undercapitalized" if it has a total risk-based capital ratio that is less than 6%, a Tier 1 risk-based capital ratio that is less than 3% or a Tier 1 leverage capital ratio that is less than 3%, and (v) "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2%.

FDICIA authorizes the appropriate federal banking agency, after notice and an opportunity for a hearing, to treat a well capitalized, adequately capitalized or undercapitalized insured depository institution as if it had a lower capital-based classification if it is in an unsafe or unsound condition or engaging in an unsafe or unsound practice. Thus, an adequately capitalized institution can be subjected to the restrictions of under-capitalized institutions.

An undercapitalized institution is required to submit an acceptable capital restoration plan to its appropriate federal banking agency. The plan must specify (i) the steps the institution will take to become adequately capitalized, (ii) the capital levels to be attained each year, (iii) how the institution will comply with any regulatory sanctions then in effect against the institution and (iv) the types and levels of activities in which the institution will engage. An undercapitalized institution is also generally prohibited from increasing its average total assets and is generally prohibited from making any acquisitions, establishing any new branches or engaging in any new line of business except in accordance with an accepted capital restoration plan or with the approval of the FDIC.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "IBBEA") amended the BHCA to create certain interstate banking and branching opportunities. The IBBEA generally applies only to traditional savings banks and commercial banks. Under the IBBEA, a bank holding company may acquire a bank located in any state, provided that the acquisition does not result in the bank holding company controlling more than 10% of the deposits in insured depository institutions in the United States, or 30% of deposits in insured institutions in the state in which the bank to be acquired is located (unless the state waives

the 30% deposit limitation). The IBBEA permits individual states to restrict the ability of an out-of-state bank holding company or bank to acquire an in-state bank that has been in existence for less than five years and to establish a state concentration limit of less than 30% if such reduced limit does not discriminate against out-of-state bank holding companies or banks.

The IBBEA authorizes an "adequately capitalized" bank, with the approval of the appropriate federal banking agency, to merge with another adequately capitalized bank in any state that has not opted out of interstate branching. Such a bank may operate the target's offices as branches if certain conditions are satisfied. The same national and state deposit concentration limits and applicable state minimum-existence restrictions which apply to interstate acquisitions (as discussed above) also apply to interstate mergers. The applicant also must comply with any non-discriminatory host state filing and notice requirements and demonstrate a record of compliance with applicable federal and state community reinvestment laws. Hawaii enacted an interstate branching and bank mergers law which expressly permits interstate branching under Sections 102 and 103 of the IBBEA.

Under the IBBEA, the resulting bank in an interstate merger may establish or acquire additional branches at any location in a state where any of the banks involved in the merger could have established or acquired a branch. A bank also may acquire one or more branches of an out-of-state bank without acquiring the target out-of-state bank if the law of the target's home state permits such a transaction. In addition, the IBBEA permits a bank to establish a de novo branch in another state if the host state statutorily permits de novo interstate branching.

Hawaii law authorizes out-of-state banks to engage in "interstate merger transactions" (mergers and consolidations with and purchases of all or substantially all of the assets and branches of) with Hawaii banks, following which any such out-of-state bank may operate the branches of the Hawaii bank it has acquired. The Hawaii bank must have been in continuous operation for at least five years prior to such an acquisition, unless it is subject to or in danger of becoming subject to certain types of supervisory action. This statute does not permit out-of-state banks to acquire branches of Hawaii banks other than through an "interstate merger transaction" (except in the case of a bank that is subject to or in danger of becoming subject to certain types of supervisory action) nor to open branches in Hawaii on a de novo basis. Hawaii law imposes no state deposit caps or concentration limits. It also permits the State Commissioner of Financial Institutions to waive, on a case-by-case basis, federal statewide concentration limits, in accordance with standards that do not discriminate against out-of-state banks.

The IBBEA also permits a bank subsidiary of a bank holding company to act as agent for other depository institutions owned by the same holding company for purposes of receiving deposits, renewing time deposits, closing or servicing loans and receiving loan payments.

GRAMM-LEACH-BLILEY ACT. The Gramm-Leach-Bliley Act (the "GLB Act") revised and expanded the existing BHCA and certain sections of the 1933 Glass-Steagall Act to permit a holding company system to engage in a full range of financial activities, including but not limited to, banking, insurance, securities, merchant banking and other activities incidental to financial services. The GLB Act permits the scope of financial and incidental activities to evolve with technology and competition. It also provides expanded financial affiliation opportunities for existing bank holding companies ("BHC") and allows all financial holding companies to control a full-service insured bank. These expanded permissible activities are allowable for a BHC if it becomes a financial holding company ("FHC"). In order to become a FHC, a BHC must file a declaration with the FRB electing to engage in activities under the new BHCA Section 4(k) and certifying that it is eligible to do so because all of its

insured depository institution subsidiaries are well-capitalized and well-managed. An institution is "well-capitalized" if it meets the primary regulator's definition for that status under the Federal Deposit Insurance Act for prompt corrective action purposes. Additionally, the FRB must determine that each depository institution controlled by a FHC has a satisfactory or better rating under the CRA in order for a company to become a FHC or for a FHC to engage in new financial activities or acquire, directly or indirectly, a company engaged in any activity under subsection (k) or (n). The FRB will be the overall regulatory agency and, along with the Department of Treasury, will have joint oversight to determine new financial activities of FHC companies.

It is anticipated that this change in legislation will serve to provide consumers added convenience and savings as FHCs will be able to provide "one-stop" shops for financial services. It also provides for added privacy for consumers as policies on collecting, using and protecting personal financial information must be disclosed in writing to customers and customers will have the option to block information sharing with unaffiliated third parties, such as telemarketing companies.

DEPOSITORY INSURANCE. Effective April 1, 2000, the FDIC adopted certain revisions to its regulation governing deposit insurance assessments. The changes were intended to enhance the existing system by allowing institutions with improving capital positions to benefit from the improvement by lower assessments at a faster pace, while requiring those whose capital is falling to pay higher assessments sooner.

OTHER REGULATORY CONSIDERATIONS. The Bank is also subject to a wide array of other state and federal laws and regulations, including, without limitation, usury laws, the Equal Credit Opportunity Act, the Electronic Funds Transfer requirements, the Truth-in-Lending Act, the Truth-in-Savings Act and the Real Estate Settlement Procedures Act.

NUMBER OF EMPLOYEES

As of December 31, 2000, the Company and its subsidiaries employed 499 persons; 448 on a full-time basis and 51 on a part-time basis. Neither the Company nor any of its subsidiaries is a party to any collective bargaining agreements.

STATISTICAL DISCLOSURES

Guide 3 of the "Guides for the Preparation and Filing of Reports" under the Exchange Act of 1934 sets forth certain statistical disclosures to be included in the "Description of Business" section of bank holding company filings with the Securities and Exchange Commission (the "SEC").

The statistical information required is presented in the index shown below and as part of Items 6 or 7 of this Form 10-K for the fiscal year ended December 31, 2000. The tables and information contained therein have been prepared by the Company and have not been audited or reported upon by the Company's independent accountants.

Disclosure Requirements

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ITEM 2. PROPERTIES
The operations of the Bank are transacted through its main banking office and 20 branches. The Company's facilities are located on leased premises, and expenditures by the Company for interior improvements are capitalized. The leases for these premises expire on various dates though the year 2017. Lease terms generally provide for additional payments for real property taxes, insurance and maintenance. See Note H of Notes to the Company's Consolidated Financial Statements. On March 21, 1989, a limited partnership of which Citibank Properties, Inc., one of the Bank's subsidiaries, owned a 25% interest, sold its office building where the Bank's administrative offices and main branch are currently located to an unrelated third party in a transaction similar to a sale-leaseback transaction. See Note O of Notes to the Company's Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS
The Company is a defendant in various legal proceedings arising from normal business activities. In the opinion of management, after reviewing these proceedings with counsel, the aggregate liability, if any, resulting from these proceedings would not have a material effect on the Company's consolidated financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
No matter was submitted during the fourth quarter of 2000 to a vote of security holders through the solicitation of proxies or otherwise.

PART II
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS
The Company's common stock is traded on the NASDAQ National Market System under the symbol "CBBI". At March 1, 2001, the Company had approximately 4,000 common

shareholders of record.

The following table sets forth quarterly market price and dividend information on the Company's common stock over the preceding two years:

	HIGH	LOW	DIVI
2000			
FIRST QUARTER	$29.10	$23.34	
SECOND QUARTER	25.33	22.60	
THIRD QUARTER	28.26	24.53	
FOURTH QUARTER	28.39	24.90	
1999			
First quarter	$32.00	$25.00	
Second quarter	33.25	26.25	
Third quarter	32.50	28.75	
Fourth quarter	31.00	28.00	

The Company's ability to pay dividends is limited by certain restrictions generally imposed on Hawaii corporations. In general, dividends may be paid only out of a Hawaii corporation's surplus, as defined in the Hawaii Revised Statutes, or net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. The Company may pay dividends out of funds legally available at such times as the Board of Directors determine that dividend payments are appropriate.

ITEM 6. SELECTED FINANCIAL DATA
(dollars in thousands, except per share data)

	2000	1999	1998
Income Statement Data:			
Interest income	$ 132,472	$ 111,233	$ 112,060
Interest expense	71,478	52,717	53,811
Net interest income	60,994	58,516	58,249
Provision for credit losses	7,539	4,975	7,436
Net interest income after provision for credit losses	53,455	53,541	50,813
Noninterest income	10,024	10,328	9,789
Noninterest expense	46,679	58,336	46,768

Income before income taxes	16,800	5,533	13,834
Provision for income taxes	5,582	5,227	5,465
Net income	$ 11,218	$ 306	$ 8,369
Operating earnings(1)	$ 11,218	$ 9,111	$ 8,369
Operating cash earnings(1),(2)	$ 11,815	$ 9,963	$ 9,066
Cash dividends	$ 1,093	$ 931	$ 818
End of Year Balance Sheet Data:			
Total assets	$ 1,721,400	$ 1,619,549	$ 1,428,438
Total earning assets	1,593,375	1,511,219	1,323,055
Total loans	1,272,938	1,149,413	984,456
Total deposits	1,218,261	1,106,145	1,084,610
Long-term debt	181,563	225,140	171,087
Stockholders' equity	123,162	114,691	132,372
Average Balances:			
Total assets	$ 1,667,243	$ 1,491,947	$ 1,424,793
Total earning assets	1,583,704	1,391,681	1,343,524
Total loans	1,236,305	1,077,769	1,063,541
Total deposits	1,154,075	1,082,642	1,038,751
Long-term debt	205,877	205,098	168,934
Stockholders' equity	118,132	127,567	128,889
Common Stock Data:			
Per share (diluted):			
Net income	$ 3.48	$ 0.09	$ 2.35
Operating earnings(1)	3.48	2.63	2.35
Operating cash earnings(1),(2)	3.67	2.88	2.55
Cash dividends declared	0.34	0.27	0.23
Book value (at December 31)	38.63	35.23	37.27
Market price (close at December 31)	25.94	29.44	30.94
Average shares outstanding	3,218,985	3,465,361	3,558,905
Selected Ratios:			
Return on average:			
Total assets	0.67%	0.02%	0.59%
Total tangible assets(3)	0.71	0.68	0.64
Stockholders' equity	9.50	0.24	6.49
Tangible stockholders' equity(3)	10.14	8.60	7.69
Dividend payout ratio(4)	9.74	10.27	9.79
Average stockholders' equity to average total assets	7.09	8.55	9.05
Year ended December 31:			
Net interest margin (taxable equivalent basis)	3.91	4.25	4.36
Net loans charged off to average loans	0.65	0.45	0.57
Noninterest expense to average assets(1)	2.80	3.28	3.28
At December 31:			
Risk-based capital ratios:			
Tier I	12.04	11.95	13.54
Total	13.29	13.21	14.80
Tier I leverage ratio	8.01	7.69	8.65
Allowance for credit losses to total loans	1.37	1.56	1.81
Nonperforming assets to total loans	1.46	1.57	2.20
Nonperforming assets to total assets	1.08	1.12	1.53
Allowance for credit losses to nonperforming loans	115.35	152.28	133.95

(1) EXCLUDES AFTER-TAX RESTRUCTURING AND MERGER-RELATED CHARGES OF $932,000 AND WRITE-OFF OF GOODWILL OF $7,873,000 INCURRED IN 1999.

(2) EXCLUDES AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS.

(3) DEFINED AS OPERATING CASH EARNINGS AS A PERCENTAGE OF AVERAGE STOCKHOLDERS' EQUITY MINUS AVERAGE GOODWILL AND OTHER INTANGIBLE ASSETS.

(4) DEFINED AS CASH DIVIDENDS DECLARED AS A PERCENTAGE OF OPERATING EARNINGS.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations contains 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.

RESULTS OF OPERATIONS

Consolidated net income for 2000 was $11.2 million, an increase of $10.9 million from the $306,000 in 1999. Diluted earnings per share was $3.48 in 2000, as compared to $0.09 in 1999.

In December 1999, the Company approved the Merger of its two principal subsidiaries, the Bank and the Association. The Bank and the Association merged on July 1, 2000, with the Bank being the surviving corporation. In connection with the Merger, the Company recorded restructuring and merger-related charges of $1.6 million ($0.9 million on after-tax basis) in the fourth quarter of 1999.

Additionally, in the fourth quarter of 1999, the Company changed its method of evaluating the recoverability of goodwill from an undiscounted cash flow to a discounted cash flow basis. See Note B - "Change in Accounting for Goodwill" of Notes to the Company's Consolidated Financial Statements for further discussion. As a result of this change in accounting method, the Company recorded a write-off of goodwill of $7.9 million in the fourth quarter of 1999.

Operating earnings (defined as consolidated net income excluding after-tax restructuring and merger-related charges and write-off of goodwill) was $11.2 million in 2000, an increase of 23.1%, or $2.1 million, over $9.1 million in 1999. Diluted operating earnings per share was $3.48 in 2000, an increase of 32.3%, over last year.

Despite the growth in the loan portfolio in 2000, the rise in interest rates and the slower growth in deposits served to negatively impact the net interest margin. Despite the decrease in the net interest margin, net interest income increased by $2.5 million, or 4.2%, over 1999.

Noninterest income decreased from $10.3 million in 1999 to $10.0 million in 2000, a decrease of 2.9%. The decrease was primarily due to lower gains on sales of loans of $2.2 million, partially offset by increases in service charges on deposit accounts of $840,000, increased earnings on bank owned life insurance of $606,000 and a $378,000 gain on sales of foreclosed assets.

Noninterest expense decreased from $58.3 million in 1999 to $46.7 million in 2000, a decrease of 20.0%. The decrease reflected certain restructuring and merger-related charges of $1.6 million (after tax, $0.9 million) and write-off of goodwill of $7.9 million (before and after-tax) which were recorded in 1999. The decrease was also a result of a $1.0 million decrease in net occupancy expense which resulted from downsizing certain branches and renegotiating leases.

The Company's efficiency ratio (calculated as noninterest expense minus amortization of goodwill and other intangible assets and nonrecurring charges as a percentage of total operating revenue) was 64.9%, 69.8% and 67.7% in 2000, 1999 and 1998, respectively.

