COLONIAL BANCGROUP INC
Form 10-Q
August 08, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTER ENDED JUNE 30, 2001

COMMISSION FILE NUMBER 1-13508

THE COLONIAL BANCGROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	63-0661573
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Commerce Street
Montgomery, Alabama 36104
(Address of principle executive offices)

(334) 240-5000
(Registrant's telephone number)

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 and (2) has been subject to the filing requirements for at least the past 90 days.

YES [X]   NO [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class	Outstanding at July 31, 2001
Common Stock, $2.50 Par Value	113,149,749

THE COLONIAL BANCGROUP, INC.
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PART I. FINANCIAL INFORMATION

CAUTIONARY STATEMENT PURSUANT TO SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

This report contains "forward-looking statements" within the meaning of the federal securities laws. The forward-looking statements in this report are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among other things, the following possibilities: (i) deposit attrition, customer loss, or revenue loss in the ordinary course of business; (ii) increases in competitive pressure in the banking industry; (iii) changes in the interest rate environment which reduce margins; (iv) general economic conditions, either nationally or regionally, that are less favorable then expected, resulting in, among other things, a deterioration in credit quality, (v) changes which may occur in the regulatory environment; (vi) a significant rate of inflation or deflation; and (vii) changes in the securities markets. When used in this Report, the words "believes," "estimates," "plans," "expects," "should," "may," "might," "outlook," and "anticipates," and similar expressions as they relate to BancGroup (including its subsidiaries), or its management are intended to identify forward-looking statements.

THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CONDITION
(Unaudited)
(Dollars in thousands, except per share amounts)

	June 30, 2001	December 31, 2000	Ju
ASSETS:			
Cash and due from banks	$ 267,024	$ 348,891	$
Interest-bearing deposits in banks and federal funds sold	137,072	15,855	
Securities available for sale	1,600,845	1,449,386	1
Investment securities	37,463	44,310	
Mortgage loans held for sale	29,273	9,866	
Loans, net of unearned income	9,759,185	9,416,770	8
Less: Allowance for possible loan losses	(113,706)	(107,165)	
Loans, net	9,645,479	9,309,605	8
Premises and equipment, net	183,250	184,831	
Excess of cost over tangible and identified intangible assets acquired, net	91,585	74,393	
Mortgage servicing rights	-	-	
Other real estate owned	10,813	8,928	
Accrued interest and other assets	272,688	281,572	
TOTAL ASSETS:	$12,275,492	$11,727,637	$11
Liabilities and Shareholders' Equity:			
Deposits	$ 8,324,605	$ 8,143,017	$ 8
FHLB short-term borrowings	100,000	425,000	
Other short-term borrowings	1,410,295	1,463,328	1
Subordinated debt	260,058	111,900	
Trust preferred securities	70,000	70,000	
FHLB long-term debt	1,121,718	547,022	
Other long-term debt	88,064	102,325	
Other liabilities	94,948	108,193	
Total liabilities	11,469,688	10,970,785	10
SHAREHOLDERS' EQUITY:			
Common Stock, $2.50 par value; 200,000,000 shares authorized; 113,090,845, 113,081,198, and 113,075,283 shares issued at June 30, 2001, December 31, 2000, and June 30, 2000, respectively	282,727	282,703	
Treasury stock (2,376,746, 2,773,782, and 2,882,076 at June 30, 2001, December 31, 2000, and June 30, 2000, respectively)	(22,571)	(26,467)	
Additional paid in capital	119,731	118,600	
Retained earnings	422,459	390,442	
Unearned compensation	(4,027)	(2,541)	
Accumulated other comprehensive income (loss), net of taxes	7,485	(5,885)	
Total shareholders' equity	805,804	756,852	
Total Liabilities and shareholders' equity	$12,275,492	$11,727,637	$11

See Notes to the Unaudited Condensed Consolidated Financial Statements

THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Dollars in thousands, except per share amounts)

	Six Months Ended June 30,		Three Month June 3
	2001	2000	2001
Interest Income:			
Interest and fees on loans	$411,791	$376,638	$203,322
Interest on investments	48,755	54,007	23,234
Other interest and dividends income	1,435	1,255	697
Total interest income	461,981	431,900	227,253
Interest Expense:			
Interest on deposits	178,634	163,858	85,203
Interest on short-term borrowings	42,468	41,505	19,223
Interest on long-term debt	39,086	29,890	20,872
Total interest expense	260,188	235,253	125,298
Net Interest Income	201,793	196,647	101,955
Provision for possible loan losses	16,897	12,961	7,433
Net Interest Income After Provision for Possible Loan Losses	184,896	183,686	94,522
Noninterest Income:			
Service charges on deposit accounts	19,761	18,678	10,475
Wealth Management	4,524	4,942	2,282
Electronic Banking	3,147	2,693	1,620
Mortgage Origination	3,518	2,410	1,905
Securities gains (losses), net	1,899	(61)	756
Other income	9,463	8,295	4,824
Total noninterest income	42,312	36,957	21,862
Noninterest Expense:			
Salaries and employee benefits	69,049	62,352	35,138
Occupancy expense of bank premises, net	16,679	14,691	8,594
Furniture and equipment expenses	14,355	14,244	7,197
Amortization of intangibles	3,270	2,601	1,639
Other expense	32,398	31,211	16,799
Total noninterest expense	135,751	125,099	69,367
Income from Continuing Operations before Income Taxes	91,457	95,544	47,017
Applicable Income taxes	32,925	34,888	16,927
Income from Continuing Operations	58,532	60,656	30,090

Discontinued Operations:			
Net loss from discontinued operations and loss on disposal, net of income taxes of $0, ($2,844), $0, and ($2,486) for the six months ended and for the three months ended June 30, 2001 and 2000, respectively	-	(4,699)	-
Net Income	$ 58,532	$ 55,957	$ 30,090
Earnings Per Share:			
Income from Continuing Operations:			
Basic	$ 0.53	$ 0.55	$ 0.27
Diluted	$ 0.53	$ 0.54	$ 0.27
Net Income			
Basic	$ 0.53	$ 0.50	$ 0.27
Diluted	$ 0.53	$ 0.50	$ 0.27

