

COOPERATIVE BANKSHARES INC
Form 10-Q
November 10, 2008
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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 September 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)

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North Carolina
(State or Other Jurisdiction of

56-1886527
(I.R.S. Employer

Incorporation or Organization)

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 November 4, 2008, there were issued and outstanding 6,589,256 shares of the registrant's Common Stock.

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COOPERATIVE BANKSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Financial Condition

(In thousands, except per share data)	September 30, 2008 (Unaudited)	December 31, 2007*
Assets		
Cash and due from banks, noninterest-bearing	\$ 9,665	\$ 9,883
Interest-bearing deposits in other banks	2,362	3,910
Total cash and cash equivalents	12,027	13,793
Securities:		
Available for sale (amortized cost of \$36,155 at September 30, 2008 and \$40,868 at December 31, 2007)	36,064	40,810
Held to maturity (estimated market value of \$3,329 at September 30, 2008 and \$4,532 at December 31, 2007)	3,326	4,512
FHLB stock	8,735	7,085
Loans held for sale	1,672	3,680
Loans	882,802	820,104
Less allowance for loan losses	15,016	8,788
Net loans	867,786	811,316
Other real estate owned	6,672	5,924
Accrued interest receivable	4,156	5,003
Premises and equipment, net	14,632	12,609
Intangible assets	5,768	5,792
Other assets	21,541	16,299
Total assets	\$ 982,379	\$ 926,823
Liabilities and Stockholders Equity		
Deposits	\$ 709,469	\$ 714,892
Short-term borrowings	97,687	18,371
Escrow deposits	1,222	522
Accrued interest payable	593	588
Accrued expenses and other liabilities	4,709	3,743
Long-term obligations	113,525	123,530
Total liabilities	927,205	861,646
Stockholders equity:		
Preferred stock, \$1 par value: 3,000 shares authorized, no shares issued and outstanding at September 30, 2008 or December 31, 2007		
Common stock, \$1 par value: 14,000 shares authorized, 6,589 and 6,554 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	6,589	6,554
Additional paid-in capital	3,466	3,240

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Accumulated other comprehensive loss	(56)	(36)
Common stock held in grantor trust 23 shares in 2008, no shares in 2007	(191)	
Deferred compensation payable in common stock	191	
Retained earnings	45,175	55,419
Total stockholders' equity	55,174	65,177
Total liabilities and stockholders' equity	\$ 982,379	\$ 926,823
Book value per common share	\$ 8.37	\$ 9.94

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

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COOPERATIVE BANKSHARES, INC. AND SUBSIDIARY

Consolidated Statements of Operations (Unaudited)

(In thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Interest and dividend income:				
Loans	\$ 13,588	\$ 15,959	\$ 41,830	\$ 46,035
Securities	557	555	1,788	1,570
Other	7	79	57	201
Dividends on FHLB stock	62	106	291	299
Total interest and dividend income	14,214	16,699	43,966	48,105
Interest expense:				
Deposits	5,971	7,508	19,759	21,343
Short-term borrowings	513	341	1,005	949
Long-term obligations	1,313	1,379	4,236	3,902
Total interest expense	7,797	9,228	25,000	26,194
Net interest income	6,417	7,471	18,966	21,911
Provision for loan losses	4,150	350	7,475	1,000
Net interest income after provision for loan losses	2,267	7,121	11,491	20,911
Noninterest income:				
Gain on sale of loans	217	345	935	1,113
Service charges and fees on loans	79	133	330	325
Deposit-related fees	569	572	1,672	1,596
Gain (loss) on disposal of premises and equipment	(1)		1	271
Earnings on bank-owned life insurance	90	89	268	274
Loss on investments	(9,087)		(9,087)	
Other income, net	66	59	192	170
Total noninterest income	(8,067)	1,198	(5,689)	3,749
Noninterest expense:				
Compensation and fringe benefits	3,315	3,103	9,781	9,173
Occupancy and equipment	1,145	1,054	3,270	2,979
Professional and consulting fees	262	123	754	547
Advertising	151	135	411	414
Loss on other real estate owned	450	27	757	18
Other	825	603	2,374	1,687
Total noninterest expense	6,148	5,045	17,347	14,818
Income (loss) before income taxes	(11,948)	3,274	(11,545)	9,842
Income tax expense (benefit)	(3,008)	1,167	(3,007)	3,566
Net income	\$ (8,940)	\$ 2,107	\$ (8,538)	\$ 6,276

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Net income (loss) per common share:				
Basic	\$ (1.36)	\$ 0.32	\$ (1.30)	\$ 0.96
Diluted	\$ (1.36)	\$ 0.32	\$ (1.30)	\$ 0.95
Weighted average common shares outstanding:				
Basic	6,589	6,549	6,580	6,530
Diluted	6,589	6,646	6,580	6,640
See accompanying notes to consolidated financial statements.				

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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	Common Stock Held in Grantor Trust	Retirement Payable in Common Stock	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	35	137					172
Tax benefit of stock options exercised		76					76
Other comprehensive loss, net of taxes			(20)				(20)
Net loss				(8,538)			(8,538)
Stock-based compensation							