The provision for credit losses was $7.5 million, $5.0 million and $7.4 million in 2000, 1999 and 1998, respectively. Net charge-offs to average loans and leases were 0.65%, 0.45% and 0.57% for 2000, 1999 and 1998, respectively. The allowance for credit losses was $17.4 million, or 1.37% of total loans and leases, at December 31, 2000, compared with $17.9 million, or 1.56%, at December 31, 1999. Nonperforming assets totaled 1.08%, 1.12% and 1.53% of total assets as of December 31, 2000, 1999 and 1998, respectively. The improvements in the nonperforming assets ratio was primarily due to the Company's continued efforts to improve asset quality.

At December 31, 2000, the Company's ratios of Tier 1 Capital to risk-weighted assets and Total Capital to risk-weighted assets were 12.04% and 13.29%, respectively, compared with 11.95% and 13.21%, respectively, at December 31, 1999. These ratios were in excess of the "well-capitalized" ratios of 6.00% and 10.00%, respectively, specified by the Federal Reserve Board.

Consolidated net income for 1999 decreased $8.1 million below 1998 primarily due to the one-time charges described above. Operating earnings were $9.1 million in 1999, an increase of 8.9% over the $8.4 million in 1998. Diluted operating earnings per share for 1999 was $2.63 compared to $2.35 in 1998. The increase in operating earnings was primarily due to: (i) $3.2 million, or 713.9%, increase in net gains on sales of loans, (ii) $2.5 million, or 33.1%, decrease in provisions for credit losses, and (iii) $1.3 million, or 51.3%, increase in other service charges and fees. These increases were partially offset by (i) $4.1 million decrease in net realized gains on sales of securities and (ii) $2.1 million increase in salaries and employee benefits.

NET INTEREST INCOME

Net interest income is the largest single component of the Company's earnings and represents the difference between interest income received on loans and other earning assets and interest expense paid on deposits and borrowings. Net interest income, on a taxable equivalent basis, was $61.8 million in 2000, an increase of $2.8 million, or 4.7%, from 1999. During 2000, the Company's net interest margin declined to 3.91%, compared to 4.25% for 1999.

As summarized on Table 2, the $2.8 million increase in net interest income for 2000 consisted of a $21.5 million increase in interest income offset by a $18.8 million increase in interest expense.

The average yield on earning assets in 2000 increased by 39 basis points to

8.42% and the average balance of earning assets increased by $192.0 million. The $21.5 million increase in interest income was primarily due to the $158.5 million increase in the average balance of loans.

Interest costs on interest-bearing deposits and liabilities increased to $71.5 million in 2000. The average balance of interest-bearing deposits and liabilities increased by $185.1 million and the average cost of funds increased by 76 basis points to 5.04%. The following table sets forth the condensed consolidated average balance sheets, an analysis of interest income/expense and average yield/rate for each major category of earning assets and interest-bearing deposits and liabilities for the years indicated on a taxable equivalent basis. The taxable equivalent adjustment is made for items exempt from federal income taxes (assuming a 35% tax rate) to make them comparable with taxable items before any income taxes are applied.

Net interest income, on a taxable equivalent basis, was $59.1 million in 1999, an increase of $0.5 million, or 0.9%, from 1998. During 1999, the Company's net interest margin declined to 4.25%, compared to 4.36% for 1998. This decrease was due to a 33 basis point decrease in the yield on average earning assets, partially offset by a 34 basis point decrease in the rate paid for sources of funds used for average earning assets.

Average earning assets increased $48.2 million, or 3.6%, in 1999 over 1998. Average interest-bearing deposits and liabilities increased $67.0 million, or 5.8%, in 1999 over 1998.

TABLE 1: DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY; INTEREST RATES

(dollars in thousands)	2000 AVERAGE BALANCE	2000 INTEREST INCOME/ EXPENSE	YIELD/ RATE	1999 Interest Average Balance	Income/ Expense
ASSETS					
Earning assets:					
Interest-bearing deposits in other banks	$ 393	$ 28	7.12%	$ 23,004	$ 1,093
Federal funds sold and securities purchased under agreement to resell	7,959	497	6.24	5,908	309
Taxable investment and mortgage-backed securities	308,011	21,701	7.05	264,783	18,272
Nontaxable investment securities	31,036	2,386	7.69	20,217	1,592
Loans(1)	1,236,305	108,713	8.79	1,077,769	90,547
Total earning assets	1,583,704	133,325	8.42	1,391,681	111,813

Nonearning assets:					
Cash and due from banks	34,826			44,624	
Premises and equipment	18,077			13,338	
Other assets	48,884			60,448	
Less allowance for credit losses	(18,248)			(18,144)	
Total assets	$ 1,667,243			$ 1,491,947	
LIABILITIES AND STOCKHOLDERS' EQUITY					
Interest-bearing liabilities:					
Savings deposits	$ 367,793	$ 10,063	2.74%	$ 364,366	$ 8,927
Time deposits	672,234	37,041	5.51	599,920	28,645
Short-term borrowings	171,006	11,370	6.65	62,390	3,282
Long-term debt	205,877	13,004	6.32	205,098	11,863
Total interest-bearing deposits and liabilities	1,416,910	71,478	5.04	1,231,774	52,717
Noninterest-bearing liabilities:					
Demand deposits	114,048			118,356	
Other liabilities	18,153			14,250	
Total liabilities	1,549,111			1,364,380	
Stockholders' equity	118,132			127,567	
Total liabilities and stockholders' equity	$ 1,667,243			$ 1,491,947	
Net interest income and margin on total earning assets		61,847	3.91%		59,096
Taxable equivalent adjustment		(853)			(580)
Net interest income		$ 60,994			$ 58,516

(dollars in thousands)	Average Balance	Income/ Expense	Yield/ Rate
ASSETS			
Earning assets:			
Interest-bearing deposits in other banks	$ 8,539	$ 525	6.15%
Federal funds sold			

and securities purchased under agreement to resell	34,489	1,766	5.12
Taxable investment and mortgage-backed securities	228,321	15,843	6.94
Nontaxable investment securities	8,634	668	7.74
Loans(1)	1,063,541	93,558	8.80
Total earning assets	1,343,524	112,360	8.36
Nonearning assets:			
Cash and due from banks	31,590		
Premises and equipment	20,114		
Other assets	46,606		
Less allowance for credit losses	(17,041)		
Total assets	$ 1,424,793		
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest-bearing liabilities:			
Savings deposits	$ 349,398	$ 9,393	2.69%
Time deposits	581,952	30,547	5.25
Short-term borrowings	64,472	3,536	5.48
Long-term debt	168,934	10,335	6.12
Total interest-bearing deposits and liabilities	1,164,756	53,811	4.62
Noninterest-bearing liabilities:			
Demand deposits	107,401		
Other liabilities	23,747		
Total liabilities	1,295,904		
Stockholders' equity	128,889		
Total liabilities and stockholders' equity	$ 1,424,793		
Net interest income and margin on total earning assets		58,549	4.36%
Taxable equivalent adjustment		(300)	
Net interest income		$ 58,249	

(1) YIELDS AND AMOUNTS EARNED INCLUDE LOAN FEES. NONACCRUAL LOANS HAVE BEEN INCLUDED IN EARNING ASSETS FOR PURPOSES OF THESE COMPUTATIONS.

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TABLE 2: INTEREST DIFFERENTIAL

	2000 COMPARED TO 1999 INCREASE (DECREASE) DUE TO CHANGE IN: (1)			1999 Com Increas due to	
(in thousands)	VOLUME	RATE	NET CHANGE	Volume	Rat
Earning assets:					
Interest-bearing deposits in other banks	$ (1,074)	$ 9	$ (1,065)	$ 889	$
Federal funds sold and securities purchased under agreements to resell	107	81	188	(1,463)	
Taxable investment and mortgage-backed securities	2,983	446	3,429	2,530	
Nontaxable investment securities	852	(58)	794	896	
Loans (2)	13,318	4,848	18,166	1,251	(4
Total earning assets	16,186	5,326	21,512	4,103	(4
Interest-bearing liabilities:					
Savings deposits	84	1,052	1,136	402	
Time deposits	3,453	4,943	8,396	943	(2
Short-term borrowings	5,714	2,374	8,088	(114)	
Long-term debt	45	1,096	1,141	2,213	
Total interest-bearing deposits and liabilities	9,296	9,465	18,761	3,444	(4
Increase (decrease) in net interest income (taxable equivalent basis)	$ 6,890	$ (4,139)	$ 2,751	$ 659	$

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(1) The change in interest due to both rate and volume has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

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

NONINTEREST INCOME

In 2000, total noninterest income was $10.0 million as compared to $10.3 million in 1999 and $9.8 million in 1998. The $304,000 decrease in noninterest income was due to various items. Net gains on sales of loans decreased from $2.7 million in 1999 to $537,000 in 2000. Net realized gains on sales of securities decreased from a net loss of $32,000 in 1999 to a net loss of $421,000 in 2000.

The decrease was partially offset by an $840,000 increase in service charges on deposit accounts, as a result of the Company's concerted effort to increase fee income related to deposit and credit products. Other noninterest income increased $1.4 million, or 88.0%, due to an increase in net gains on sales of Other Real Estate Owned ("OREO") property.

Total noninterest income increased $539,000, or 5.5%, from 1998 to 1999. Net realized gains on sales of loans increased from a loss of $447,000 in 1998 to a gain of $2.7 million in 1999. Other service charges and fees increased by $1.3 million from 1998 to 1999. Such increases were offset by a decrease from a net realized gain on sale of securities of $4.1 million in 1998 to a net loss of $32,000.

The following table sets forth information by category of noninterest income for the years indicated:

(in thousand)	2000	1999	1998
Service charges on deposits	$ 2,900	$ 2,060	$ 1,740
Other service charges and fees	4,044	3,979	2,630
Net realized gains (losses) on sales of securities	(421)	(32)	4,104
Net gains (losses) on sales of loans	537	2,744	(447)
Earnings on bank owned life insurance	1,383	777	604
Other	1,581	800	1,158
Total	$ 10,024	$ 10,328	$ 9,789

PROVISION AND ALLOWANCE FOR CREDIT LOSSES

The following table summarizes changes in the allowance for credit losses for the years indicated:

(dollars in thousands)	2000	1999	1998	1997
Balance at beginning of year	$17,942	$17,771	$16,365	$15,431
Charge-offs:				
Commercial and financial	3,138	442	533	2,489
Real estate - mortgage	4,378	4,085	5,854	2,315
Installment and consumer	1,490	896	737	1,121
Total charge-offs	9,006	5,423	7,124	5,925
Recoveries:				
Commercial and financial	170	94	107	233
Real estate - mortgage	537	314	534	26
Installment and consumer	265	211	453	350
Total recoveries	972	619	1,094	609

Net loans charged-off	8,034	4,804	6,030	5,316
Provision for credit losses	7,539	4,975	7,436	6,250
Balance at end of year	$17,447	$17,942	$17,771	$16,365
Net charge-offs to average loans outstanding	0.65%	0.45%	0.57%	0.50%
Allowance for credit losses to year-end loans	1.37%	1.56%	1.81%	1.55%
Allowance for credit losses to year-end nonperforming loans	115.35%	152.28%	133.95%	66.86%

The provision for credit losses is based upon periodic evaluations by management as to the adequacy of the allowance for credit losses. In these evaluations, management considers numerous factors including, but not limited to, current economic conditions, loan portfolio composition, loan loss experience and management's estimate of potential losses. These various analyses lead to a determination of the amount needed in the allowance for credit losses. To the extent the existing allowance is below the amount so determined, a provision is made that will bring the allowance to such amount. Thus, the provision for credit losses may fluctuate and may not be comparable from year to year.

The allowance for credit losses has been allocated by the Company's management according to the amount deemed to be reasonably necessary to provide for the possibility of loan losses being incurred within the following categories of loans at December 31 for the years indicated:

(dollars in thousands)	2000		1999		1998		19
	AMT.	%(1)	Amt.	%(1)	Amt.	%(1)	Amt.
Commercial & Financial	$10,303	19.40%	$ 7,359	19.55%	$ 4,539	19.41%	$ 3,718
Real estate - Construction	--	2.06	--	1.31	--	2.59	--
Real estate - Mortgage	4,755	69.54	7,680	71.17	9,519	69.31	10,744
Installment & Consumer	483	9.00	1,432	7.97	1,264	8.69	476
Unallocated	1,906	N/A	1,471	n/a	2,449	n/a	1,427
Total	$17,447	100.00%	$17,942	100.00%	$17,771	100.00%	$16,365

(1) Represents percentage of loans in each category to total loans.

Provision for credit losses was $7.5 million in 2000, an increase of $2.6 million, or 51.5%, from 1999. The increase in the provision was consistent with

the increase in nonperforming loans as discussed below. The Company's allowance for credit losses decreased to $17.4 million at December 31, 2000, from $17.9 million at December 31, 1999 and $17.8 million at December 31, 1998. The allowance for credit losses as a percentage of total loans was 1.37% at December 31, 2000, compared to 1.56% and 1.81% at December 31, 1999 and 1998, respectively.

Allowance for credit losses as a percentage of nonperforming loans decreased to 115.35% at December 31, 2000 from 152.28% at December 31, 1999 due to the $3.3 million increase in nonperforming loans. Such increase was due to a certain commercial loan of $3.7 million placed on nonaccrual status in 2000. Total nonperforming loans at December 31, 2000 amounted to $15.1 million, an increase of $3.3 million, or 28.4%, from the $11.8 million at December 31, 1999. During 1998, the Company sold $12.9 million in delinquent loans, including $6.8 million of nonperforming loans, at a loss of $2.4 million. The net investment in loans that are

considered to be impaired was $25.2 million at December 31, 2000, an increase of $5.2 million from the $20.0 million at December 31, 1999. The increase in impaired loans was due primarily to a commercial loan of $3.7 million placed on nonaccrual status in 2000. Additional information on impaired loans is presented in Note F of Notes to the Company's Consolidated Financial Statements.

NONINTEREST EXPENSE

The following table sets forth information by category of noninterest expense for the years indicated:

(dollars in thousands)	2000	1999	1998
Salaries and employee benefits	$20,832	$20,427	$18,338
Net occupancy expense	7,000	8,022	9,024
Equipment expense	3,070	3,441	3,803
Legal and professional fees	4,043	3,224	3,085
Advertising and promotion	2,436	2,181	1,631
Stationery and supplies	1,002	1,347	1,157
Provision for other real estate owned losses	243	927	1,407
Deposit insurance premiums	512	652	595
Restructuring and merger-related charges and write-off of goodwill	--	9,424	--
Other	7,541	8,691	7,728
Total	$46,679	$58,336	$46,768
Total noninterest expense, excluding restructuring and merger-related charges and write-off of goodwill as a percentage of average assets	2.80%	3.28%	3.28%

Noninterest expense, excluding restructuring and merger-related charges and

write-off of goodwill, decreased $2.2 million, or 4.6%, in 2000, as compared to 1999. The Company's operating expense ratio, which is a commonly used indicator of operating efficiency, decreased to 2.8% in 2000, as compared to 3.3% in 1999.

Salaries and employment benefits increased by $405,000, or 2.0%, in 2000 to $20.8 million, compared to $20.4 million in 1999. The increase in salaries and employee benefits over 1999 was due to higher commissions related to mortgage loans in 2000 and the reversal of certain benefits amounting to $0.4 million upon the death of a key employee in 1998.