See Notes to the Unaudited Condensed Consolidated Financial Statements

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in thousands, except per share amounts)

	Six Months Ended June 30,		
	2001	2000	
Net Income	$58,532	$55,957	$
Other Comprehensive Income, Net of Taxes:			
Unrealized gains (losses) on securities available for sale arising during the period, net of taxes	14,586	(3,487)	
Less: reclassification adjustment for net (gains) losses included in net income	(1,216)	(5)	
Comprehensive Income	$71,902	$52,465	$

See Notes to the Unaudited Condensed Consolidated Financial Statements

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)
(Dollars in thousands, except per share amounts)

	Six M
	2001
Net Cash (Used) Provided by Operating Activities	$ (14,560)
Cash flows from investing activities:	
Proceeds from maturities and calls of securities available for sale	242,360
Proceeds from sales of securities available for sale	52,993
Purchase of securities available for sale	(353,079)
Proceeds from maturities of investment securities	6,634
Net increase in loans	(310,894)
Cash received in bank acquisitions	32,801
Capital expenditures	(10,844)
Proceeds from sale of other real estate owned	5,641
Other, net	173
Net Cash Used in Investing Activities	(334,215)
Cash flows from financing activities:	
Net increase in demand, savings, and time deposits	78,706
Net (decrease) increase in federal funds purchased, repurchase agreements and other short-term borrowings	(223,036)
Proceeds from issuance of long-term debt	575,000
Repayment of long-term debt	(169,563)
Proceeds from issuance of subordinated debt	150,000
Proceeds from issuance of common stock	3,534
Purchase of treasury stock	-
Dividends paid ($0.24 and $0.22 per share for 2001 and 2000, respectively)	(26,516)
Net Cash Provided by Financing Activities	388,125
Net increase in cash and cash equivalents	39,350
Cash and cash equivalents at beginning of year	364,746
Cash and Cash equivalents at June 30	$ 404,096

See Notes to the Unaudited Condensed Consolidated Financial Statements

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)
(Dollars in thousands, except per share amounts)

Supplemental Disclosure of Cash Flow Information:

Six M

	2001
Cash paid during the year for:	
Interest	$266,293
Income taxes	32,925
Non-cash investing activities:	
Transfer of loans to other real estate	$ 8,566
Securitization of residential mortgage loans	307,523
Origination of loans for the sale of other real estate	169
Non-cash financing activities:	
Conversion of subordinated debentures	$ 177

See Notes to the Unaudited Condensed Consolidated Financial Statements.

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A: ACCOUNTING POLICIES

The Colonial BancGroup, Inc. and its subsidiaries ("BancGroup" or the "Company") have not changed their accounting and reporting policies from those stated in the 2000 annual report on Form 10-K. These unaudited interim financial statements should be read in conjunction with the audited financial statements and footnotes included in BancGroup's 2000 annual report on Form 10-K.

In the opinion of BancGroup, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position as of June 30, 2001 and 2000 and the results of operations and cash flows for the interim periods ended June 30, 2001 and 2000. All 2001 interim amounts are subject to year-end audit, and the results of operations for the interim period herein are not necessarily indicative of the results of operations to be expected for the year.

NOTE B: COMMITMENTS AND CONTINGENCIES

BancGroup and its subsidiaries are from time to time defendants in legal actions arising from normal business activities. Management does not anticipate that the ultimate liability arising from litigation outstanding at June 30, 2001 will have a materially adverse effect on BancGroup's financial statements.

NOTE C: BUSINESS COMBINATIONS AND ACQUISITIONS

On January 13, 2001, Colonial Bank acquired two branches in Nevada from First Security Bank in a branch divestiture resulting from their merger with Wells Fargo. Through this acquisition, the Company purchased $49.5 million in loans and assumed $102.9 million in deposits.

During the second quarter, Colonial BancGroup entered into a definitive agreement to acquire Manufacturers Bancshares, Inc. ("Manufacturers") and its wholly owned subsidiary, Manufacturers Bank of Florida ("Manufacturers Bank"). Manufacturers Bank, which operates four branches in the Tampa area, had $294.8 million in assets as of June 30, 2001. BancGroup estimates approximately 3,852,814 shares of its common stock will be issued to stockholders of Manufacturers. This estimate is based on criteria established in the Agreement and Plan of Merger dated June 18, 2001 and may change based on movement in the market price of BancGroup common stock prior to closing. This transaction is pending approval by various regulatory agencies and the shareholders of Manufacturers. It is expected that this transaction will be accounted for as a pooling of interest and

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will close in the fourth quarter of 2001. The Company also expects to reissue approximately 800,000 shares of Treasury stock prior to completing the acquisition.

Also during the second quarter, Colonial BancGroup entered into a branch purchase and assumption agreement with Union Planters Corporation to acquire 13 Union Planters offices. Nine of these offices are located in Florida in the Tampa and Naples areas and have approximately $244 million in deposits. The remaining four offices, which have approximately $114 million in deposits, are located in Alabama in Elmore County, which is just north of Montgomery. This transaction is pending approval by various regulatory agencies and is expected to close in the fourth quarter of 2001.

NOTE D: RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financials Accounting Standards Board issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that entities recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation.

Under this Statement, an entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk.

On September 23, 1999, the Financial Accounting Standards Board issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133," an amendment to delay the effective date of SFAS No. 133. The effective date for this statement was delayed from fiscal years beginning after June 15, 1999 to fiscal years beginning after June 15, 2000. BancGroup adopted SFAS No. 133 and SFAS No. 137 on January 1, 2001 and as of the date of these financial statements, all of BancGroup's hedging relationships qualified for hedge accounting treatment per these statements. The effect of these statements is immaterial to the financials statements presented.

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On September 29, 2000, the Financial Accounting Standards Board issued SFAS No.

140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a Replacement of FASB Statement No. 125." This statement is effective for transfers after April 1, 2001. The implementation of SFAS No. 140 did not have a material impact on BancGroup's financial statements.

