

COOPERATIVE BANKSHARES, INC. AND SUBSIDIARY  
Consolidated Statements of Operations  
(Unaudited)

| (In thousands, except per share data)                  | Three Months Ended<br>June 30, |                 | Six Months Ended<br>June 30, |                 |
|--|--------------------------------|-----------------|------------------------------|-----------------|
|  | 2007                           | 2006            | 2007                         | 2006            |
| <b>Interest and dividend income:</b>                   |                                |                 |                              |                 |
| Loans  | \$ 15,279                      | \$ 13,246       | \$ 30,077                    | \$ 24,894       |
| Securities   | 505                            | 506             | 1,015                        | 1,020           |
| Other  | 57                             | 45              | 122                          | 145             |
| Dividends on FHLB stock                                | 100                            | 94              | 193                          | 173             |
| Total interest and dividend income                     | <u>15,941</u>                  | <u>13,891</u>   | <u>31,407</u>                | <u>26,232</u>   |
| <b>Interest expense:</b>                               |                                |                 |                              |                 |
| Deposits   | 7,069                          | 5,161           | 13,835                       | 9,592           |
| Short-term borrowings                                  | 365                            | 232             | 608                          | 667             |
| Long-term obligations                                  | 1,252                          | 1,315           | 2,523                        | 2,245           |
| Total interest expense                                 | <u>8,686</u>                   | <u>6,708</u>    | <u>16,966</u>                | <u>12,504</u>   |
| Net interest income                                    | 7,255                          | 7,183           | 14,441                       | 13,728          |
| Provision for loan losses                              | 350                            | 775             | 650                          | 1,360           |
| Net interest income after<br>provision for loan losses | <u>6,905</u>                   | <u>6,408</u>    | <u>13,791</u>                | <u>12,368</u>   |
| <b>Noninterest income:</b>                             |                                |                 |                              |                 |
| Gain on sale of loans                                  | 475                            | 538             | 768                          | 878             |
| Service charges and fees on loans                      | 84                             | 139             | 192                          | 279             |
| Deposit-related fees                                   | 526                            | 510             | 1,024                        | 984             |
| Gain (loss) on disposal of premises and equipment      | (4)                            | -               | 271                          | (1)             |
| Earnings on bank-owned life insurance                  | 92                             | 96              | 185                          | 192             |
| Other income, net                                      | 52                             | 66              | 111                          | 124             |
| Total noninterest income                               | <u>1,225</u>                   | <u>1,349</u>    | <u>2,551</u>                 | <u>2,456</u>    |
| <b>Noninterest expense:</b>                            |                                |                 |                              |                 |
| Compensation and fringe benefits                       | 2,965                          | 2,877           | 6,070                        | 5,871           |
| Occupancy and equipment                                | 967                            | 945             | 1,926                        | 1,886           |
| Professional and examination fees                      | 246                            | 263             | 423                          | 430             |
| Advertising  | 136                            | 124             | 279                          | 257             |
| Other  | 548                            | 581             | 1,076                        | 1,193           |
| Total noninterest expenses                             | <u>4,862</u>                   | <u>4,790</u>    | <u>9,774</u>                 | <u>9,637</u>    |
| Income before income taxes                             | 3,268                          | 2,967           | 6,568                        | 5,187           |
| Income tax expense                                     | 1,202                          | 1,168           | 2,399                        | 1,935           |
| Net income   | <u>\$ 2,066</u>                | <u>\$ 1,799</u> | <u>\$ 4,169</u>              | <u>\$ 3,252</u> |
| <b>Net income per common share:</b>                    |                                |                 |                              |                 |
| Basic  | \$ 0.32                        | \$ 0.28         | \$ 0.64                      | \$ 0.50         |
| Diluted  | \$ 0.31                        | \$ 0.27         | \$ 0.63                      | \$ 0.49         |
| <b>Weighted average common shares outstanding:</b>     |                                |                 |                              |                 |
| Basic  | 6,527                          | 6,480           | 6,521                        | 6,472           |
| Diluted  | 6,634                          | 6,619           | 6,636                        | 6,607           |