Net occupancy expense was $7.0 million in 2000, which compares to $8.0 million in 1999. The decrease in net occupancy expense in 2000 was primarily attributable to the decreased net expenses of the Company's leased facilities. Down-sized branches and renegotiated lease agreements resulted in decreased rent expense.

Equipment expense decreased by $371,000, or 10.8%, in 2000 primarily due to a $300,000 refund of certain-software lease payments received in the first quarter of 2000.

Legal and professional fees increased by $819,000, or 25.4%, in 2000 primarily due to an increase in attorneys' fees and fees related to certain management consulting projects.

Provision for OREO losses totaled $243,000 for 2000, a decrease of $684,000 from the $927,000 in 1999. At December 31, 2000, OREO (net of valuation allowance) amounted to $3.5 million, a decrease of $2.9 million, or 45.8%, from December 31, 1999. The decrease in the 2000 OREO balance and provision for OREO losses reflected the Company's continued efforts to improve asset quality and the improvement in the Hawaii real estate market.

Deposit insurance premiums amounted to $512,000 in 2000, compared to $652,000 in 1999, reflecting a decrease in the assessment rate.

Total noninterest expense, excluding restructuring and merger-related charges and write-off of goodwill, increased $2.1 million, or 4.6%, from 1998 to 1999. The primary reason for the increase in noninterest expense was the $2.1 million increase in salaries and employment benefits, which was offset by the $1.0 million decrease in net occupancy expense.

INCOME TAXES

Total income tax expense of the Company was $5.6 million, $5.2 million and $5.5 million in 2000, 1999 and 1998, respectively. The corresponding effective income tax rate was 33.2%, 94.5% and 39.5%, respectively. The decline in the effective tax rate was primarily due to: (1) the elimination of goodwill amortization in 2000 due to the write-off in December 1999 and (2) the utilization of capital losses. The primary reason for the increase in the effective tax rate from 1998 to 1999 was the write-off of goodwill which is not deductible for tax purposes. Note N of Notes to the Company's Consolidated Financial Statements presents a reconciliation of the Company's effective and statutory income tax rates.

LOAN PORTFOLIO

Total loans at December 31, 2000 increased to $1,273 million, a $123.5 million, or 10.7%, increase over the previous year-end. The increase in total loans was primarily due to increases in all loan types.

The amount of loans outstanding at December 31 for the years indicated are shown

in the following table categorized as to types of loans:

(in thousands)	2000	1999	1998	1997
Commercial and financial	$ 246,877	$ 224,660	$ 191,128	$ 186,418
Real estate - construction	26,237	15,096	25,453	41,069
Real estate - mortgage	885,262	818,010	682,313	747,897
Installment and consumer	114,562	91,647	85,562	79,363
	$ 1,272,938	$ 1,149,413	$ 984,456	$ 1,054,747

COMMERCIAL AND FINANCIAL. Loans outstanding in this category increased to $246.9 million, an increase of $22.2 million, or 9.9%, over year-end 1999. Loans in this category are primarily loans to small- and medium-sized businesses and professionals doing business in Hawaii. These loans have been made primarily on a collateralized basis. Typically, real estate serves as collateral as well as equipment, receivables and personal assets as deemed necessary.

REAL ESTATE - MORTGAGE. Real estate - mortgage loans increased to $885.3 million at December 31, 2000, an increase of $67.3 million, or 8.2%, over year-end 1999. This occurrence was a reflection of the rising interest rate environment experienced since the second half of 1999. The average size of loans in this category at December 31, 2000 was $172,000.

MATURITIES AND SENSITIVITIES OF LOANS TO CHANGES IN INTEREST RATES

The following table shows the contractual maturities of the Company's loan portfolio by category (excluding "real estate-mortgage" and "installment and consumer") at December 31, 2000. Demand loans are included as due within one year:

(in thousands)	Within 1 year	After 1 but Within 5 years	After 5 years	Total
Commercial and financial	$124,688	$ 84,549	$ 37,640	$246,87
Real estate - construction	24,649	1,588	--	26,23
	$149,337	$ 86,137	$ 37,640	$273,11

The following table sets forth the interest rate sensitivity of the above amounts due after one year at December 31, 2000:

(in thousands)	Fixed Rate	Variable Rate	Total
After 1 but within 5 years	$ 65,119	$ 21,018	$ 86,137
After 5 years	37,640	--	37,640

$102,759	$ 21,018	$123,777

RISK ELEMENTS IN LENDING ACTIVITIES

Nonperforming assets and past due and restructured loans at December 31 are reflected below for the years indicated:

(dollars in thousands)	2000	1999	1998	1997
Nonperforming loans:				
Commercial	$ 6,268	$ 1,831	$ 1,291	$ 1,207
Real estate:				
Commercial	3,030	518	933	2,997
Residential	5,827	8,992	10,803	20,010
Total real estate loans	8,857	9,510	11,736	23,007
Consumer	--	441	240	261
Total nonperforming loans	15,125	11,782	13,267	24,475
Other real estate owned	3,458	6,385	8,583	3,686
Total nonperforming assets	$18,583	$18,167	$21,850	$28,161
Past due loans:				
Commercial	$ 975	$ 96	$ 2,433	$ 15
Real estate	473	3,481	3,602	3,569
Consumer	1,256	592	381	490
Total past due loans (1)	$ 2,704	$ 4,169	$ 6,416	$ 4,074
Restructured loans:				
Commercial	$ 4,153	$ 4,440	$ --	$ --
Real estate:				
Commercial	--	1,231	1,284	--
Residential	11,730	11,280	11,108	424
Total restructured loans (2)	$15,883	$16,951	$12,392	$ 424
Nonperforming assets to total loans and other real estate owned (end of year):				
Excluding 90 days past due accruing loans	1.46%	1.57%	2.20%	2.66%
Including 90 days past due accruing loans	1.67%	1.93%	2.85%	3.05%
Nonperforming assets to total assets (end of year):				

Excluding 90 days past due accruing loans	1.08%	1.12%	1.53%	1.96%
Including 90 days past due accruing loans	1.24%	1.38%	1.98%	2.25%

(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 increased to $15.1 million at December 31, 2000 an increase of $3.3 million, or 28.4%, from the $11.8 million at year-end 1999. The increase in nonperforming loans was primarily due to a certain commercial loan of $3.7 million placed on nonaccrual status in 2000.

At December 31, 2000, OREO (net of valuation allowance) amounted to $3.5 million, a decrease of $2.9 million, or 45.8%, from the prior year-end. The decrease in OREO was consistent with the decrease in nonperforming real estate loans and the increase in real estate sales activity in Hawaii.

Past due loans which are still accruing interest decreased $1.5 million, or 35.1%, to $2.7 million at December 31, 2000. The decrease reflects the Company's proactive collection efforts which resulted in the removal of a $1.5 million credit from this category in 2000. Substantially all loans in this category are both well-collateralized and in the process of collection.

Restructured loans decreased $1.1 million, or 6.3%, as compared to 1999 due to the restructuring of a certain commercial loan to a market interest rate in 2000.

At December 31, 2000, the Company was not aware of any significant potential problem loans (not otherwise classified as nonperforming or past due) 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 loan repayment terms.

DEPOSITS

The Company competes for deposits in Hawaii principally by providing quality customer service at its branch offices.

The Company has a network of 21 branch offices which seek to provide a stable core deposit base. A new branch in Kihei, Maui, opened in the second quarter of 2000. The deposit base provided by these branches consists of interest and noninterest-bearing demand and savings accounts, money market certificates and time certificates of deposit. The Company had brokered deposits of $10.0 million at December 31, 2000.

The average daily amount of deposits and the average rate paid on such deposit categories is summarized below:

(dollars in thousands)	2000 AMOUNT	2000 RATE	1999 Amount	1999 Rate	
Noninterest-bearing demand deposits	$ 114,048	--%	$ 118,356	--%	$
Interest-bearing demand deposits	209,507	3.11	198,379	2.55	
Savings	158,286	2.25	165,987	2.33	
Time deposits	672,234	5.51	599,920	4.77	
Total	$1,154,075	4.08%	$1,082,642	3.47%	$

The remaining maturities of time deposits in amounts of $100,000 or more outstanding at December 31, 2000 is summarized below:

(in thousands)	
3 months or less	$ 99,264
Over 3 months through 6 months	147,464
Over 6 months through 12 months	31,336
Over 12 months	15,895
Total	$293,959

INVESTMENT AND MORTGAGE-BACKED SECURITIES PORTFOLIO

The following table sets forth the book value and the distribution by category of investment securities at December 31 for the years indicated:

(in thousands)	2000	1999
AVAILABLE-FOR-SALE		
U.S. Treasury and other U.S. government agencies and corporations	$ 16,068	$ 15,795
State and political subdivisions	33,100	30,353
Mortgage-backed securities	248,921	270,350
Total	$298,089	$316,498
FHLB STOCK	$ 32,430	$ 31,727

The following table sets forth the maturities of available-for-sale investment securities at December 31, 2000 and the weighted average yields of such securities (calculated on the basis of the cost and effective yields weighted for the scheduled maturity of each security):

(dollars in thousands)	Within 1 year Amount	Yield	After 1 but within 5 years Amount	Yield	After 5 but within 10 year[s] Amount	Yie[ld]
U.S. Treasury and other U.S. government agencies and corporations	$ 10,992	5.63%	$ 5,016	6.39%	$ --	
State and political subdivisions	--	--	--	--	2,245	6.
Mortgage-backed securities	5,469	6.90	2,923	7.58	12,852	6.
	$ 16,461	5.84%	$ 7,939	6.48%	$ 15,097	6.

A table setting forth information regarding investment and mortgage-backed securities, including estimated fair value and carrying value of such securities is included in Note D of Notes to the Company's Consolidated Financial Statements.

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SHORT-TERM BORROWINGS AND LONG TERM DEBT

Federal funds purchased generally mature on the day following the date of purchase. Securities sold under agreements to repurchase were treated as financings and the obligations to repurchase the securities sold were reflected as a liability with the dollar amount of securities underlying the agreement remaining in the asset accounts.

Advances from the FHLB were made under a credit line agreement totaling $578.0 million, of which $227.5 million was undrawn at December 31, 2000. See Notes J and K of Notes to the Company's Consolidated Financial Statements.

At December 31, 2000, there was one long-term FHLB advance totaling $3.0 million, callable on July 10, 2003.

LIQUIDITY MANAGEMENT

The primary objective of liquidity management is to maintain a balance between sources and uses of funds in order that the cash flow needs of the Company are met in the most economical and expedient manner. The liquidity needs of a financial institution require the availability of cash to meet the withdrawal demands of depositors and the credit commitments of borrowers. In order to optimize liquidity, management monitors and forecasts the various sources and uses of funds in an effort to continually meet the financial requirements of the Company and the financial needs of its customer base.

To ensure liquidity on a short-term basis, the Company's primary sources are cash or cash equivalents, loan repayments, proceeds from the sale of assets available for sale, increases in deposits, proceeds from maturing securities and, when necessary, federal funds purchased, brokered deposits and credit arrangements with correspondent banks and the FHLB. Maturities of investment securities are also structured to cover large commitments and seasonal fluctuations in credit arrangements. At December 31, 2000, there was $227.5 million of undrawn advances under the credit line agreement with the FHLB. There

are 13 advances totalling $151.3 million that are maturing in the first quarter of 2001 which the Company intends to renew as necessary. The Company's ability to continue to draw upon and avoid an acceleration of the maturity dates is dependent upon the Company's continued adequate financial position and fulfillment of collateral requirements.

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 provided $18.1 million in 2000, a decrease of $10.0 million from the $28.1 million provided in 1999. The primary source of cash flows from operations in 2000 was the sale of $59.0 million of loans held for sale, which amounted to $33.7 million at December 31, 2000.

Due to the Company's increase in deposits in 2000 as well as the decrease in liquidity needs due to the Year 2000 date change at the end of 1999, the Company's use of FHLB advances decreased in the current year. At December 31, 2000, the Company had $350.5 million (21.9% of total liabilities) in advances outstanding from the FHLB compared to $377.8 million (25.1% of total liabilities) at December 31, 1999. The maximum amount of advances that the Company had outstanding at any month-end was $399.2 million. As of December 31, 2000, the Bank had available unused credit lines of $227.5 million from the FHLB. During 2001, $170.3 million of short-term and $117.0 million of long-term borrowings from the FHLB mature.

The Company's most liquid assets are cash, interest bearing deposits, Federal funds sold and investment securities available for sale. The levels of these assets are dependent on the Company's operating, financing, lending and investment activities during any given period. At December 31, 2000, cash, interest bearing deposits, Federal funds sold and available for sale investment and mortgage-backed securities totaled $339.9 million, a decrease of 12.7% from $389.2 million at December 31, 1999.

Investing activities provided (used) cash flow of $(133.0) million in 2000, $(221.3) million during 1999, and $158.8 million in 1998. The primary use of cash for investing activities in 2000 was the net increase in loans of $161.4 million.

Financing activities provided (used) cash flow of $88.6 million in 2000, $198.4 million during 1999, and $(10.1) million in 1998. During 2000, a $97.6 million net increase in time deposits was the primary source of cash flows from financing activities.

At any time, the Company has outstanding commitments to extend credit. See Note P of Notes to the Company's Consolidated Financial Statements.

See Note P of Notes to the Company's Consolidated Financial Statements for further discussion and disclosure of risk management activities.

CAPITAL RESOURCES

During 2000, Citibank Properties, Inc. ("CB Properties"), a wholly-owned subsidiary of the Bank, elected to be taxed as a real estate investment trust ("REIT"). On July 18, 2000, CB Properties issued 120 shares of Series A Preferred Stock, 10,000 shares of Series B Preferred Stock, and 55,000 shares of Series C Preferred Stock at $1,000 per share in exchange for approximately $150 million in participation interests in mortgage loans and mortgage-related securities less the assumption of $85 million in advances made from the FHLB to the Bank. On August 21, 2000, the Bank sold 7,000 shares of Series B Preferred Stock to third party investors. This transaction was recorded as minority interest for financial statement purposes and classified as Tier 1 capital for regulatory purposes pursuant to guidelines set forth by the FDIC. CB Properties' business objective is to acquire, hold, finance and manage qualifying REIT

assets.

The Company has a strong capital base with a Tier I capital ratio of 12.04% at December 31, 2000. This is well above the minimum regulatory guideline of 4.00% for Tier I capital. Bank holding companies are also required to comply with risk-based capital guidelines as established by the FRB. Risk-based capital ratios are calculated with reference to risk-weighted assets that include both on and off-balance sheet exposures. A company's risk-based capital ratio is calculated by dividing its qualifying capital (the numerator of the

ratio) by its risk-weighted assets (the denominator). The minimum required qualifying Total Capital ratio is 8%. As of December 31, 2000, the Company's total capital to risk-adjusted assets ratio was 13.29%.

During the second quarter of 1999, the Company announced that its Board of Directors had authorized a stock repurchase program to repurchase up to 10%, or approximately 360,000 shares, of its 3.6 million shares of common stock outstanding. As of December 31, 2000, 353,495 shares had been repurchased at prices ranging from $23.688 to $33.625 per share, at a total cost of $10.6 million.