On June 29, 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations". The effective date for this statement is effective for all business combinations initiated after June 30, 2001. This statement supercedes Accounting Principles Board Opinion No. 16, "Business Combinations". SFAS No. 141 requires the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill, and requires unallocated negative goodwill to be written off immediately as an extraordinary gain instead of being deferred and amortized. Management is currently evaluating the impact that SFAS No. 141 will have on BancGroup's financials.

On June 29, 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Intangible Assets". The effective date for this statement is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 requires that goodwill and indefinite lived intangible assets no longer be amortized, that goodwill will be tested for impairment at least annually, that intangible assets deemed to have an indefinite life will be tested for impairment at least annually, and that amortization period of intangible assets with finite lives will no longer be limited to forty years. Management is currently evaluating the impact that SFAS No. 142 will have on BancGroup's financials.

NOTE E: DISCONTINUED OPERATIONS

As noted in prior quarters, in July 2000 the Company decided to exit the mortgage servicing business and discontinue the operations of mortgage servicing as a separate business unit. As of December 31, 2000, all loan transfers were completed and the mortgage servicing rights removed from the Company's balance sheet. In addition, the escrow and custodial deposits related to those servicing rights have been transferred out of Colonial Bank resulting in a $229 million reduction in average noninterest bearing deposits from June 30, 2000 to June 30, 2001. At June 30, 2001, the balance sheet of the Company includes approximately $7.4 million in receivables and other advances related to the various transfers of servicing. These receivable and advance balances represent the expected recoverable amounts once all documentation supporting the transferred loans is provided to the new servicer. The anticipated costs of providing the necessary documents have been accrued. However, due to the volume of loans transferred and the costs and complexity in providing certain documentation, the Company's current estimate of recoverable amounts or costs may be revised for future periods.

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NOTE F: MORTGAGE SERVICING RIGHTS

An analysis of mortgage servicing rights and the related valuation reserve is as follows: (in thousands)

	Six Months Ended June 30,	
	2001	2000
Mortgage Servicing Rights		

Balance, January 1	$ -	$ 265,888
Additions, net	-	981
Sales	-	(134,664)
Scheduled amortization	-	(11,518)
Hedge losses applied	-	(28,345)
Balance, June 30	-	92,342
Valuation Reserve		
Balance, January 1	-	27,483
Reductions	-	(17,241)
Additions	-	300
Balance, June 30	-	10,542
Mortgage Servicing Rights, net	$ -	$ 81,800

As a result of the exit of the mortgage servicing business, all hedges related to MSR's were liquidated during the third quarter of 2000.

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NOTE G: EARNINGS PER SHARE

The following table reflects a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation:

(Dollars in thousands, except per share amounts)

	Six Months Ended June 30,			Three Months
2001	Income	Shares	Per Share Amount	Income
Basic EPS				
Net Income	$58,532	110,594	$0.53	$30,090
Effect of dilutive securities:				
Options		383		
Convertible debentures	97	577		49
Diluted EPS	$58,629	111,554	$0.53	$30,139
2000				
Basic EPS				
Net income	$55,957	111,249	$0.50	$26,016
Effect of dilutive securities				
Options		165		
Convertible debentures	95	601		50

Diluted EPS	$56,052	112,015	$0.50	$26,066

NOTE H: SEGMENT INFORMATION

Through its wholly owned subsidiary Colonial Bank, BancGroup has previously segmented its operations into two distinct lines of business: Commercial Banking and Mortgage Banking. Mortgage Banking was discontinued as a line of business in July 2000. Colonial Bank operates 243 branches throughout 6 states.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION:

Ending balances of total assets, securities, mortgage loans held for sale, net loans, mortgage servicing rights, deposits, and long term debt changed for the three months and twelve months ended June 30, 2001, respectively, as follows (Dollars in thousands):

	December 31, 2000 to June 30, 2001 Increase (Decrease)		June 30, 2 to June 30, Increase (Dec
	Amount	%	Amount
Assets:			
Bank	$ 572,401	4.9%	$ 858,879
Mortgage Banking	(24,877)	-71.0%	(203,767)
Other	331	2.6%	339
Total Assets	547,855	4.7%	655,451
Securities	144,612	9.7%	(645)
Loans, net of unearned income	342,415	3.6%	837,498
Deposits:			
Bank	193,850	2.4%	317,490
Mortgage Banking	(12,262)	-98.5%	(244,150)
Total Deposits	181,588	2.2%	73,340
Short-term debt	(378,033)	-20.0%	(369,362)
Long-term debt	708,593	85.2%	851,068

Assets:

BancGroup's assets have increased 5.6% and 4.7% since June 30, 2000 and December 31, 2000, respectively. This growth resulted primarily from internal loan growth throughout BancGroup's banking regions partially offset by the decline in mortgage banking assets due to the discontinuance of this line of business as discussed in Note E to the consolidated financial statements.

Securities:

Investment securities and securities available for sale have decreased $645,000 and increased $144.6 million (9.7%) from June 30, 2000 and December 31, 2000, respectively. In addition to normal business activities, in June 2001 BancGroup securitized $307 million of single-family real estate loans. BancGroup retained substantially all of the interest earned on the securitized assets which are reflected as mortgage backed securities in the investment portfolio.

Loans and Mortgage Loans Held for Sale:

Loans, net of unearned income, have increased $837.5 million (9.4%) and $342.4 million (3.6%) from June 30, 2000 and December 31, 2000, respectively. Loan growth was partially offset by the securitization of $307 million of single-family real estate loans which were transferred to securities in the investment portfolio as mortgage backed securities. Internal loan growth from June 30, 2000 and December 31, 2000 was 12.3% and 12.8% annualized, respectively. The Mortgage Warehouse Lending unit, which provides lines of credit secured by single-family residential loans in the process of being sold, contributed $584.6 million and $480.5 million of this growth from June 30, 2000 and December 31, 2000, respectively. In addition to internal growth, $49.5 million of the increase in loans was the result of the acquisition of two branches in Nevada, as discussed in Note C of the consolidated financial statements.

