

COOPERATIVE BANKSHARES INC
Form 10-Q
August 11, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

OR

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

For the Transition Period from _____ to _____

Commission File Number: 0-24626

COOPERATIVE BANKSHARES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Edgar Filing: COOPERATIVE BANKSHARES INC - Form 10-Q

North Carolina
(State or Other Jurisdiction of

Incorporation or Organization)

56-1886527
(I.R.S. Employer

Identification No.)

201 Market Street, Wilmington, North Carolina
(Address of Principal Executive Offices)

28401
(Zip Code)

Registrant's telephone number, including area code: (910) 343-0181

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

As of July 30, 2008, there were issued and outstanding 6,589,256 shares of the registrant's Common Stock.

Table of Contents

INDEX

PART I	<u>Financial Information</u>	3
Item 1	<u>Financial Statements (Unaudited)</u>	3
	<u>Consolidated Statements of Financial Condition at June 30, 2008 and December 31, 2007</u>	3
	<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2008 and 2007</u>	4
	<u>Consolidated Statement of Stockholders' Equity for the Six Months Ended June 30, 2008</u>	5
	<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2008 and 2007</u>	6
	<u>Notes to Consolidated Financial Statements</u>	8
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	24
Item 4	<u>Controls and Procedures</u>	24
PART II	<u>Other Information</u>	25
Item 1	<u>Legal Proceedings</u>	25
Item 1A	<u>Risk Factors</u>	25
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
Item 3	<u>Defaults Upon Senior Securities</u>	26
Item 4	<u>Submission of Matters to a Vote of Security Holders</u>	26
Item 5	<u>Other Information</u>	27
Item 6	<u>Exhibits</u>	27

Table of Contents**PART I FINANCIAL INFORMATION****Item 1 Financial Statements**

COOPERATIVE BANKSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Financial Condition

(In thousands, except per share data)	June 30, 2008 (Unaudited)	December 31, 2007*
Assets		
Cash and due from banks, noninterest-bearing	\$ 9,214	\$ 9,883
Interest-bearing deposits in other banks	3,095	3,910
Total cash and cash equivalents	12,309	13,793
Securities:		
Available for sale (amortized cost of \$45,394 at June 30, 2008 and \$40,868 at December 31, 2007)	44,508	40,810
Held to maturity (estimated market value of \$4,392 at June 30, 2008 and \$4,532 at December 31, 2007)	4,381	4,512
FHLB stock	8,600	7,085
Loans held for sale	2,725	3,680
Loans	865,521	820,104
Less allowance for loan losses	11,464	8,788
Net loans	854,057	811,316
Other real estate owned	4,357	5,924
Accrued interest receivable	4,365	5,003
Premises and equipment, net	14,576	12,609
Intangible assets	5,776	5,792
Other assets	18,027	16,299
Total assets	\$ 973,681	\$ 926,823
Liabilities and Stockholders Equity		
Deposits	\$ 731,583	\$ 714,892
Short-term borrowings	48,097	18,371
Escrow deposits	1,202	522
Accrued interest payable	607	588
Accrued expenses and other liabilities	5,059	3,743
Long-term obligations	123,526	123,530
Total liabilities	910,074	861,646
Stockholders equity:		
Preferred stock, \$1 par value: 3,000 shares authorized, no shares issued and outstanding at June 30, 2008 or December 31, 2007		
Common stock, \$1 par value: 14,000 shares authorized, 6,586 and 6,554 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	6,586	6,554
Additional paid-in capital	3,449	3,240

Edgar Filing: COOPERATIVE BANKSHARES INC - Form 10-Q

Accumulated other comprehensive loss	(543)	(36)
Retained earnings	54,115	55,419
Total stockholders' equity	63,607	65,177
Total liabilities and stockholders' equity	\$ 973,681	\$ 926,823
Book value per common share	\$ 9.66	\$ 9.94

* Derived from audited consolidated financial statements.
See accompanying notes to consolidated financial statements.

Table of Contents

COOPERATIVE BANKSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Operations (Unaudited)

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Interest and dividend income:				
Loans	\$ 13,696	\$ 15,279	\$ 28,243	\$ 30,077
Securities	622	505	1,231	1,015
Other	16	57	50	122
Dividends on FHLB stock	122	100	228	193
Total interest and dividend income	14,456	15,941	29,752	31,407
Interest expense:				
Deposits	6,433	7,069	13,788	13,835
Short-term borrowings	319	365	492	608
Long-term obligations	1,446	1,252	2,923	2,523
Total interest expense	8,198	8,686	17,203	16,966
Net interest income	6,258	7,255	12,549	14,441
Provision for loan losses	2,470	350	3,325	650
Net interest income after provision for loan losses	3,788	6,905	9,224	13,791
Noninterest income:				
Gain on sale of loans	241	475	718	768
Service charges and fees on loans	127	84	251	192
Deposit-related fees	554	526	1,103	1,024
Gain (loss) on disposal of premises and equipment	(1)	(4)	2	271
Earnings on bank-owned life insurance	89	92	178	185
Other income, net	63	52	126	111
Total noninterest income	1,073	1,225	2,378	2,551
Noninterest expense:				
Compensation and fringe benefits	3,206	2,965	6,466	6,070
Occupancy and equipment	1,096	967	2,125	1,926
Professional and consulting fees	254	246	492	423
Advertising	118	136	260	279
(Gain) loss on other real estate owned	91		306	(8)
Other	804	548	1,550	1,084
Total noninterest expense	5,569	4,862	11,199	9,774
Income (loss) before income taxes	(708)	3,268	403	6,568
Income tax expense (benefit)	(358)	1,202	1	2,399
Net income (loss)	\$ (350)	\$ 2,066	\$ 402	\$ 4,169

Net income (loss) per common share:

Edgar Filing: COOPERATIVE BANKSHARES INC - Form 10-Q

Basic	\$ (0.05)	\$ 0.32	\$ 0.06	\$ 0.64
Diluted	\$ (0.05)	\$ 0.31	\$ 0.06	\$ 0.63
Weighted average common shares outstanding:				
Basic	6,585	6,527	6,576	6,521
Diluted	6,585	6,634	6,615	6,636

See accompanying notes to consolidated financial statements.

Table of Contents

COOPERATIVE BANKSHARES, INC. AND SUBSIDIARY

Consolidated Statement of Stockholders' Equity (Unaudited)

(In thousands, except per share data)	Common Stock \$1 Par Value*	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders Equity
Balance, December 31, 2007	\$ 6,554	\$ 3,240	\$ (36)	\$ 55,419	\$ 65,177
Adjustment from adoption of EITF 06-4				(1,048)	(1,048)
Exercise of stock options	32	125			157
Tax benefit of stock options exercised		75			75
Other comprehensive loss net of taxes			(507)		(507)
Net income				402	402
Stock-based compensation		9			9
Cash dividends declared (\$.10 per share)					