EFFECTS OF INFLATION

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. Virtually all of the assets and liabilities of the Company are monetary in nature. As a result, interest rate changes have a more significant impact on the Company's performance than the effects of general levels of inflation.

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Operating earnings for the fourth quarter of 2000 were $3.0 million, or $0.94 per diluted share, a 20.0% increase over operating earnings of $2.5 million, or $0.74 per diluted share for the same quarter in 1999. Operating cash earnings for the fourth quarter of 2000 were $3.2 million, or $0.99 per diluted share, a 16.7% increase over the same quarter in 1999.

As previously mentioned, during the fourth quarter of 1999, the Company recorded a non-cash after-tax charge of $7.9 million ($2.38 per share) related to its change in method for evaluating the recoverability of goodwill, from an undiscounted cash flow to a discounted cash flow basis. In addition, the Company recorded an after-tax charge of $0.9 million ($0.28 per share) related to the merger of its two principal subsidiaries, the Bank and the Association. Inclusive of these two charges, there was a net loss for the fourth quarter of 1999 of $6.3 million, or $1.80 per diluted share.

The following table summarizes the Company's quarterly results for the years 2000 and 1999:

(in thousands, except per share data)			Quarter	
	First	Second	Third	Fourth

2000:					
TOTAL INTEREST INCOME	$ 31,205	$ 32,746	$ 34,385	$ 34,136	$
TOTAL INTEREST EXPENSE	15,948	17,153	18,853	19,524	
NET INTEREST INCOME	15,257	15,593	15,532	14,612	
PROVISION FOR CREDIT LOSSES	1,906	1,875	1,525	2,233	
NONINTEREST INCOME	1,714	2,752	2,665	2,893	
NONINTEREST EXPENSE	11,168	12,025	12,135	11,351	
INCOME BEFORE INCOME TAXES	3,897	4,445	4,537	3,921	
INCOME TAX EXPENSE	1,463	1,675	1,548	896	
NET INCOME	$ 2,434	$ 2,770	$ 2,989	$ 3,025	$
BASIC EARNINGS PER SHARE	$ 0.75	$ 0.86	$ 0.93	$ 0.95	$
DILUTED EARNINGS PER SHARE	$ 0.75	$ 0.86	$ 0.93	$ 0.94	$
1999:					
Total interest income	$ 26,138	$ 26,452	$ 28,709	$ 29,934	$
Total interest expense	12,018	12,009	13,752	14,938	
Net interest income	14,120	14,443	14,957	14,996	
Provision for credit losses	1,175	1,090	1,333	1,377	
Noninterest income	2,944	2,663	2,301	2,420	
Noninterest expense	12,618	12,460	11,862	21,396	
Income (loss) before income taxes	3,271	3,556	4,063	(5,357)	
Income tax expense	1,295	1,357	1,583	992	
Net income (loss)	$ 1,976	$ 2,199	$ 2,480	$ (6,349)	$
Basic earnings (loss) per share	$ 0.56	$ 0.62	$ 0.71	$ (1.80)	$
Diluted earnings (loss) per share	$ 0.56	$ 0.62	$ 0.71	$ (1.80)	$

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ASSET/LIABILITY MANAGEMENT AND INTEREST RATE SENSITIVITY

Market risk is the risk of loss in a financial instrument arising from adverse changes in market rates/prices such as interest rates, foreign currency exchange rates, commodity prices and equity prices. The Company's primary market risk exposure is interest rate risk. The ongoing monitoring and management of this risk is an important component of the Company's asset/liability management process which is governed by policies established by its Board of Directors that are reviewed and approved annually. The Board of Directors delegates responsibility for carrying out the asset/liability management policies to the Asset/Liability Committee ("ALCO"). In this capacity, ALCO develops guidelines and strategies impacting the Company's asset/liability management related activities based upon estimated market risk sensitivity, policy limits and

overall market interest rate levels and trends.

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest rate sensitive" and by monitoring an institution's interest-rate sensitivity "gap". An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest-bearing assets maturing or repricing within a specific time period and the amount of interest-bearing liabilities maturing or repricing within that time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. During a period of falling interest rates, the net earnings of an institution with a positive gap theoretically may be adversely affected due to its interest-earning assets repricing to a greater extent than its interest-bearing liabilities. Conversely, during a period of rising interest rates, theoretically, the net earnings of an institution with a positive gap position may increase as it is able to invest in higher yielding interest-earning assets at a more rapid rate than its interest-bearing liabilities reprice.

The Company also measures and monitors its sensitivity to interest rates using net interest income simulations on a quarterly basis. Any identified exposure is managed primarily through the use of derivative instruments that have been designated and have qualified as either cash flow hedging instruments such as swaps, caps and floors or fair value hedging instruments such as options. Additionally, the Company extends or shortens the duration of the investment and mortgage-backed securities portfolio, retail certificates of deposit and FHLB advances. The Company currently does not engage in the use of trading activities, high-risk derivatives and synthetic instruments in controlling its interest rate risk. Such uses are permitted at the recommendation of ALCO with the approval of the Board of Directors.

The following table sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at December 31, 2000, which are anticipated by the Company, based upon certain assumptions, to reprice or mature in each of the future time periods shown. Except as stated below, the amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual terms of the asset or liability. Since all interest rates and yields do not adjust at the same velocity or magnitude, and since volatility is subject to change, the gap is only a general indicator of interest rate sensitivity.

(in thousands)	0-90 Days	91-180 days	181-365 days	1-5 Years	Over yea
Assets:					
Investment and mortgage-backed securities and interest-bearing deposits in other banks	$ 53,528	$ 13,719	$ 24,382	$ 112,603	$ 127
Federal funds sold	610	--	--	--	
Commercial loans	186,392	2,293	8,100	31,255	6
Real estate loans	84,546	77,005	133,434	408,966	231
Consumer loans	58,260	4,151	7,473	40,973	2
Other assets	--	--	--	--	

Total assets	$ 383,336	$ 97,168	$ 173,389	$ 593,797	$ 368
Liabilities and stockholders' equity:					
Noninterest-bearing deposits	$ --	$ --	$ --	$ --	$
Time and savings deposits	314,673	380,404	107,840	46,920	239
Short-term borrowings	139,700	31,000	--	--	
Long-term debt	12,000	20,000	85,000	55,000	9
Other liabilities	--	--	--	--	
Stockholders' equity	--	--	--	--	
Total liabilities and stockholders' equity	$ 466,373	$ 431,404	$ 192,840	$ 101,920	$ 249
Interest rate sensitivity gap	$ (83,037)	$ (334,236)	$ (19,451)	$ 491,877	$ 119
Cumulative interest rate sensitivity gap	$ (83,037)	$ (417,273)	$ (436,724)	$ 55,153	$ 174

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The Company's policy is to match its level of interest-earning assets and interest-bearing liabilities within a limited range, thereby reducing its exposure to interest rate fluctuations. In connection with these asset and liability management objectives, various actions have been taken, including changes in the composition of assets and liabilities, and the use of financial instruments.

When appropriate, ALCO may utilize off-balance sheet instruments such as interest rate floors, caps and swaps to hedge its interest rate risk position. A Board of Directors approved hedging policy statement governs the use of these instruments.

The financial instruments used and their notional amounts outstanding at December 31 for the years indicated were as follows:

(dollars in thousands)	2000	1999	19
Interest rate swaps:			
Pay-floating swaps-notional amount	$ 15,000	$ --	$
Average receive rate	7.29%	--%	
Average pay rate	6.67%	--%	

Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional amount. The Company received the fixed rate and paid the floating rate for all of its swaps outstanding at December 31, 2000.

Interest rate contracts are primarily used to convert certain deposits and

long-term debt to floating interest rates or to convert certain groups of customer loans and other interest earning assets to fixed rates. Certain interest rate swaps specifically match the amounts and terms of particular liabilities.

Interest rate options, which primarily consist of caps and floors, are interest rate protection instruments that involve the payment from the seller to the buyer of an interest rate differential in exchange for a premium paid by the buyer. This differential represents the difference between current interest rates and an agreed upon rate applied to a notional amount. Interest rate caps limit the cap holder's risk associated with an increase in interest rates. Interest rate floors limit the risk associated with a decline in interest rates.

INTEREST RATE RISK

Interest rate options at December 31, 2000 and 1999 consisted of the following:

	2000		1999	
(in thousands)	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE	Notional Amount	Estim V
Caps	$50,000	$ 30	$ --	$
Floors	--	--	10,000	
Total interest rate options	$50,000	$ 30	$10,000	$

Interest rate risk represents the sensitivity of earnings to changes in market interest rates. As interest rates change, the interest income and expense streams associated with the Company's financial instruments also change thereby impacting net interest income ("NII"), the primary component of the Company's earnings. ALCO utilizes the results of a detailed and dynamic simulation model to quantify the estimated exposure of NII to sustained interest rate changes. While ALCO routinely monitors simulated NII sensitivity over a rolling two-year horizon, it also utilizes additional tools to monitor potential longer-term interest rate risk.

The simulation model captures the impact of changing interest rates on the interest income received and interest expense paid on all assets and liabilities reflected on the Company's balance sheet as well as for off-balance sheet derivative financial instruments. This sensitivity analysis is compared to ALCO policy limits which specify a maximum tolerance level for NII exposure over a one-year horizon, assuming no balance sheet growth, given both a 200 basis point ("bp") upward and downward shift in interest rates. A parallel and pro rata shift in rates over a 12-month period is assumed. The following reflects the Company's NII sensitivity analysis as of December 31, 2000.

Rate Change	Estimated NII Sensitivity
+200bp	(5.50)%
-200bp	2.40 %

Loan growth from December 31, 1999 to 2000 of $123.5 million, or 10.7%, has been predominantly longer-term fixed rate or prime-based loans while funding has been mainly a combination of short-term time certificates of deposit and FHLB advances. These changes have made the balance sheet more liability sensitive and more negatively exposed to continued upward movement in interest rates. As a result, the Company has been and will continue efforts to extend terms of time certificates of deposits and use of putable FHLB advances to extend funding terms.

The preceding sensitivity analysis does not represent a Company forecast and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions including: the nature and timing of interest rate levels including yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment/replacement of asset and liability cashflows, and others. While assumptions are developed based upon current economic and local market conditions, the Company cannot make any assurances as to the predictive nature of these assumptions including how customer preferences or competitor influences might change.

Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will also differ due to: prepayment/refinancing levels likely deviating from those assumed, the varying impact of interest rate change caps or floors on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals and product preference changes, and other internal/external variables. Furthermore, the sensitivity analysis does not reflect actions that ALCO might take in responding to or anticipating changes in interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

CB BANCSHARES, INC. AND SUBSIDIARIES

December 31, 2000, 1999 and 1998

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INDEPENDENT AUDITORS' REPORT
CB Bancshares, Inc. and Subsidiaries

The Board of Directors and Stockholders
CB Bancshares, Inc.

We have audited the accompanying consolidated balance sheets of CB Bancshares, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income (loss), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CB Bancshares, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B to the consolidated financial statements, the Company changed its method for assessing recoverability of goodwill in 1999.

/s/ KPMG LLP

KPMG LLP

Honolulu, Hawaii
January 18, 2001

INDEPENDENT AUDITORS' REPORT
CB Bancshares, Inc. and Subsidiaries

Board of Directors and Stockholders
CB Bancshares, Inc.

We have audited the accompanying consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows of CB Bancshares, Inc. (a Hawaii corporation) and Subsidiaries for the year ended December 31,

1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and their consolidated cash flows of CB Bancshares, Inc. and Subsidiaries for the year ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ GRANT THORNTON LLP

Grant Thornton LLP

Honolulu, Hawaii
February 12, 1999

CONSOLIDATED BALANCE SHEETS

CB Bancshares, Inc. and Subsidiaries

(in thousands, except number of shares and per share data)	2000
ASSETS	
Cash and due from banks (note A)	$ 40,1
Interest-bearing deposits in other banks (note K)	1,0
Federal funds sold	6
Investment and mortgage-backed securities (notes D, J and K):	
Available-for-sale	298,0
FHLB stock	32,4
Loans held for sale	33,6
Loans, net (notes E, F, J and K)	1,250,2
Premises and equipment, net (note H)	18,0
Other real estate owned and other repossessed property (note G)	3,4
Accrued interest receivable and other assets (notes N and S)	43,5
TOTAL ASSETS	$ 1,721,4
LIABILITIES AND STOCKHOLDERS' EQUITY	
Deposits (note I):	

Noninterest-bearing	$ 128,7
Interest-bearing	1,089,5
Total deposits	1,218,2
Short-term borrowings (note J)	170,7
Accrued expenses and other liabilities (notes N and O)	20,7
Long-term debt (note K)	181,5
Minority interest in consolidated subsidiary (note L)	7,0
Total liabilities	1,598,2
Commitments and contingencies (notes H, K, P, Q, R and S) Stockholders' equity (notes S and T):	
Preferred stock $1 par value - Authorized and unissued 25,000,000 shares	
Common stock $1 par value - Authorized 50,000,000 shares; issued and outstanding 3,188,534 shares in 2000 and 3,255,282 shares in 1999	3,1
Additional paid-in capital	54,5
Retained earnings	72,2
Accumulated other comprehensive income (loss), net of tax	(6,9
Total stockholders' equity	123,1
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,721,4

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

CB Bancshares, Inc. and Subsidiaries

	YEARS ENDED DECEMBER 31	
(in thousands, except per share data)	2000	1999
Interest income:		
Interest and fees on loans	$ 108,695	$ 90,524
Interest and dividends on investment and mortgage-backed securities:		
Taxable interest income	19,597	16,023
Nontaxable interest income	1,551	1,035
Dividends	2,104	2,249
Other interest income	525	1,402
Total interest income	132,472	111,233
Interest expense:		
Deposits (note I)	47,104	37,572

FHLB advances and other short-term borrowings	11,370	3,282
Long-term debt	13,004	11,863
Total interest expense	71,478	52,717
Net interest income	60,994	58,516
Provision for credit losses (note F)	7,539	4,975
Net interest income after provision for credit losses	53,455	53,541
Noninterest income:		
Service charges on deposit accounts	2,900	2,060
Other service charges and fees	4,044	3,979
Net realized gains (losses) on sales of securities (notes D and U)	(421)	(32)
Net gains (losses) on sales of loans	537	2,744
Other	2,964	1,577
Total noninterest income	10,024	10,328
Noninterest expense:		
Salaries and employee benefits (note S)	20,832	20,427
Net occupancy expense (note H)	7,000	8,022
Equipment expense (note H)	3,070	3,441
Other (note M)	15,777	26,446
Total noninterest expense	46,679	58,336
Income before income taxes	16,800	5,533
Income tax expense (note N)	5,582	5,227
NET INCOME	$ 11,218	$ 306
Per share data (note T):		
Basic	$ 3.49	$ 0.09
Diluted	$ 3.48	$ 0.09