GROSS LOANS BY CATEGORY (Dollars in thousands)	June 30, 2001	December 31, 2000	June 30, 2000
Commercial, financial, and agricultural	$1,177,052	$1,221,131	$1,164,63
Real estate-commercial	3,509,731	3,174,483	2,829,40
Real estate-construction	1,764,708	1,693,958	1,634,03
Real estate-residential	2,135,794	2,562,708	2,593,68
Installment and consumer	255,227	272,124	290,59
Mortgage warehouse lending	857,450	376,995	272,86
Other	59,245	115,413	136,55
Total Loans	$9,759,207	$9,416,812	$8,921,77

Commercial loans collateralized by real estate and construction loans increased approximately $335.2 million and $70.8 million, respectively from December 31, 2000 and $680.3 million and $130.7 million, respectively, from June 30, 2000. Mortgage Warehouse Lending's loan growth was due primarily to declines in mortgage interest rates which significantly increased the volume of mortgage loan applications for new and refinanced borrowing. The decrease in Residential Real Estate is primarily due to the second quarter securitization previously discussed. BancGroup's loans are concentrated in various areas in Alabama, the metropolitan Atlanta market in Georgia as well as BancGroup's markets in Florida, Nevada, and Texas.

BancGroup does not have a syndicated lending department; however, the Company has commitments (including unfunded amounts) that fall within the regulatory definition of a "shared national credit". These commitments total approximately $504 million, up from $193 million at December 31, 2000. Substantially all of this increase was attributed to the growth within our Mortgage Warehouse Lending unit.

Management believes that any existing distribution of loans, whether geographically, by industry, or by borrower, does not expose BancGroup to unacceptable levels of risk. The current distribution of loans remains diverse in location, size, and collateral function. These differences, in addition to our emphasis on quality underwriting, serve to reduce the risk of losses. The following chart reflects the geographic diversity, and industry distribution of Construction and Commercial Real Estate loans as of June 30, 2001.

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CONSTRUCTION & COMMERCIAL REAL ESTATE
GEOGRAPHIC DIVERSITY AND INDUSTRY DISTRIBUTION
JUNE 30, 2001

(Dollars in thousands)	Construction	Commercial Real
Average Loan Size	$ 674	$
Geographic Diversity		
Alabama	$ 232,412	$
Georgia	362,792	
Florida	812,336	1,
Texas	167,214	
Nevada	76,800	
Other	113,154	
Total	$1,764,708	$3,

Industry Distribution	% of Industry Distribution to			% of
	Construction Portfolio	Total Portfolio		Commercia Estate Po
Residential	29%	5%	Retail	
Developments	25%	4%	Office	
Condominium	11%	2%	Multi-Family	
Multi-Family	8%	2%	Lodging	
Retail	7%	1%	Land Only	
Office	5%	1%	Warehouse	
Other (13 types)	15%	3%	Other (11 types)	
Total Construction	100%	18%	Total Commercial Real Estate	

Characteristics of the 75 Largest Loans

	Construction
75 Largest Loans Total	$805,479
% of 75 largest loans to category total	46.8%
Average Loan to Value Ratio (75 largest loans)	70%
Debt Coverage Ratio (75 largest loans)	N/A

Substantially all Construction and Commercial Real Estate loans have personal guarantees of the principals involved. Owner occupied Commercial Real Estate portfolio totals represented 30% of the total Commercial Real Estate portfolio at June 30, 2001.

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ALLOCATION OF THE ALLOWANCE FOR POSSIBLE LOAN LOSSES

Allocations of the allowance for possible loan losses are made on an individual loan basis for all identified potential problem loans with a percentage allocation for the remaining portfolio. The allocation of the remaining allowance represents an approximation of the reserves for each category of loans based on management's evaluation of the respective historical charge-off experience and risk within each loan type.

(Dollars in thousands)	June 30, 2001	Percent of Loans to Total Loans	December 31, 2000	Percent of Loans to Total Loans	J
Commercial, financial, and agricultural	$ 33,877	12.1%	$ 27,861	13.0%	$
Real estate-commercial	45,892	36.0%	43,843	33.7%	
Real estate-construction	14,256	18.1%	15,909	18.0%	
Real estate-mortgage	10,679	21.9%	12,814	27.2%	
Installment and consumer	2,942	2.6%	2,927	2.9%	
Mortgage warehouse lending	2,143	8.8%	942	4.0%	
Other	3,917	0.5%	2,869	1.2%	
TOTAL	$113,706	100.0%	$107,165	100.0%	$

SUMMARY OF LOAN LOSS EXPERIENCE

(Dollars in thousands)	June 30, 2001	December 31, 2000	Ju
Allowance for possible loan losses - January 1	$107,165	$ 95,993	$
Charge-offs:			
Commercial, financial, and agricultural	7,068	10,493	
Real estate-commercial	2,566	3,240	

Real estate-construction	45	529
Real estate-residential	1,488	3,260
Installment and consumer	1,482	4,345
Other	442	1,119
Total charge-offs	13,091	22,986
Recoveries:		
Commercial, financial, and agricultural	315	1,210
Real estate-commercial	250	627
Real estate-construction	8	62
Real estate-residential	297	440
Installment and consumer	1,190	1,856
Other	108	283
Total recoveries	2,168	4,478

(Dollars in thousands)	June 30, 2001	December 31, 2000	Ju
Net charge-offs	10,923	18,508	
Addition to allowance for branch acquisition	567	-	
Addition to allowance charged to operating expense	16,897	29,680	
Allowance for possible loan losses-end of period	$113,706	$107,165	$

As expected based on softening economic conditions, nonperforming assets increased to 0.72% of net loans and other real estate at June 30, 2001. Nonperforming assets have increased $19.5 million from December 31, 2000. Most of this increase was from one loan relationship. Annualized net charge-offs remained low at .22% of loans year to date, well below industry averages. Management continuously monitors and evaluates recoverability of problem assets and adjusts loan loss reserves accordingly. Loan loss reserve was 1.17% of loans at June 30, 2001 compared to 1.14% at December 31, 2000 and 1.14% at June 30, 2000.