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

CB Bancshares, Inc. and Subsidiaries

YEARS ENDED DECEMBER 31, 2000,		
COMMON STOCK	ADDITIONAL PAID-IN	RETAIN

(IN THOUSANDS, EXCEPT PER SHARE DATA)	SHARES	AMOUNT	CAPITAL	EARNIN
YEAR ENDED DECEMBER 31, 2000:				
BALANCE AT JANUARY 1, 2000	3,255	$ 3,255	$ 56,219	$ 62,
COMPREHENSIVE INCOME				
NET INCOME	--	--	--	11,
OTHER COMPREHENSIVE INCOME, NET OF TAX				
UNREALIZED GAINS ON SECURITIES, NET OF RECLASSIFICATION ADJUSTMENT	--	--	--	
TOTAL COMPREHENSIVE INCOME	--	--	--	11,
CASH DIVIDENDS:				
$0.34 PER SHARE	--	--	--	(1,
CANCELLED AND RETIRED SHARES	(66)	(66)	(1,625)	
BALANCE AT DECEMBER 31, 2000	3,189	$ 3,189	$ 54,594	$ 72,
Year ended December 31, 1999:				
Balance at January 1, 1999	3,552	$ 3,552	$ 65,108	$ 62,
Comprehensive income:				
Net income	--	--	--	
Other comprehensive income (loss), net of tax				
Unrealized losses on securities, net of reclassification adjustment	--	--	--	
Total comprehensive income (loss)	--	--	--	
Cash dividends:				
$0.27 per share	--	--	--	(
Cancelled and retired shares	(297)	(297)	(8,889)	
Balance at December 31, 1999	3,255	$ 3,255	$ 56,219	$ 62,
Year ended December 31, 1998:				
Balance at January 1, 1998	3,551	$ 3,551	$ 65,080	$ 55,
Comprehensive income:				
Net income	--	--	--	8,
Other comprehensive income (loss), net of tax				
Unrealized losses on securities, net of reclassification adjustment	--	--	--	
Total comprehensive income (loss)	--	--	--	8,
Options exercised	1	1	28	
Cash dividends:				
$0.23 per share	--	--	--	(
Balance at December 31, 1998	3,552	$ 3,552	$ 65,108	$ 62,

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

CB Bancshares, Inc. and Subsidiaries

	YEARS ENDED DECEMBER 31,	
(in thousands)	2000	1999
Cash flows from operating activities:		
Net income	$ 11,218	$ 306
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	7,539	4,975
Loss on disposition of premises and equipment	77	--
(Gain) loss on sale of foreclosed assets	(378)	--
Net loss on sale of investment and mortgage-backed securities	421	32
Depreciation and amortization	2,906	4,492
Deferred income taxes	2,526	1,409
Decrease (increase) in accrued interest receivable	(923)	(2,203)
Increase (decrease) in accrued interest payable	29	822
Loans originated for sale	(60,965)	(144,342)
Sale of loans held for sale	59,039	148,323
Decrease (increase) in other assets	(3,240)	1,743
Increase in income taxes payable	74	908
Increase (decrease) in other liabilities	(654)	2,553
Write-off of goodwill	--	7,873
Restructuring and merger-related charges	--	1,551
Other	381	(329)
Net cash provided by (used in) operating activities	18,050	28,113
Cash flows from investing activities:		
Net decrease (increase) in interest-bearing deposits in other banks	(982)	19,924
Net decrease (increase) in federal funds sold	5,090	42,052
Proceeds from sales of held-to-maturity securities	--	--
Proceeds from maturities of held-to-maturity securities	--	--
Proceeds from sales of available-for-sale securities	7,227	32,883
Proceeds from maturities of available-for-sale securities	16,268	42,581
Purchase of available-for-sale securities	(5,649)	(205,303)
Proceeds from sale of FHLB stock	1,400	--
Purchase of FHLB stock	(2,103)	(2,246)
Net loan originations over principal payments	(161,415)	(150,222)
Proceeds from sales of loans	--	--
Proceeds from sales of premises and equipment	471	--
Capital expenditures	(3,330)	(1,233)
Proceeds from sales of foreclosed assets	9,652	10,282
Purchase of bank owned life insurance	--	(10,000)
Net cash provided by (used in) investing activities	(133,371)	(221,282)

Cash flows from financing activities:		
Net increase in time deposits	97,602	31,073
Net increase (decrease) in other deposits	14,514	(9,538)
Net increase (decrease) in short-term borrowings	15,816	132,958
Proceeds from long-term debt	--	150,000
Principal payments on long-term debt	(43,577)	(95,947)
Net increase in minority interest in consolidated subsidiary	7,000	--
Cash dividends paid	(1,093)	(931)
Stock repurchase	(1,691)	(9,186)
Stock options exercised	--	--
Net cash provided by (used in) financing activities	88,571	198,429
Increase in cash and due from banks	(26,750)	5,260
Cash and due from banks at beginning of year	66,918	61,658
Cash and due from banks at end of year	$ 40,168	$ 66,918
Supplemental disclosures of cash flow information:		
Interest paid on deposits and other borrowings	$ 71,449	$ 51,895
Income taxes paid	3,399	3,213

Supplemental schedule of non-cash operating and investing activity:

The Company converted $6,680, $9,038 and $11,355 of loans into other real estate owned and repossessed personal property in 2000, 1999 and 1998, respectively.

During 2000, the Company transferred $23,965 of loans classified as held-for-investment to held-for-sale.

During 1999, the Company transferred $47,142 of loans classified as held-for-sale to held-for-investment.

During 1999, the Company securitized $58,965 of mortgage loans into mortgage-backed securities classified as available-for-sale. In 1998, the Company securitized $76,153 and $14,693 of mortgage loans into mortgage-backed securities classified as available-for-sale and held-to-maturity, respectively.

During 1998, the Company transferred $12,859 of securities classified as held-to-maturity to available-for-sale.

See accompanying notes to the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CB BANCSHARES, INC. AND SUBSIDIARIES

NOTE A - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CB Bancshares, Inc. and Subsidiaries (the "Company") provide financial services to domestic markets and grant commercial, financial, real estate, installment and consumer loans to customers throughout the State of Hawaii. Although the

Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is primarily dependent upon the economy and the real estate market in the State of Hawaii.

The significant accounting policies of the Company are as follows:

PRINCIPLES OF CONSOLIDATION AND PRESENTATION. The consolidated financial statements include the accounts of CB Bancshares, Inc. (the "Parent Company") and its wholly-owned subsidiaries: City Bank and its wholly-owned subsidiaries (the "Bank"); International Savings and Loan Association, Limited and its wholly-owned subsidiaries (the "Association") up to June 30, 2000; Datatronix Financial Services, Inc. ("Datatronix") and O.R.E., Inc. Significant intercompany transactions and balances have been eliminated in consolidation.

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles and conform to prevailing practices within the banking industry. Preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Also, certain reclassifications have been made to the consolidated financial statements and accompanying notes for the previous two years to conform to the current year's presentation. Such reclassifications did not have a material effect on the consolidated financial statements.

RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS. The credit risk of a financial instrument is the possibility that a loss may result from the failure of another party to perform in accordance with the terms of the contract. The most significant credit risk associated with the Company's financial instruments is concentrated in its loans receivable. The Company has established a system for monitoring the level of credit risk in its loan portfolio.

Concentrations of credit risk would exist for groups of borrowers when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The ability of the Company's borrowers to repay their commitments is contingent on several factors, including the economic conditions in the borrowers' geographic area and the individual financial condition of the borrowers. The Company generally requires collateral or other security to support borrower commitments on loans receivable. This collateral may take several forms. Generally, on the Company's mortgage loans, the collateral will be the underlying mortgaged property. The Company's lending activities are primarily concentrated in the State of Hawaii.

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises primarily from interest rate risk inherent in its lending and deposit taking activities. To that end, management actively monitors and manages its interest rate risk exposure. The Company does not currently engage in trading activities. The Company is subject to interest rate risk to the degree that its interest-earning assets reprice on a different frequency or schedule than its interest-bearing liabilities. The Company closely monitors the pricing sensitivity of its financial instruments.

CASH AND CASH EQUIVALENTS. For purposes of the consolidated statements of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption, "Cash and due from banks". Included in cash are amounts restricted for the Federal Reserve requirement of $6,151,000 and $4,099,000 in 2000 and 1999, respectively.

INVESTMENT AND MORTGAGE-BACKED SECURITIES. Investment and mortgage-backed securities are classified into the following categories:

Held-to-maturity securities are securities the Company has the positive intent and ability to hold to maturity. Held-to-maturity securities are reported at amortized cost with premiums and discounts included in interest income over the period to maturity, using the interest method.

Available-for-sale securities are securities not classified as either trading or held-to-maturity. Securities available-for-sale are reported at fair value with unrealized gains and losses, net of tax, included as other comprehensive income in stockholders' equity. Gains and losses on sales are determined using the specific identification method.

For individual held-to-maturity and available-for-sale securities, declines in fair value below cost for other than temporary market conditions would result in write-downs of the carrying value to the current fair value and the realized losses included in earnings.

As a member of the Federal Home Loan Bank of Seattle (the "FHLB"), the Company is required to maintain a minimum investment in the capital stock of the FHLB in an amount at least equal to the greater of 1% of the aggregate principal amount of its unpaid residential loans, residential purchase contracts and similar obligations at the end of each calendar year, assuming for such purposes that at least 30% of its assets were residential mortgage loans, or 5% of its advances from the FHLB. The stock is recorded as a restricted investment security at par.

LOANS HELD TO MATURITY. Interest income on loans receivable is accrued as it is earned. Loans the Company has the intent and ability to hold until maturity are reported at the outstanding principal balance, adjusted for any charge-offs, the allowance for credit losses, any deferred fees or costs on originated loans, and unamortized premiums or discounts on purchased loans.

Loan origination fees and costs are deferred and recognized as an adjustment of the yield. Accretion of discounts and deferred loan fees is discontinued when loans are placed on nonaccrual status. Loan commitment fees received are deferred as other liabilities until the loan is advanced and are then recognized over the loan term as an adjustment of the yield. At expiration, unused commitment fees are recognized as fees and commission revenue. Guarantee fees received are recognized as fee revenue over the related terms.

The allowance for credit losses is periodically evaluated for adequacy by management. Factors considered include the Company's loan loss experience, known and inherent risks in the portfolio, current economic conditions, adverse situations that may affect the borrower's ability to repay, regulatory policies, and the estimated value of underlying collateral, if any. The allowance for credit losses is increased by provision for credit losses and decreased by charge-offs (net of recoveries).

Loans are impaired when, based on current information and events, it is probable that principal or interest will not be collected at scheduled maturity or will be unreasonably delayed. Impaired loans are measured at the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral, if the loan is collateral dependent. Large groups of smaller balance homogeneous loans, such as residential mortgages and consumer installment loans, are collectively evaluated for impairment, except for loans restructured under a troubled debt restructuring.

Interest accrual on impaired loans is discontinued when, in management's opinion, the borrower may be unable to make scheduled payments. When interest

accrual is discontinued, any outstanding accrued interest is reversed and subsequently, interest income is recognized as payments are received.

The Company generally places loans on nonaccrual status that are 90 days past due as to principal or interest unless well-collateralized and in the process of collection, or when management believes that collection of principal or interest has become doubtful, or when a loan is first classified as impaired. When loans are placed on nonaccrual status, previously accrued and uncollected interest is reversed against interest income of the current period. Cash interest payments received on nonaccrual loans are applied as a reduction of principal balance when doubt exists as to the ultimate collection of the principal; otherwise, such payments are recorded as income.

Nonaccrual loans are generally returned to accrual status when they become both current as to principal and interest or become both well collateralized and in the process of collection.

LOANS HELD FOR SALE. The Company sells loans and participations in loans with yield rates to the investors based upon current market rates. Gain or loss on the sale of loans is recognized to the extent that the selling prices differ from the carrying value of the loans sold based on the estimated relative fair values of the assets sold and any retained interests. Residential mortgage loans originated for sale are classified as loans held for sale and are accounted for at the lower of aggregate cost or fair value.

TRANSFERS AND SERVICING OF FINANCIAL ASSETS. A transfer of financial assets is accounted for as a sale when control is surrendered over the assets transferred. Servicing rights and other retained interests in the assets sold are recorded by allocating the previous recorded investment between the asset sold and the interest retained based on their relative fair values, if practicable to determine, at the date of transfer.

For the years presented, servicing assets and the related amortization were not material.

GOODWILL. Effective December 24, 1999, the Company's accounting policy for assessing recoverability of goodwill is as follows:

Goodwill is amortized on a straight-line basis over its estimated useful life, principally over a fifteen year period. It is the Company's policy to review goodwill for impairment whenever events or changes in circumstances indicate that its investment in the underlying assets/businesses which gave rise to such goodwill may not be recoverable. The Company evaluates the recoverability of goodwill by estimating the future discounted cash flows of the businesses to which the goodwill relates. When estimated future discounted cash flows are less than the carrying value of the net assets (tangible and identifiable intangible) and related goodwill, impairment losses of goodwill are charged to operations. Impairment losses, limited to the carrying value of goodwill, represent the excess of the sum of the carrying value of the net assets (tangible and identifiable intangible) and goodwill over the discounted cash flows of the business being evaluated. In determining the estimated future cash flows, the Company considers current and projected future levels of income as well as business trends, prospects and market and economic conditions. Prior to December 24, 1999, the assessment of recoverability and measurement of impairment of goodwill was based on undiscounted cash flows.

PREMISES AND EQUIPMENT. Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using both the straight-line and accelerated methods over the estimated useful lives of the assets or the applicable facility leases, whichever is shorter. The range of estimated useful lives is 3 to 45 years for premises and leasehold improvements and 3 to 20 years for equipment.

OTHER REAL ESTATE OWNED. Other real estate owned properties acquired through, or in lieu of, foreclosure proceedings are recorded at the fair value on the date of foreclosure establishing a new cost basis. Losses arising at the time of acquisition of such properties are charged against the allowance for credit losses. After foreclosure, management performs periodic valuations and the properties are carried at the lower of cost or fair value, less estimated costs to sell. Revenues, expenses and provisions to the valuation allowance are included in operations as incurred.

INCOME TAXES. The Company files consolidated income tax returns. The Bank and Datatronix pay to the Parent Company the amount of income taxes they would have paid had they filed separate income tax returns.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

STOCK-BASED COMPENSATION. The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, in accounting for its fixed plan stock options. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

EARNINGS PER SHARE. Basic earnings per common share are based on the weighted-average number of common shares outstanding for the year. Diluted earnings per common share are based on the assumption that all potentially dilutive common shares and dilutive stock options were converted at the beginning of the year.

NEW ACCOUNTING PRINCIPLES. In June 1998, the Financial Accounting Standards Board ("FASB") issued 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 and it did not have a material effect on the Company's financial statements.

Prior to adoption, as part of its risk management activities, the Company used interest rate swaps, caps and floors to modify the interest rate characteristics of certain assets and liabilities. Amounts payable or receivable under the instrument were recognized as interest income or expense under the accrual method as long as the instrument qualified for hedge accounting. The gains and losses on those derivative financial instruments that did not qualify as hedges

were recognized as other income or expense. Unrealized gains or losses on the swaps were not recognized in the consolidated financial statements.

Since adoption, all derivative instruments used have been designated and qualify as either cash flow hedging instruments such as swaps, caps and floors or fair value hedging instruments such as options. The cash flow derivative instruments hedge the variability of the forecasted cash flow attributable to interest rate risk and are accounted for by recording the value of the derivative instrument on the balance sheet as either an asset or liability with a corresponding offset recorded in other comprehensive income within stockholders' equity, net of tax. Amounts will be reclassified from other comprehensive income to the income statement in the period the hedge cash flow occurs. Derivative gains and losses not considered effective in hedging the change in expected cash flows of the hedged item are recognized immediately in the income statement.

Due to the implementation of SFAS 133, the Company recorded an after-tax transition amount associated with establishing fair values of the derivative instruments and hedged items on the balance sheet as an increase of $335,000 to other comprehensive income.

SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" was replaced by SFAS No. 140 (retaining the same title) in September 2000. While it retained most of the provisions of SFAS No. 125, it revised the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. This Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. However, certain disclosure requirements are effective for fiscal years ending after December 25, 2000. The adoption of this standard is not expected to have a material effect on the Company's financial statements.

NOTE B - CHANGE IN ACCOUNTING FOR GOODWILL

In December 1999, the Company elected to change its method for assessing recoverability of goodwill from one based on undiscounted cash flows to one based on discounted cash flows. The Company determined that using a discounted cash flow methodology was a preferable policy. The rate used in determining discounted cash flows was a rate corresponding to the Company's cost of capital. The Company believes that fair value (i.e., discounted cash flows) is preferable because it is consistent with the basis used for investment decisions (acquisitions and capital projects) and takes into account the specific and detailed operating plans and strategies of the related business segment. This change represents a change in accounting principle which is indistinguishable from a change in estimate. Accordingly, the effect of the change was recorded in the fourth quarter of 1999. For the years ended December 31, 1999 and 1998, amortization of goodwill was $851,000.

As a result of the change to a discounted cash flow methodology, the Company recorded a non-cash write-off of goodwill of $7.9 million ($2.38 per share) in 1999. This charge represented the amount required to write down the carrying value of the goodwill to the Company's estimate, as of December 24, 1999, of the estimated future discounted cash flows using the methodology described in Note A.

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NOTE C - RESTRUCTURING AND MERGER-RELATED CHARGES

In the fourth quarter of 1999, the Company announced plans to merge its two principal subsidiaries, the Bank and the Association (the "Merger"). On July 1,

2000, the Association was merged with and into the Bank.

In connection with the Merger, the Company recorded $1.6 million ($0.9 million and $0.28 per share, after taxes) of restructuring and merger-related charges primarily comprised of write-offs of improvements associated with excess leased commercial property in 1999.

NOTE D - INVESTMENT AND MORTGAGE-BACKED SECURITIES

The amortized cost and estimated fair values of the Company's investment portfolio at December 31, 2000 and 1999 were as follows:

(in thousands)	AMORTIZED COST	UNREALIZED GAINS	GROSS UNREALIZED LOSSES	GROSS ESTIMATED FAIR VALUE
2000:				
AVAILABLE-FOR-SALE SECURITIES:				
U.S. TREASURY AND OTHER U.S. GOVERNMENT AGENCIES AND CORPORATIONS	$ 16,008	$ 88	$ 28	$ 16,068
STATES AND POLITICAL SUBDIVISIONS	32,862	661	423	33,100
MORTGAGE-BACKED SECURITIES	260,556	1,167	12,802	248,921
TOTAL AVAILABLE-FOR-SALE	$309,426	$ 1,916	$ 13,253	$298,089
1999:				
Available-for-sale securities:				
U.S. Treasury and other U.S. government agencies and corporations	$ 15,993	$ --	$ 198	$ 15,795
States and political subdivisions	32,322	10	1,979	30,353
Mortgage-backed securities	280,115	1,197	10,962	270,350
Total available-for-sale	$328,430	$ 1,207	$ 13,139	$316,498

Securities with an aggregate carrying value of $168,381,000 and $97,282,000, at December 31, 2000 and 1999, respectively, were pledged to collateralize public deposits and for other purposes required by law.

The following presents the amortized cost and estimated fair value of available-for-sale investment securities at December 31, 2000 by contractual maturity. Expected maturity will differ from contractual maturity because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The stated maturity of mortgage-backed securities are presented in total since the principal cash flows of these securities are not received at a single maturity date.

(in thousands)	AMORTIZED COST	ESTIMATED FAIR VALUE

DUE IN ONE YEAR OR LESS	$ 10,992	$ 10,965
DUE AFTER ONE YEAR THROUGH FIVE YEARS	5,016	5,103
DUE AFTER FIVE YEARS THROUGH TEN YEARS	2,245	2,289
DUE AFTER TEN YEARS	30,617	30,811
MORTGAGE-BACKED SECURITIES	260,556	248,921
TOTAL	$309,426	$298,089

In 1998, held-to-maturity securities of $69,510,000 were sold due to a change in investment strategy, resulting in gross realized gains of $3,712,000. Due to the sales of the held-to-maturity securities during 1998, the Company transferred $12,859,000 of securities classified as held-to-maturity to available-for-sale. The related net unrealized gain from this reclassification was $232,000. Proceeds from sales of securities available-for-sale during 2000, 1999, and 1998 were $7,227,000, $32,883,000 and $81,605,000, respectively. These sales resulted in gross realized gains of $0, $267,000 and $502,000 and gross realized losses of $421,000, $299,000, and $110,000, respectively. Income tax benefit recognized on net securities losses were $164,000 and $13,000 in 2000 and 1999, respectively. Income tax expense recognized on net securities gains was $157,000 in 1998.

NOTE E - LOANS

The loan portfolio consisted of the following at December 31, 2000 and 1999:

(in thousands)	2000	1999
Commercial and financial	$ 246,877	$ 224,660
Real estate:		
Construction	26,237	15,096
Commercial	192,194	196,810
Residential	693,068	621,200
Installment and consumer	114,562	91,647
Gross Loans	1,272,938	1,149,413
Less:		
Unearned discount	4	4
Net deferred loan fees	5,272	4,483
Allowance for credit losses	17,447	17,942
Loans, net	$1,250,215	$1,126,984

Substantially all of the Company's real estate loans are collateralized by properties located in the State of Hawaii.

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans, including mortgage-backed securities serviced for others, were $427,254,000 and $461,305,000 at December 31, 2000 and 1999, respectively. Custodial escrow balances maintained with the foregoing loan servicing, and included in demand deposits, were $2,508,000 and $2,696,000 at December 31, 2000 and 1999, respectively.

In the normal course of business, the Company makes loans to its executive officers and directors and to companies and individuals affiliated with its executive officers and directors. Such loans and loan commitments were made at the Company's normal credit terms, including interest rates and collateral requirements, and do not represent more than a normal risk of collection. The following is the activity of loans to such parties in 2000:

(in thousands)	
BALANCE AT BEGINNING OF YEAR	$ 7,116
NEW LOANS	13,137
REPAYMENTS	(10,251)
BALANCE AT END OF YEAR	$ 10,002

NOTE F - ALLOWANCE FOR CREDIT LOSSES

The changes in the allowance for credit losses for the years indicated were as follows:

(in thousands)	2000	1999	1998
Balance at beginning of year	$ 17,942	$ 17,771	$ 16,365
Provision charged to expense	7,539	4,975	7,436
Recoveries	972	619	1,094
Charge-offs	(9,006)	(5,423)	(7,124)
Balance at end of year	$ 17,447	$ 17,942	$ 17,771

Information related to loans considered to be impaired for the years indicated were as follows:

(in thousands)	2000	1999	1998
Recorded investment in impaired loans	$25,180	$20,038	$15,187
Impaired loans with related allowance for credit losses calculated under			

SFAS No. 114	21,349	8,224	7,996
Total allowance for credit losses on impaired loans	3,636	2,262	989
Average recorded investment in impaired loans during the year	23,369	19,147	10,741
Interest income on impaired loans using cash basis of income recognition	1,758	1,499	1,420

NOTE G - OTHER REAL ESTATE OWNED

The carrying value of foreclosed real estate, net of the following allowance for losses, were $3,458,000, $6,385,000 and $8,583,000 at December 31, 2000, 1999 and 1998, respectively. Activity in the allowance for losses on other real estate owned was as follows:

(in thousands)	2000	1999	1998
Balance at beginning of year	$ 940	$ 1,102	$ 188
Provision charged to expense	243	927	1,407
Charge-offs, net of recoveries	(966)	(1,089)	(493)
Balance at end of year	$ 217	$ 940	$ 1,102

NOTE H - PREMISES AND EQUIPMENT

The Company's premises and equipment at December 31, 2000 and 1999 were as follows:

(in thousands)	2000	1999
Premises	$21,749	$21,299
Equipment	24,259	23,105
Total cost	46,008	44,404
Less accumulated depreciation and amortization	27,927	26,396
Net carrying value	$18,081	$18,008

Depreciation and amortization charged to operations for the years ended December 31, 2000, 1999 and 1998 were as follows:

(in thousands)	2000	1999	1998
Net occupancy expense	$ 898	$ 816	$ 746
Equipment expense	1,894	2,057	2,017
Total depreciation and amortization	$2,792	$2,873	$2,763

The Company leases certain properties and equipment under leases that expire on various dates through 2017. Certain leases provide for renegotiations at fixed intervals and require payment of real estate taxes, maintenance, insurance and certain other operating expenses. Rent charged against operations, including equipment rental, were as follows:

(in thousands)	2000	1999	1998
Rental expense	$6,093	$6,223	$6,071
Sublease income	1,261	799	643
Total rent	$4,832	$5,424	$5,428

The following are future minimum rental commitments for long-term noncancelable operating leases as of December 31, 2000. Future rentals subject to renegotiations are computed at the latest annual rents.

(in thousands)	OPERATING LEASES
2001	$ 3,548
2002	3,174
2003	3,081
2004	3,335
2005	3,322
THEREAFTER	12,885
TOTAL	$ 29,345

NOTE I - DEPOSITS

Deposits consisted of the following at December 31, 2000 and 1999:

(in thousands)	2000	1999
Noninterest-bearing deposits	$ 128,742	$ 120,544
Interest-bearing deposits:		
Demand deposits	184,127	190,363
Savings	178,366	165,814
Time deposits of $100 or more	293,959	231,598
Time deposits less than $100	433,067	397,826
Total interest-bearing deposits	1,089,519	985,601
Total deposits	$1,218,261	$1,106,145

Interest expense on deposits for the years ended December 31, 2000, 1999 and 1998 were as follows:

(in thousands)	2000	1999	1998
Demand deposits	$ 5,693	$ 5,058	$ 6,14
Savings	4,370	3,869	3,24
Time deposits of $100 or more	14,329	11,392	11,18
Time deposits less than $100	22,712	17,253	19,36
Total interest expense	$47,104	$37,572	$39,94

At December 31, 2000, the scheduled maturities of time deposits were as follows:

(in thousands)	
2001	$ 673,949
2002	38,849
2003	5,237
2004	4,476
2005	4,515
TOTAL	$ 727,026

NOTE J - SHORT-TERM BORROWINGS

Short-term borrowings at December 31, 2000 and 1999 consisted of the following:

(in thousands)	2000	1999
Advances from the FHLB	$170,300	$154,375
Federal treasury tax and loan note	400	509
Total short-term borrowings	$170,700	$154,884

Average interest rates and average and maximum balances for short-term borrowing categories were as follows for categories of borrowings where the average outstanding balance for the year was 30% or more of stockholders' equity at December 31 for the years indicated:

(dollars in thousands)	2000	1999
Advances from the FHLB:		
Average interest rate at year-end	6.62%	5.70%
Maximum outstanding at any month-end	$ 219,000	$154,375
Average outstanding	167,765	44,829
Average interest rate for the year	6.46%	5.22%
Federal funds purchased:		
Average interest rate at year-end	-%	-%
Maximum outstanding at any month-end	--	51,880
Average outstanding	1,165	16,893
Average interest rate for the year	6.51%	5.45%

NOTE K - LONG-TERM DEBT

Long-term debt at December 31, 2000 and 1999 consisted of the following:

(in thousands)	2000	1999
Advances from the FHLB	$180,242	$223,409
Collateralized mortgage obligation	1,321	1,731
Total long-term debt	$181,563	$225,140

The advances from the FHLB bear interest at rates ranging from 5.30% to 8.22%. Interest is payable monthly over the term of each advance. Pursuant to collateral agreements with the FHLB, short and long-term advances are collateralized by a blanket pledge of certain securities with carrying values of $70,998,000 and $29,800,000, loans of $735,665,000 and $620,282,000, interest-bearing deposits in other banks ($nil in 2000 and 1999), and all stock in the FHLB in 2000 and 1999, respectively. FHLB advances are under credit line agreements of $578,085,000 and $471,881,000 in 2000 and 1999, respectively. Aggregate maturities of long-term advances from the FHLB as of December 31, 2000 were as follows:

(in thousands)	
2001	$ 117,000
2002	35,000
2003	10,000
2004	10,000
2005	-
THEREAFTER	8,242
TOTAL	$ 180,242

NOTE L - MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY

During 2000, Citibank Properties, Inc. ("CB Properties"), a wholly-owned subsidiary of the Bank, elected to be taxed as a real estate investment trust ("REIT"). On July 18, 2000, CB Properties issued 120 shares of Series A Preferred Stock, 10,000 shares of Series B Preferred Stock, and 55,000 shares of Series C Preferred Stock at $1,000 per share in exchange for approximately $150 million in participation interests in mortgage loans and mortgage-related securities less the assumption of $85 million in advances made from the FHLB to the Bank. On August 21, 2000, the Bank sold 7,000 shares of Series B Preferred Stock to third party investors. This transaction was recorded as minority interest for financial statement purposes and classified as Tier 1 capital for regulatory purposes pursuant to guidelines set forth by the FDIC. CB Properties' business objective is to acquire, hold, finance and manage qualifying REIT assets.

NOTE M - OTHER NONINTEREST EXPENSE

Other noninterest expense for the years ended December 31, 2000, 1999 and 1998 were as follows:

(in thousands)	2000	1999(1)	1998
Legal and professional fees	$ 4,043	$ 3,224	$ 3,085
Advertising and promotion	2,436	2,181	1,631
Stationery and supplies	1,002	1,347	1,157
Provision for other real estate owned losses	243	927	1,407
Deposit insurance premiums	512	652	595
Other	7,541	8,691	7,728

Total other noninterest expense	$15,777	$17,022	$15,603

(1) 1999 figures are exclusive of restructuring and merger-related charges and write-off of goodwill.

NOTE N - INCOME TAXES

The components of income tax expense for the years ended December 31, 2000, 1999 and 1998 were as follows:

(in thousands)	2000	1999	1998
Current:			
Federal	$ 2,506	$ 3,345	$ 5,658
State	550	473	1,236
Total current	3,056	3,818	6,894
Deferred:			
Federal	2,071	1,234	(1,135)
State	455	175	(294)
Total deferred	2,526	1,409	(1,429)
Total income tax expense	$ 5,582	$ 5,227	$ 5,465

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The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities as of December 31, 2000 and 1999 were as follows:

(in thousands)	2000	1999
Deferred tax assets:		
Allowance for credit losses	$ 6,970	$ 4,880
Hawaii state franchise taxes	--	59
Gain on sale of building	1,781	1,637
Deferred compensation	985	1,149
Net unrealized losses on available-for-sale securities	4,529	4,262
Capital loss carryforward	2,679	--
Other	1,319	1,948
Gross deferred tax assets	18,263	13,935
Less: valuation allowance	(2,397)	--
Total deferred tax assets	15,866	13,935

Deferred tax liabilities:		
FHLB stock dividends	8,143	7,649
Deferred loan fees	3,292	1,639
Hawaii state franchise taxes	227	--
Other	2,923	816
Total deferred tax liabilities	14,585	10,104
Net deferred tax assets	$ 1,281	$ 3,831

The net change in the total valuation allowance for the years ended December 31, 2000 and 1999 was an increase of $2,397,000 and nil, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences net of the existing valuation allowance at December 31, 2000.