NONPERFORMING ASSETS ARE SUMMARIZED BELOW

(Dollars in thousands)	June 30, 2001	December 31, 2000
Nonaccrual loans	$58,238	$40,624
Restructured loans	1,137	1,161
Total nonperforming loans *	59,375	41,785
Other real estate owned and in substance foreclosures	10,813	8,928

Total nonperforming assets *	$70,188	$50,713
Aggregate loans contractually past due 90 days for which interest is being accrued	$20,080	$ 9,841
Net charge-offs quarter-to-date	$ 7,340	$ 4,554
Net charge-offs year-to-date	$10,923	$18,508
Ratios		
Period end:		
Total nonperforming assets as a percent of net loans and other real estate	0.72%	0.54
Allowance as a percent of net loans	1.17%	1.14
Allowance as a percent of nonperforming assets *	162%	211
Allowance as a percent of nonperforming loans *	192%	256
For the period ended:		
Net charge-offs as a percent of average net loans- (annualized basis):	0.29%	0.20
Quarter to date		
Year to date	0.22%	0.21

* Does not include loans contractually past due 90 days or more which are still accruing interest

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Management, through its loan officers, internal credit review staff and external examinations by regulatory agencies, has identified approximately $159.7 million of potential problem loans not included above. The status of these loans is reviewed at least quarterly by loan officers and annually by BancGroup's centralized credit review function and by regulatory agencies. In connection with such reviews, collateral values are updated where considered necessary. If collateral values are judged insufficient or other sources of repayment inadequate, the loans are reduced to estimated recoverable amounts through increases in reserves allocated to the loans or charge-offs. As of June 30, 2001, substantially all of these loans were current with their existing repayment terms. Management believes that classification of such loans as potential problem loans well in advance of their reaching a delinquent status allows the Company the greatest flexibility in correcting problems and providing adequate reserves. Given the reserves and the ability of the borrowers to comply with the existing repayment terms, management believes any exposure from these potential problem loans has been adequately addressed at the present time. Management does not currently expect the ratio of nonperforming assets to total loans to exceed .80% and net charge-offs to average loans to exceed .25% for the year.

The above nonperforming loans and potential problem loans represent all material credits for which management has serious doubts as to the ability of the borrowers to comply with the loan repayment terms. Management also expects that the resolution of these problem credits as well as other performing loans will not materially impact future operating results, liquidity or capital resources. The recorded investment in impaired loans at June 30, 2001 was $54.2 million and these loans had a corresponding valuation allowance of $25.3 million.

LIQUIDITY:

BancGroup has addressed its liquidity and interest rate sensitivity through its policies and structure for asset/liability management. It has created the Asset/Liability Management Committee ("ALMCO"), the objective of which is to optimize the net interest margin while assuming reasonable business risks. ALMCO annually establishes operating constraints for critical elements of BancGroup's business, such as liquidity and interest rate sensitivity. ALMCO constantly monitors performance and takes action in order to meet its objectives.

A prominent focus of ALMCO is maintaining adequate liquidity. Liquidity is the ability of an organization to meet its financial commitments and obligations on a timely basis. These commitments and obligations include credit needs of customers, withdrawals by depositors, repayment of debt when due and payment of operating expenses and dividends.

Core deposit growth is a primary focus of BancGroup's funding and liquidity strategy. Average retail deposits excluding time deposits grew at an annualized rate of 13% for the six months ended June 30,

2001. This growth continues to be primarily from the Company's high growth markets, with Florida contributing 37% of this growth. Deposit growth will continue to be a primary strategic objective of the Company.

In addition to funding growth through core deposits, BancGroup has worked to expand the availability of long and short term wholesale funding sources. The following table estimates the total wholesale funding sources that BancGroup believes would be available to it, along with what portion of those sources were used as of June 30, 2001. It should be noted that these are estimates, these funding sources are not guaranteed lines.

Estimated Wholesale Funding Sources as of June 30, 2001
Dollars in millions

	Total	Outstanding	Availa
FHLB Advances*	$2,277	$1,322	$
Fed Funds lines	1,863	734	1,
Brokered Deposits	1,029	369	
Total	$5,169	$2,425	$2,

* Based on Residential and Commercial Real Estate loans and securities pledged at 06/30/01.

Management believes its liquidity sources and funding strategies are adequate given the nature of its asset base and current loan demand.

On May 23, 2001, Colonial Bank issued $150 million in subordinated notes at 9.375% due June 1, 2011 for general corporate and banking purposes in the ordinary course of business. This debt qualifies as Tier II capital. In connection with this issuance, BancGroup executed an interest rate swap whereby BancGroup will receive a fixed rate and pay a floating rate, effectively converting the fixed rate notes to floating. The result of this interest rate swap created a current effective rate on the notes for the second quarter ending June 30, 2001 of 7.2175%.

INTEREST RATE SENSITIVITY:

The Federal Reserve has lowered the target fed funds rate a total of 275 basis points since December 31, 2000. The Federal Reserve actions have been dramatic and appear to be designed to stimulate growth in the economy and head off the potential for a recession.

ALMCO's goal is to minimize volatility in the net interest margin by taking an active role in managing the level, mix, repricing characteristics and maturities of assets and liabilities and by analyzing and taking

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action to manage mismatch and basis risk. ALMCO monitors the impact of changes in interest rates on net interest income using several tools, including static rate sensitivity reports, or Gap reports, and income simulations modeling under multiple rate scenarios.

The following table represents the output from the Company's simulation model and measures the impact on net interest income of an immediate and sustained change in interest rates in 100 basis point increments for the 12 calendar months following the date of the change.

	Percentage Change in Net Interest Income (		
	As of June 30, 2001	As of March 31, 2001	As of
Fed Funds Rate under Stable Environment	3.75%	5.00 %	
Basis Points change from stable....			
+200..............................	1%	(3)%	
+100..............................	1	(1)	
- 100.............................	(1)	0	
- 200.............................	(2)	(2)	

(1) The computation of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay rates, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate any actions BancGroup could undertake in response to changes in interest rates.