Reconciliation of the federal statutory rate to the Company's effective income tax rate for the years ended December 31, 2000, 1999 and 1998 was as follows:

	2000	1999	1
Federal statutory rate	35.0%	35.0%	
Tax exempt interest	(0.3)	(2.3)	
Hawaii state franchise taxes, net of federal tax benefit	4.9	11.3	
Amortization and write-off of goodwill	--	55.2	
Tax exempt earnings on bank owned life insurance	(2.6)	(4.1)	
Capital loss utilized	(3.0)	--	
Other	(0.8)	(0.6)	
Effective income tax rate	33.2%	94.5%	

During 1997, legislation was passed requiring the Association to recapture as taxable income $565,000 of its bad debt reserves, which represents additions to the reserve after June 30, 1988. The Association has provided deferred taxes for the amount and will recapture its bad debt reserves over six years. Recapture may be deferred up to two years if certain residential lending requirements are met during tax years beginning before January 1, 1998.

NOTE O - DEFERRED GAIN

Previously, CB Properties entered into a limited partnership agreement as a limited partner. The partnership acquired the ground leases of certain real property, constructed a commercial building on the property and sold the leasehold estate and commercial building to an unrelated third party (the "Purchaser"). Prior to the sale, the Bank entered into a 20-year office lease agreement with the partnership for the ground floor, mezzanine and first four

floors of the building. The Bank's lease was assigned to the Purchaser and has not been affected by the sale of the building.

The Company recognized a deferred gain in a manner similar to that for a sale-leaseback transaction. The deferred gain is being amortized over the remaining lease term, resulting in annual gains of $447,000. As of December 31, 2000, the unamortized deferred gain was $3,650,000.

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NOTE P - RISK MANAGEMENT ACTIVITIES

Refer to Note A - "New Accounting Principles," for the Company's current accounting treatment of derivative financial investments.

Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed upon notional amount. At December 31, 2000, there were three interest rate swaps outstanding with a notional principal amount totaling $15,000,000. The Company paid the floating rate and received the fixed rate. The estimated fair values of the outstanding interest rate swaps were $263,728 at December 31, 2000. There were no interest rate swaps outstanding at December 31, 1999 and 1998.

Interest rate options at December 31, 2000 and 1999 consisted of the following:

	2000		
(in thousands)	NOTIONAL AMOUNT	ESTIMATED FAIR VALUE	Notional
Caps	$50,000	$ 30	$
Floors	--	--	10,0
Total interest rate options	$50,000	$ 30	$10,0

Interest rate contracts are primarily used to convert certain deposits or to convert certain groups of customer loans to fixed or floating rates. Certain interest rate swaps specifically match the amounts and terms of particular liabilities.

The following table indicates the types of swaps used, as of December 31, their aggregate notional amounts and weighted-average interest rates, and includes the matched swaps. Average variable rates are based on rates implied in the yield curve at the reporting date. Those rates may change significantly, affecting future cash flows.

(dollars in thousands)	2000	1999	1998
Pay floating swaps - notional amounts	$ 15,000	$--	$--

Average receive rate	7.29%	--	--
Average pay rate	6.67%	--	--

Interest rate options written and purchased are contracts that allow the holder of the option to purchase or sell a financial instrument at a specified price and within a specified period of time from the seller or "writer" of the option. As a writer of options, the Company receives a premium at the outset and then bears the risk of an unfavorable change in the price of the financial instrument underlying the option. At December 31, 2000, there were outstanding written option contracts with a notional principal amount of $10,000,000 and an estimated fair value of $42,188. As a purchaser of options, the Company pays a premium and may then exercise the option if the price movement of the underlying financial instrument is favorable to the Company. At December 31, 1999, there were outstanding purchased interest rate options with a notional principal amount of $3,000,000 and estimated fair value of $16,000.

NOTE Q - CREDIT-RELATED INSTRUMENTS

At any time, the Company has a significant number of outstanding commitments to extend credit. These commitments take the form of approved lines of credit and loans with terms of up to one year. The Company also provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements generally extend for up to one year. The contractual amounts of these credit-related instruments are set out in the following table by category of instrument. Because many of those instruments expire without being advanced in whole or in part, the amounts do not represent future cash flow requirements.

(in thousands)	2000	1999
Loan commitments	$187,638	$176,836
Guarantees and letters of credit	5,015	6,461
Totals	$192,653	$183,297

These credit-related financial instruments have off-balance sheet risk because only origination fees and accruals for probable losses are recognized in the consolidated financial statements until the commitments are fulfilled or expire. Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. The credit risk amounts are equal to the contractual amounts, assuming that the amounts are fully advanced and that the collateral or other security is of no value.

The Company's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. For retail loans, the Company usually retains a security interest in the property or products financed, which provides repossession rights in the event of default by the

customer. Guarantees and letters of credit also are subject to strict credit assessments before being provided. Those agreements specify monetary limits to the Company's obligations. Collateral for commercial loans, guarantees, and letters of credit is usually in the form of cash, inventory, marketable securities, or other property.

NOTE R - COMMITMENTS AND CONTINGENCIES

The Company is a defendant in various legal proceedings arising from normal business activities. While the results of these proceedings can not be predicted with certainty, management believes, based on advice of counsel, the aggregate liability, if any, resulting from these proceedings would not have a material effect on the Company's consolidated financial position or results of operations.

NOTE S - EMPLOYEE BENEFIT PLANS

EMPLOYEE STOCK OWNERSHIP PLAN. The Company has an Employee Stock Ownership Plan (the "ESOP") for all employees of the Company who satisfy length of service requirements. Trust assets under the plan are invested primarily in shares of stock of the Company. Employer contributions are to be paid in cash, shares of stock or other property as determined by the Board of Directors; provided, however, contributions may not be made in amounts which cannot be allocated to any participant's account by reason of statutory limitations. No participant shall be required or permitted to make contributions to the plan or trust. Contributions to the plan were $350,000 for 2000, $240,000 in 1999 and $350,000 in 1998. At December 31, 2000, there were 202,149 shares allocated to the Plan. There were no committed-to-be-released or suspense shares held by the ESOP.

PROFIT SHARING RETIREMENT SAVINGS PLAN. The Company has an Employee Profit Sharing Retirement Savings Plan for all employees who satisfy length of service requirements. Eligible employees may contribute up to 15% of their compensation, limited to the total amount deductible under applicable provisions of the Internal Revenue Code, of which 20% of the amount contributed will be matched by the Company, provided that the matching contribution shall not exceed 2% of the participant's compensation. In addition, the Company will contribute an amount equal to 2% of the compensation of eligible participants, and additional amounts determined by the Board of Directors at their discretion. Effective January 1, 2000, the Company contributed an amount equal to 3% of the compensation of eligible participants. Contributions to the plan for 2000, 1999 and 1998 were $361,000, $462,000 and $173,000, respectively.

DEFERRED COMPENSATION. The Company has deferred compensation agreements with several key management employees, all of whom are officers. Under the agreements, the Company is obligated to provide for each such employee or his beneficiaries, during a period of ten years after the employee's death, disability, or retirement, annual benefits ranging from $25,000 to $250,000. The estimated present value of future benefits to be paid is being accrued over the period from the effective date of the agreements until the full eligibility dates of the participants. The expense incurred for this plan for the years ended December 31, 2000, 1999 and 1998 amounted to $197,000, $216,000 and $234,000, respectively. The Company is the beneficiary of life insurance policies, with an aggregate cash surrender value of $11,906,000 at December 31, 2000, that were purchased as a method of partially financing benefits under this plan.

STOCK COMPENSATION PLANS. On September 16, 1994, the Board of Directors adopted a Stock Compensation Plan (the "SCP") which the stockholders approved on January 26, 1995. On April 30, 1998, the stockholders approved the increase of shares of common stock reserved under the SCP to 400,000 shares. Such shares may be granted to employees, including officers and other key employees, of the Company. The purpose of the SCP is to enhance the ability of the Company to

attract, retain and reward key employees and to encourage a sense of proprietorship and to stimulate the interests of those employees in the financial success of the Company. The SCP is administered by the Compensation Committee (the "Committee") of the Board of Directors. The SCP provides for the award of incentive stock options, performance stock options, non-qualified stock options, stock grants and stock appreciation rights ("SARs").

During 1995 and 1994, the SCP option grants were performance and index options with a term of ten years. During 1997, the Company amended the terms of these options. The amendment provides that the performance options granted shall become

exercisable in full on the later of the first anniversary of the grant date or the effective date of the amendment. The amendment also fixes the exercise price of the index options granted in 1995 and 1994 at $31.29 and $37.22, respectively.

On July 17, 2000, January 26, 2000, January 19, 1999, January 2, 1998 and December 15, 1997, the Company granted additional SCP stock options of 500, 74,000, 49,000, 12,500, and 72,500 shares, respectively. The exercise prices of these options are $25.00, $28.50, $30.50, $42.50, and $43.00 per share, respectively. The options become exercisable on the first anniversary of the grant date and terminate ten years after the grant date.

The Company adopted the Directors Stock Option Plan ("DSOP") which the stockholders approved on April 29, 1999. Under the DSOP, each director of the Company, the Bank or the Association who is not an employee, receives an annual grant of options to acquire restricted stock at a price equal to the fair market value of the Company's common stock at the date of the grant. A director who is not an employee of the Company, the Bank or the Association receives an annual option for 1,000 shares (not to exceed an annual option for 1,000 restricted shares to any one director). Under the DSOP, the stock option grants are exercisable from the date of the grant for a ten-year period. On April 27, 2000 and April 29, 1999, the Company granted stock options of 16,000 and 17,000 respectively. The exercise prices of these options are $24.50 and $27.25 per share, respectively.

The original exercise price of each option equals the market price of the Company's stock on the date of grant. Accordingly, no compensation cost has been recognized for the plan. Had compensation cost for the plan been determined using the fair value based method, the Company's net income and net income per share would have been the pro forma amounts below:

	2000	1999
Net income:		
As reported	$ 11,218,000	$ 306,
Pro forma	10,179,000	(106,
Pro forma earnings per share:		
Basic	$ 3.16	$ (0
Diluted	$ 3.16	$ (0

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model. For grants in 2000, 1999 and 1998, the following weighted-average assumptions were used; expected dividend of 1.40%, 0.61% and 0.51%, expected volatility of 39.71%, 32.15% and 32.91%, risk-free interest rate of 5.00%, 6.36% and 5.62%, and expected life of 6.0 years, 6.0 years and 6.0 years. The weighted-average fair value of options granted during 2000, 1999 and 1998 was $12.65, $13.37 and $17.26, respectively.

Transactions involving stock options are summarized as follows:

Description	Stock Options Outstanding	Weighted-Average Exercise Price
Balance at December 31, 1997	134,700	$ 38.59
Granted	12,500	$ 42.50
Forfeited	(8,250)	$ 33.92
Exercised	(1,000)	$ 29.00
Balance at December 31, 1998	137,950	$ 38.85
Granted	66,000	$ 29.66
Forfeited	(9,500)	$ 38.03
Balance at December 31, 1999	194,450	$ 35.80
GRANTED	90,500	$ 27.78
FORFEITED	(26,500)	$ 25.91
BALANCE AT DECEMBER 31, 2000	258,450	$ 33.02

As of December 31, 2000 and 1999, stock options outstanding had exercise prices between $24.50 and $43.00 and $27.25 and $43.00, respectively. At December 31, 2000, the weighted-average remaining contractual life was 7.6 years and 186,950 stock options were exercisable with a weighted-average exercise price of $34.74. As of December 31, 1999, the weighted-average remaining contractual life was 7.2 years and 145,950 stock options were exercisable with a weighted-average exercise price of $37.56.

Under the SCP, the Committee may grant a specified number of shares to an employee subject to terms and conditions prescribed by the Committee. The Committee also has the authority to grant any participant SARs and the right to receive a payment, in cash or common stock, equal to the excess of the fair market value of a specified number of shares of common stock on the date such right is exercised over the fair market value on the date of grant of such right. An SAR may not be exercised prior to the first anniversary of the date of grant or more than ten years after the date of grant. No shares of stock or SARs were granted during 2000, 1999 and 1998.

Upon the occurrence of a reorganization event, as defined in the SCP, the Committee may, in its discretion, provide that the options granted shall be

terminated unless exercised within 30 days of notice and advance the exercise dates of any, or all, outstanding options.

NOTE T - STOCKHOLDERS' EQUITY

REGULATORY MATTERS. The Company is subject to various capital requirements administered by federal regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and Tier I capital (as defined) to average assets (as defined). The following table presents the actual and required regulatory capital amounts and ratios of the Company as of December 31, 2000 and 1999. No amounts were deducted from the Association's capital for interest rate risk in 1999. Management believes that the Company and the Bank meet all capital adequacy requirements to which they are subject as of December 31, 2000.

(in thousands of dollars)	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES	
	AMOUNT	RATIO	AMOUNT	RATIO
DECEMBER 31, 2000:				
TIER 1 CAPITAL (TO RISK WEIGHTED ASSETS):				
CONSOLIDATED	$137,067	12.04%	$ 45,555	4.00%
BANK	134,498	11.37	47,304	4.00
TOTAL CAPITAL (TO RISK WEIGHTED ASSETS):				
CONSOLIDATED	151,379	13.29	91,109	8.00
BANK	149,313	12.63	94,608	8.00
TIER 1 CAPITAL (TO AVERAGE ASSETS):				
CONSOLIDATED	137,067	8.01	68,443	4.00
BANK	134,498	7.82	68,794	4.00
December 31, 1999: Tier 1 capital (to risk weighted assets):				
Consolidated	$121,344	11.95%	$ 40,601	4.00%
Bank	71,051	10.12	28,095	4.00
Association	49,198	13.06	15,070	4.00
Total capital (to risk weighted assets):				
Consolidated	134,124	13.21	81,202	8.00
Bank	79,875	11.37	56,190	8.00
Association	51,804	13.75	30,141	8.00
Tier 1 capital (to average assets):				
Consolidated	121,344	7.69	63,114	4.00
Bank	71,051	8.17	34,806	4.00
Association	49,198	6.92	28,433	4.00
Tangible capital (to adjusted total assets):				
Association	49,198	6.60	11,179	1.50

The most recent notification from the federal regulatory agencies categorized the Company as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized", the Company must maintain minimum Tier 1 and Total risk-based capital ratios and Tier 1 leverage ratios as set forth in the table above. To be categorized as adequately capitalized, the Company must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. As of December 31, 2000, there are no conditions or events since that notification that management believes have changed the Company's capital category.