The following table summarizes BancGroup's Maturity / Rate Sensitivity or Gap at June 30, 2001.

(Dollars in millions)

	0-90 days	0-365 days
Rate Sensitive Assets (RSA)	$5,509	$6,744
Rate Sensitive Liabilities (RSL)	3,737	7,097
Cumulative Gap (RSA-RSL)	1,772	(353)
Cumulative Gap Ratio (Cum. Gap / Total Assets)	14%	(3%)

The last two lines of the proceeding table represents interest rate sensitivity gap which is the difference between rate sensitive assets and rate sensitive liabilities. The interest sensitivity table reflects a 14% positive gap at 90 days and a (3%) negative gap at 12 months. The six reductions in the Federal Funds rate by the federal reserve during the year have had a negative impact on the margin due to the company's asset sensitive position in the first three months following rate changes. Thereafter, the company is liability sensitive and should benefit from rate reductions as liabilities catch up and reprice to lower levels.

In reviewing the table, it should be noted that the balances are shown for a specific point in time and, because the interest sensitivity position is dynamic, it can change significantly over time. For all interest

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earning assets and interest bearing liabilities, variable rate assets and liabilities are reflected in the time interval of the assets or liabilities' earliest repricing date. Fixed rate assets and liabilities have been allocated to various time intervals based on contractual repayment. Furthermore, the balances reflect contractual repricing of the deposits and management's position on repricing certain deposits where management discretion is permitted. Prepayment assumptions are applied at a constant rate based on the Company's historical experience. Certain demand deposit accounts and regular savings accounts have been classified as repricing beyond one year in accordance with regulatory guidelines. While these accounts are subject to immediate withdrawal, experience and analysis have shown them to be relatively rate insensitive.

CAPITAL RESOURCES:

Management is committed to maintaining capital at a level sufficient to protect shareholders and depositors, provide for reasonable growth and fully comply with all regulatory requirements. Management's strategy to achieve these goals is to retain sufficient earnings while providing a reasonable return to shareholders in the form of dividends and return on equity. The Company's dividend payout ratio target range is 30-45%. Dividend rates are determined by the Board of Directors in consideration of several factors including current and projected capital ratios, liquidity and income levels and other bank dividend yields and payment ratios.

The amount of a cash dividend, if any, rests with the discretion of the Board of Directors of BancGroup as well as upon applicable statutory constraints such as the Delaware law requirement that dividends may be paid only out of capital surplus or net profits for the fiscal year in which the dividend is declared or the preceding fiscal year.

BancGroup also has access to equity capital markets through both public and private issuances. Management considers these sources and related return in addition to internally generated capital in evaluating future expansion or acquisition opportunities.

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The Federal Reserve Board has issued guidelines identifying minimum Tier I leverage ratios relative to total assets and minimum capital ratios relative to risk-adjusted assets. The minimum leverage ratio is 3% but is increased from 100 to 200 basis points based on a review of individual banks by the Federal Reserve. The minimum risk adjusted capital ratios established by the Federal Reserve are 4% for Tier I and 8% for total capital. BancGroup's actual capital ratios and the components of capital and risk adjusted asset information (subject to regulatory review) as of June 30, 2001 are stated below:

Capital (in thousands):

Tier I Capital:	
Shareholders' equity (as adjusted for unrealized gain on securities available for sale, less intangibles plus Trust Preferred Securities)	$ 776,748
Tier II Capital:	
Allowable loan loss reserve	113,706
Subordinated debt	260,059
Total Capital	$ 1,150,513
Risk Adjusted Assets (in thousands)	$10,219,683

Capital Ratios:

	June 30, 2001	December 31, 2000
Tier I leverage ratio (minimum 3%)	6.46%	6
Risk Adjusted Capital Ratios:		
Tier I Capital Ratio (minimum 4%)	7.60%	8
Total Capital Ratio (minimum 8%)	11.26%	10

BancGroup has increased capital gradually through normal earnings retention as well as through stock registrations to capitalize acquisitions. The decrease in the Tier I Capital Ratio is primarily due to asset growth and a change in the mix of assets. The increase in the Total Capital Ratio is due to the issuance on May 23, 2001 of $150 million in subordinated debt by Colonial Bank that qualifies as Tier II Capital.

Management continuously monitors its capital levels in order to ensure it is taking the necessary steps to support future internally generated growth and fund the quarterly dividend rates that are currently $0.12 per share each quarter.

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Average Volume and Rate
(Unaudited)

(Dollars in thousands)	Three Months Ended June 30,			
	2001			
	Average Volume	Interest	Rate	Average Volume
Assets				
Loans, net	$10,121,974	$203,111	8.05%	$ 8,765,2

Mortgage loans held for sale	22,788	382	6.69%	19,8
Investment securities and securities available for sale and other interest-earning assets	1,509,902	24,557	6.51%	1,690,2
Total interest-earning assets(1)	11,654,664	228,050	7.84%	10,475,4
Nonearning assets	649,082			905,4
Total assets	$12,303,746			$11,380,8
Liabilities and Shareholders' Equity:				
Interest-bearing deposits	$ 7,124,565	85,203	4.80%	$ 6,805,0
Short-term borrowings	1,704,153	19,223	4.52%	1,451,1
Long-term debt	1,404,817	20,988	6.00%	955,9
Total interest-bearing liabilities	10,233,535	125,414	4.92%	9,212,2
Noninterest-bearing demand deposits	1,181,195			1,365,4
Other liabilities	97,734			108,9
Total liabilities	11,512,464			10,686,5
Shareholders' equity	791,282			694,3
Total liabilities and shareholders' equity	$12,303,746			$11,380,8
Rate differential			2.92%	
Net yield on interest-earning assets		$102,636	3.53%	

(1) Interest earned and average rates on obligations of states and political subdivisions are reflected on a tax equivalent basis. Tax equivalent interest earned is equal to actual interest earned times 145%. The taxable equivalent adjustment has given effect to the disallowance of interest expense deductions, for federal income tax purposes, related to certain tax-free assets.

Average Volume and Rate
(Unaudited)
(Dollars in thousands)

	Six Months Ended June 30,			
	2001			
	Average Volume	Interest	Rate	Average Volume
Assets				
Loans, net	$ 9,892,326	$411,545	8.38%	$ 8,559,6
Mortgage loans held for sale	17,417	577	6.63%	22,8
Investment securities and securities available for sale and other interest-				

earning assets	1,551,001	51,462	6.65%	1,673,2
Total interest-earning assets(1)	11,460,744	463,584	8.14%	10,255,7
Nonearning assets	656,727			935,7
Total assets	$12,117,471			$11,191,4
Liabilities and Shareholders' Equity:				
Interest-bearing deposits	$ 7,120,725	178,634	5.03%	$ 6,699,4
Short-term borrowings	1,663,961	42,468	5.15%	1,385,3
Long-term debt	1,308,091	39,086	6.04%	972,9
Total interest-bearing liabilities	10,092,777	260,188	5.20%	9,057,7
Noninterest-bearing demand deposits	1,141,088			1,328,1
Other liabilities	103,048			110,3
Total liabilities	11,336,913			10,496,2
Shareholders' equity	780,558			695,1
Total liabilities and shareholders' equity	$12,117,471			$11,191,4
Rate differential			2.94%	
Net yield on interest-earning assets		$203,396	3.56%	

(1) Interest earned and average rates on obligations of states and political subdivisions are reflected on a tax equivalent basis. Tax equivalent interest earned is equal to actual interest earned times 145%. The taxable equivalent adjustment has given effect to the disallowance of interest expense deductions, for federal income tax purposes, related to certain tax-free assets.

Analysis of Interest Increases / (Decreases)
(Unaudited)

(Dollars in thousands)	Three Months Ended June 30, 2001 Change from 2000	Attributed to (1
	Total	Volume
Interest Income:		
Total loans, net	$ 7,673	$22,434
Mortgage loans held for sale	(42)	87
Investment securities and securities for sale and other interest-earning assets	(4,142)	(2,985)
Total interest income(2)	3,489	19,536
Interest Expense:		

Interest-bearing deposits	$ (869)	$ 4,005
Short-term borrowings	(3,510)	5,615
Long-term debt	5,806	6,676
Total interest expense	1,427	16,296
Net interest income	$ 2,062	$ 3,240

(1) Increases (decreases) are attributed to volume changes and rate changes on the following basis: Volume Change = change in volume times old rate. Rate Change = change in rate times old volume. The Rate/Volume Change = change in volume times change in rate, and it is allocated between Volume Change and Rate Change at the ratio that the absolute value of each of those components bear to the absolute value of their total.

(2) Interest earned and average rates on obligations of states and political subdivisions are reflected on a tax equivalent basis. Tax equivalent interest earned is: actual interest earned times 145%. Tax equivalent average rate is: tax equivalent interest earned divided by average volume.

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Analysis of Interest Increases / (Decreases)
(Unaudited)

(Dollars in thousands)	Six Months Ended June 30, 2001 Change from 2000	
		Attributed to (1
	Total	Volume
Interest Income:		
Total loans, net	$35,463	$52,650
Mortgage loans held for sale	(376)	(201)
Investment securities and securities for sale and other interest-earning assets	(5,124)	(4,126)
Total interest income(2)	29,963	48,323
Interest Expense:		
Interest-bearing deposits	$14,776	$10,908
Short-term borrowings	963	3,398
Long-term debt	8,350	9,724
Total interest expense	24,089	24,030
Net interest income	$ 5,874	$24,293

(1) Increases (decreases) are attributed to volume changes and rate changes on the following basis: Volume Change = change in volume times old rate. Rate Change = change in rate times old volume. The Rate/Volume Change = change in volume times change in rate, and it is allocated between Volume Change and Rate Change at the ratio that the absolute value of each of those components bear to the absolute value of their total.

(2) Interest earned and average rates on obligations of states and political

subdivisions are reflected on a tax equivalent basis. Tax equivalent interest earned is: actual interest earned times 145%. Tax equivalent average rate is: tax equivalent interest earned divided by average volume.

NET INTEREST INCOME:

Net interest income from continuing operations on a tax equivalent basis increased $2.6 million to $102.8 million for the quarter ended June 30, 2001 from $100.2 million for the quarter ended June 30, 2000. For the six months ended June 30, 2001, net interest income from continuing operations on a tax equivalent basis increased $5.0 million to $203.4 as compared to $198.4 million for the same period in 2000. Net interest margins decreased to 3.53% for the second quarter of 2001 compared to 3.59% for the first quarter of 2001, and 3.85% for the second quarter of 2000. Net interest margins decreased from 3.86% to 3.56% for the six months ended June 30, 2000 compared to the same period in 2001.

Growth in loans, specifically mortgage warehouse loans had a significant impact on the margin for the quarter and six months. Mortgage warehouse loans have lower margins due to their relatively low credit risk. The growth in this unit resulted in an 11 basis point reduction in the margin from second quarter

2000 to second quarter 2001 and a 9 basis point reduction for the six months ended June 30, 2001 as compared to the same period in 2000.

The average rate on loans was 8.05% for the second quarter of 2001 compared to 8.73% for the first quarter 2001 and 8.96% for the second quarter of 2000, respectively. During this same time, the rate on average interest bearing deposits was 4.80% for the second quarter of 2001 compared to 5.32% and 5.09% for the first quarter of 2001 and second quarter of 2000, respectively. Although rates on deposits have declined, they reprice more slowly than loan rates primarily due to market competition and the natural lag in the repricing of the CD's portfolio. Although Certificates of Deposits represent approximately 52% of Interest Bearing Deposits as of June 30, 2001, $2.4 billion will mature and reprice within the next six months at rates that are expected to be approximately 2% below their current cost. Certificates of Deposits maturities range from seven days to five years but the weighted average remaining maturity as of June 30, 2001 was less than seven months. The Company also expects approximately $1.0 billion in fixed rate assets to reprice in that same time frame at less than a 1.0% reduction in rate.