EARNINGS PER SHARE. The table below presents the information used to compute basic and diluted earnings per common share for the years ended December 31, 2000, 1999 and 1998:

	2000	1999
Numerator:		
Net income	$11,218,000	$ 306,000
Denominator:		
Weighted average shares outstanding	3,218,324	3,463,971
Effect of dilutive securities-stock options	661	1,390
Adjusted weighted average shares outstanding, assuming dilution	3,218,985	3,465,361
Earnings per share - basic	$ 3.49	$ 0.09
Earnings per share - assuming dilution	$ 3.48	$ 0.09

The following options were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares. At December 31, 2000, there were outstanding options to purchase 226,450 shares at a range of $28.50 to $43.00. At December 31, 1999, there were outstanding options to purchase 164,600 shares at a range of $30.50 to $43.00. At December 31, 1998, there were outstanding options to purchase 96,625 shares at a range of $37.22 to $43.00.

NOTE U - OTHER COMPREHENSIVE INCOME (LOSS)

The schedule below presents the reclassification amount to adjust for gains and losses on securities included in net income, including the amount of income taxes allocated, and also included in other comprehensive income as unrealized gains (losses) in the year in which they arose:

(in thousands)	BEFORE TAX AMOUNT	TAX (EXPENSE BENEFIT

2000:		
UNREALIZED GAINS ON SECURITIES:		
UNREALIZED HOLDING LOSSES ARISING DURING THE YEAR	$ (360)	$ 140
LESS: RECLASSIFICATION ADJUSTMENT FOR LOSSES REALIZED IN NET INCOME	(421)	164
OTHER COMPREHENSIVE INCOME (LOSS)	$ 61	$ (24
1999:		
Unrealized losses on securities:		
Unrealized holding losses arising during the year	$(13,302)	$ 5,413
Less: reclassification adjustment for losses realized in net income	(32)	13
Other comprehensive income (loss)	$(13,270)	$ 5,400
1998:		
Unrealized losses on securities:		
Unrealized holding losses arising during the year	$ (209)	$ 171
Less: reclassification adjustment for gains realized in net income	392	(15
Other comprehensive income (loss)	$ (601)	$ 328

NOTE V - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because a limited or no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial assets or liabilities include premises and equipment, goodwill, core deposit intangibles, and deferred income taxes. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

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The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

CASH AND DUE FROM BANKS, AND INTEREST-BEARING DEPOSITS IN OTHER BANKS: The carrying amounts approximate fair values.

INVESTMENT SECURITIES (INCLUDING MORTGAGE-BACKED SECURITIES): Fair values for securities are based on quoted market prices, if available. If not available, quoted market prices of comparable instruments are used except in the case of certain options and swaps that utilize pricing models. For restricted investment securities, the carrying amount approximates fair value.

LOANS: For variable rate loans that reprice frequently and entail no significant change in credit risk, fair values are based on carrying values. For certain mortgage loans (e.g., one-to-four family residential), fair values are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. For other loans, fair values are estimated based on discounted cash flow analyses using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest approximates its fair value.

DEPOSITS: The estimated fair values of deposits with no stated maturities, which includes demand deposits, checking accounts, passbook savings and certain types of money market accounts, is equal to the amount payable on demand. The estimated fair values of fixed maturity deposits is estimated using a discounted cash flow calculation with rates currently offered by the Company for deposits of similar remaining maturity. The carrying amount of accrued interest payable approximates its fair value.

SHORT-TERM BORROWINGS: The carrying amounts of federal funds purchased, borrowings under repurchase agreements, advances from the FHLB and other short-term borrowings approximate their fair values.

LONG-TERM DEBT (OTHER THAN DEPOSITS): The fair values are estimated using discounted cash flow analyses using the Company's current incremental borrowing rates for similar types of borrowing arrangements.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS: Fair values for letters of credit, guarantees, and lending commitments are based on fees currently charged to enter into similar agreements, considering the remaining terms of the agreements and the counterparties' credit standing.

DERIVATIVE FINANCIAL INSTRUMENTS: Fair values for swaps, caps, floors, forwards, and options are based upon current settlement values (financial forwards), if available. If there are no relevant comparables, fair values are based on pricing models or formulas using current assumptions interest rate swaps and options.

The following table provides a summary of the carrying and fair values of the Company's financial instruments at December 31, 2000 and 1999:

	2000		
(in thousands)	CARRYING OR NOTIONAL VALUE	ESTIMATED FAIR VALUE	Carryin Notional
Financial assets:			
Cash and due from banks	$ 40,172	$ 40,172	$ 6
Interest-bearing deposits in other Banks	1,058	1,058	
Federal funds sold	610	610	

Investment securities	298,089	298,089	31
FHLB stock	32,430	32,430	3
Loans	1,283,911	1,284,470	1,13
Financial liabilities:			
Deposits	1,218,261	1,225,442	1,10
Short-term borrowings	170,700	171,193	15
Long-term debt	181,563	180,952	22
Off-balance sheet financial Instruments:			
Derivative financial instruments:			
In a net payable position	--	--	
Interest rate cap	50,000	30	
Interest rate floor	--	--	1
Interest rate swaps	15,000	263	
Interest rate options	10,000	42	
Loan commitments	187,638	48	17
Guarantees and letters of credit	5,015	57	

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NOTE W - FINANCIAL STATEMENTS OF CB BANCSHARES, INC. (PARENT COMPANY) Condensed financial statements of CB Bancshares, Inc. (Parent company only) follows:

CONDENSED BALANCE SHEETS

(in thousands, except number of shares and per share data)	DECEMBER 31, 2000	1999
ASSETS		
Cash on deposit with the Bank and Association	$ 322	$ 617
Investment in subsidiaries:		
Bank	120,593	68,487
Association	--	44,817
Other	452	274
Premises and equipment	158	176
Other assets	1,745	520
TOTAL ASSETS	$ 123,270	$ 114,891
LIABILITIES AND STOCKHOLDERS' EQUITY		
Other liabilities	$ 108	$ 200
Total liabilities	108	200
Stockholders' equity:		
Preferred stock $1 par value- Authorized and unissued 25,000,000 shares	--	--
Common stock $1 par value- Authorized 50,000,000 shares; issued and outstanding, 3,188,534 and 3,255,282 shares, respectively	3,189	3,255
Additional paid-in capital	54,594	56,219

Retained earnings	72,284	62,159
Accumulated other comprehensive income (loss), net of tax	(6,905)	(6,942)
Total stockholders' equity	123,162	114,691
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 123,270	$ 114,891

CONDENSED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		
(in thousands)	2000	1999	1998
Income:			
Dividends from subsidiaries:			
Bank	$ 4,000	$ 2,600	$ 50
Association	1,400	9,439	25
Citibank Properties	8	--	-
Other interest income	10	9	2
Other income	9	--	-
Total income	5,427	12,048	77
Total expenses	2,353	2,314	1,40
Operating profit (loss)	3,074	9,734	(63
Equity in undistributed income (loss) of Subsidiaries:			
Bank	6,688	3,824	5,83
Association	561	(14,208)	2,74
Other	50	--	-
	7,299	(10,384)	8,57
Income (loss) before income taxes	10,373	(650)	7,94
Income tax benefit	845	956	42
NET INCOME	$ 11,218	$ 306	$ 8,36

CONDENSED STATEMENTS OF CASH FLOW

	YEARS ENDED DECEMBER 31,		
(in thousands)	2000	1999	1998
Cash flows from operating activities:			
Net income	$ 11,218	$ 306	$ 8,36
Adjustments to reconcile net income to net			

cash provided by (used in) operating activities:			
Deficiency (excess) of equity in earnings of subsidiaries over dividends received	(7,430)	10,384	(8,57
Decrease (increase) in other assets	(1,207)	171	-
Decrease in other liabilities	(92)	(785)	(24
Net cash provided by (used in) operating activities	2,489	10,076	(45
Cash flows from investing activities:			
Proceeds from sale of equipment	--	--	39
Net cash provided by investing activities	--	--	39
Cash flows from financing activities:			
Cash dividends	(1,093)	(931)	(77
Stock options exercised	--	--	2
Stock repurchase	(1,691)	(9,186)	-
Net cash used in financing activities	(2,784)	(10,117)	(74
Decrease in cash	(295)	(41)	(80
Cash at beginning of year	617	658	1,46
Cash at end of year	$ 322	$ 617	$ 65

NOTE X - 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 as described in Note A. Intersegment income and expense are valued at prices comparable to those for unaffiliated companies.

(in thousands of dollars)	RETAIL	WHOLESALE	TREASURY	ALL
2000:				
NET INTEREST INCOME	$ 28,359	$ 28,889	$ 702	$
INTERSEGMENT NET INTEREST INCOME (EXPENSE)	1,638	(7,371)	5,733	
PROVISION FOR CREDIT LOSSES	1,736	5,803	--	
OTHER OPERATING INCOME (EXPENSE)	(9,227)	(7,980)	(2,021)	
ADMINISTRATIVE AND OVERHEAD EXPENSE ALLOCATION	(8,131)	(5,651)	(1,308)	
INCOME TAX EXPENSE (BENEFIT)	4,354	832	1,241	
NET INCOME (LOSS)	6,549	1,252	1,865	
TOTAL ASSETS	833,604	357,193	334,804	

Prior to the Merger of the Bank and the Association on July 1, 2000, 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 1999 is not readily available or practicable to provide.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Certain information required by Part III is omitted from this Report in that the Registrant will file a definitive proxy statement pursuant to Regulation 14A (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this Report, and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement which specifically address the items set forth herein are incorporated by reference.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning the Company's directors and executive officers required by this Item is incorporated by reference to the Company's Proxy Statement.

The information regarding compliance with Section 16 of the Securities and Exchange Act of 1934 is to be set forth in the Proxy Statement and is hereby incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the Company's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the Company's Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the Company's Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) FINANCIAL STATEMENTS AND SCHEDULES

The following consolidated financial statements of the Registrant and its subsidiaries are included in Item 8:

Independent Auditors' Reports

Consolidated Balance Sheets - December 31, 2000 and 1999

Consolidated Statements of Income - For years ended December 31, 2000, 1999 and 1998

Consolidated Statements of Changes in Stockholders' Equity and Comprehensive

Income (Loss) - For years ended December 31, 2000, 1999 and 1998

Consolidated Statement of Cash Flows - For years ended December 31, 2000, 1999 and 1998

Notes to the Consolidated Financial Statements

(b) EXHIBITS

The following exhibits are filed as a part of, or incorporated by reference into this Report:

Exhibit No.	Description
3.1	Articles of Incorporation of CB Bancshares, Inc., incorporated by reference to Exhibit 3.1 filed with the Registrant's Registration Statement on Form S-4, Registration No. 33-72340.
3.2	By-laws of CB Bancshares, Inc., incorporated by reference to Exhibits 3.2 and 3.3 filed with the Registrant's Registration Statement on Form S-4, Registration No. 33-72340.
4.0	No instrument which defines the rights of holders of long-term debt, of the registrant and all of its consolidated subsidiaries, is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, the registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.
4.1	Rights Agreement dated as of March 16, 1989, between CB Bancshares, Inc. and City Bank, Rights Agent, incorporated by reference to Form 8-A, filed on April 24, 1989 (File No. 0-12396).
4.2	Amendment to Rights Agreement made as of June 21, 1989, incorporated by reference to Form 8 Amendment No. 1 to Form 8-A, filed on July 11, 1989 (File No. 0-12396).
4.3	Amendment No. 2 to Rights Agreement entered into as of August 15, 1990, incorporated by reference to Form 8 Amendment No. 2 to Form 8-A, filed on August 28, 1990 (File No. 0-12396).

4.4	Amendment No. 3 to Rights Agreement entered into as of February 17, 1993, incorporated by reference to Exhibit 4.4 to Form 8-A/A, Amendment No. 3, filed on March 25, 1999.
4.5	Amendment No. 4 to Rights Agreement entered into as of March 25, 1999, incorporated by reference to Exhibit 4.5 to Form 8-A/A, Amendment No. 3, filed on March 25, 1999.
10.1	Stock Compensation Plan, incorporated by reference to Exhibit A and B to the Registrant's Proxy Statement for the January 25, 1995 Special Meeting of Shareholders, filed on December 9, 1995. *

10.2	Form of Stock Option Agreement incorporated by reference to Exhibit 10.6 of Form 10-K filed on April 1, 1996. *
10.3	Employment agreement between CB Bancshares, Inc. and Ronald M. Migita, dated May 31,1995, is incorporated by reference to Exhibit 10 to Registrant's Form 10-Q filed on August 14, 1995. *
10.4	Form of Change in Control Agreement is incorporated by reference to Exhibit 99.2 of Form 8-K filed on April 18, 1996.
10.5	Agreement and Plan of Merger dated as of December 22, 1999, by and between City Bank and International Savings and Loan Association, Limited.
10.6	Advances, Security and Deposit Agreement dated as of May 20, 1999 by and between City Bank, including its successors, and the Federal Home Loan Bank of Seattle.
10.7	Director Stock Option Plan, incorporated by reference to Exhibit 4 files with the Registrant's Registration Statement on Form S-8, Registration No. 333-81279, filed on June 22, 1999. *
10.8	Directors Deferred Compensation Plan effective April 29, 1999, incorporated by reference to Exhibit 10.9 to the Registrant's Form 10-K filed on March 15, 2000. *
10.9	Stock Purchase Agreement dated August 21, 2000, by and between City Bank and Island Insurance Co., Ltd.
10.10	Stock Purchase Agreement dated August 21, 2000, by and between City Bank and the Trustees of the Hawaii Electricians Health and Welfare Fund.
10.11	Stock Purchase Agreement dated August 21, 2000, by and between City Bank and the Trustees of the Hawaii Electricians Pension Fund.
16	Letter re: change in certifying accountant, incorporated by reference to Exhibit 16 to Registrant's Form 10-K filed on March 15, 2000.
18	Letter re: change in accounting principles, incorporated by reference to Exhibit 17 to Registrant's Form 10-K filed on March 15, 2000.
21	Subsidiaries of the Registrant.
23	Consent of experts and counsel.

* Management contract or compensatory plan or arrangement.

All other schedules are omitted because they are not applicable, not material, or because the information is included in the financial statement or the notes thereto.

(c) REPORTS ON FORM 8-K

The Company has filed no reports on form 8-K for the quarter ended December 31, 2000.

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SIGNATURES

Pursuant to the Requirement of Section 13 or 15(d) 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.

Date: March 15, 2001

CB BANCSHARES, INC.

/s/ Ronald K. Migita

Ronald K. Migita, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Date: March 15, 2001

/s/ Donald J. Andres	/s/ Tomio Fuchu
Donald J. Andres, Director	Tomio Fuchu, Vice Chairman
/s/ Colbert M. Matsumoto	/s/ Larry K. Matsuo
Colbert M. Matsumoto, Director	Larry K. Matsuo, Director
/s/ Ronald K. Migita	/s/ Caryn S. Morita
Ronald K. Migita, President, Chief Executive Officer and Director	Caryn S. Morita, Director
/s/ Hiroshi Sakai	/s/ Calvin K. Y. Say
Hiroshi Sakai, Director	Calvin K. Y. Say, Director
/s/ Yoshiki Takada	/s/ Lionel Y. Tokioka
Yoshiki Takada, Director	Lionel Y. Tokioka, Chairman of the Board
/s/ Dwight L. Yoshimura	/s/ James H. Kamo
Dwight L. Yoshimura, Director	James H. Kamo, Secretary
/s/ Dean K. Hirata	

Dean K. Hirata, Senior Vice President
and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

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