The increase in long term debt is due to the Company funding loan growth and also due to BancGroup shifting its mix of wholesale funding from short-term to long-term funds as rates have declined during 2001.

LOAN LOSS PROVISION:

The provision for possible loan losses for the first quarter ended June 30, 2001 was $7,433,000 compared to $7,414,000 for the same period in 2000. The Company continues to focus its efforts on relationship based lending to known customers in its local market areas.

The current allowance for possible loan losses provides a 192% coverage of nonperforming loans compared to 256% at December 31, 2000 and 256% at June 30, 2000. See management's discussion on loan quality and the allowance for possible loan losses presented in the Financial Condition section of this report.

NONINTEREST INCOME:

Noninterest income increased $5.4 million (14.5%) for the six months ended June 30, 2001 compared to the same period in 2000 and $3.4 (18.1%) million for the three months ended June 30, 2001 over the three months ended June 30, 2000. These increases are primarily attributable to service charges on deposit accounts, cash management services, mortgage origination income and electronic banking fees and securities gains.

Mortgage origination fees increased $1.1 million (46.0%) for the six months ended June 30, 2001 compared to the same period in 2000 and $691,000 (56.9%) for the three months ended June 30, 2001 over the three months ended June 30, 2000. This increase is the result of additional production of one-to-four family mortgage loans sold in the secondary market. The increase in production is directly related to the decrease in mortgage rates in the first half of 2001.

BancGroup continues to expand electronic banking services through its ATM network, check card services, and internet banking. Non-interest income from electronic banking services increased 16.9% for the six months ended June 30, 2001 and 15.2% for the three months ended June 30, 2001 compared to the same periods in 2000.

Service charges on deposit accounts increased $1.1 million (5.8%) for the six months ended June 30, 2001 over the same period in 2000 and $1.1 million (11.4%) for the three months ended June 30, 2001 when compared to the three months ended June 30, 2000. This increase is the result of normal deposit account related fees and an increase in cash management fees of approximately $400,000 (38.8%) and $211,000 (40.0%) for the six months and three months ended June 30, 2001, respectively.

Wealth management experienced a $418,000 and a $99,000 decrease in fee income from security sales for the six months and three months ended June 30, 2001 over the same periods in 2000, respectively. This decrease is due to the volatility in the equity market and the overall outlook on the economy by investors.

NONINTEREST EXPENSES:

In support of the Company's sales culture, BancGroup continues to make strategic investments in its product and service offerings, technology systems, incentives and branch network to enhance the Company's competitive presence in existing markets. BancGroup's philosophy is to make strategic investments in the tools employees need to optimize its customers' financial success. Accordingly, noninterest expense increased 10% for the quarter ended June 30, 2001 as compared to the same period last year.

BancGroup's net overhead (total noninterest expense less noninterest income, excluding security gains) was $95.3 million for the six months ended June 30, 2001 and $48.3 million for the three months ended June 30, 2001 compared to $88.1 million and $44.4 million for the six months and three months ended June 30, 2000, respectively.

Noninterest expense increased $10.7 million for the first six months of 2001 compared to 2000 and $6.4 million for the second quarter of 2001 compared to the second quarter of 2000. Noninterest expense to average assets remained unchanged at 2.24% for the six months ended June 30, 2001 and 2000.

The increase in bank related expenses is primarily due to an increase of approximately $6.7 million and $3.6 million for the six months and three months ended June 30, 2001 over the same periods in 2000, respectively, in salaries and employee benefits. These salary increases are due to normal salary increases, additional incentive related compensation, and increased pension costs.

In order to improve the Company's market presence, three of its regional headquarters were relocated in 2001. The Company also opened ten new branches and two loan production offices since June 2000. Occupancy and equipment expense for the six months and second quarter of 2001 increased $2.0 million and $1.2 million, respectively, when compared to the same periods in 2000. This increase is also due to increased rent expense, higher utility cost, and improvements and expansions of bank facilities. In addition to the changes in branch structure, the Company continues to invest in improved technology equipment and software.

Intangible asset amortization increased $669,000 and $340,000 for the six months and three months ended June 30, 2001, respectively, over the same periods in 2000 due to the purchase of two branches in Nevada in January of 2001 (See Note C to the Consolidated Financial Statements).

PROVISION FOR INCOME TAXES:

BancGroup's provision for income taxes is based on an approximate 36.0% and 36.5%, estimated annual effective tax rate for the years 2001 and 2000, respectively. The provision for income taxes for the six months ended June 30, 2001 and 2000 was $32,925,000 and $34,888,000, respectively.

Item III Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is included in Item II. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Part II Other Information

ITEM 1: Legal Proceedings - See Note B - COMMITMENTS AND CONTINGENCIES AT PART 1

ITEM 2: Changes in Securities - N/A

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ITEM 3: Defaults Upon Senior Securities - N/A

ITEM 4: Submission of Matters to a Vote of Security Holders

BancGroup held its 2001 annual shareholders meeting on April 18, 2001. The results of this meeting were disclosed in BancGroup's quarterly filing on Form 10-Q for the quarter ended March 31, 2001.

ITEM 5: Other Information - None

ITEM 6: Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-K - None
(b) Reports on Form 8-K
    1. Form 8-K - Was filed on April 18, 2001 in regard to first quarter 2001 earnings.

    2. Form 8-K - Was filed under Item 9 as Regulation FD disclosure on May 8, 2001 in regard to management's presentation to analyst, investors, and participants at the Gulf South Banking Conference on May 8 - 9, 2001.

    3. Form 8-K - Was filed under Item 9 as Regulation FD disclosure on May 21, 2001 in connection with an offering of $150 million aggregate principle amount of subordinated notes of Colonial Bank.

4. Form 8-K - Was filed on July 17, 2001 in regard to second quarter 2001 earnings.

SIGNATURE

Pursuant to the requirements 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.

THE COLONIAL BANCGROUP, INC.

Date: August 6, 2001

By: /s/ W. Flake Oakley, IV

W. Flake Oakley, IV
its Chief Financial Officer