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COLONIAL BANCGROUP INC  
Form 8-K  
July 17, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

Date of Report (Date of earliest event reported): July 17, 2001

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

Delaware	1-13508	63-0661573
(State of Incorporation)	(Commission File No.)	(IRS Employer I.D. No.)

Colonial Financial Center, Suite 800	
One Commerce Street, Montgomery, Alabama	36104
(Address of Principal Executive Office)	(Zip code)

Registrant's telephone number, including area code: 334-240-5000

Item 9. Regulation FD Disclosure

For more information contact: July 17, 2001  
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COLONIAL BANCGROUP ANNOUNCES  
QUARTERLY EARNINGS

- . Income from continuing operations was \$30 million or \$.27 per share for the quarter
- . Cash earnings per share of \$.28 for the quarter and \$.55 year to date
- . Annualized internal loan growth was 8% for the quarter
- . 18% increase in noninterest income for the quarter over the prior year
- . Annualized retail deposit growth, excluding time deposits, was 13% for the quarter

MONTGOMERY, AL --- The Colonial BancGroup, Inc. Chairman and CEO, Robert E. Lowder announced today that for the quarter ended June 30, 2001, income from continuing operations was \$30,090,000 or \$.27 per diluted share. Cash earnings per diluted share for the quarter were \$.28. "In spite of difficult economic conditions, we reported earnings in line with our expectations," said Lowder.

Net interest income for the quarter increased 3% over the second quarter of 2000 and 2% over the first quarter of 2001. During the quarter, the Company securitized \$307 million of single-family real estate loans and transferred

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securities to the investment portfolio. Adjusting for this securitization, gross loans increased \$187 million from March 31, 2001 to June 30, 2001 representing an 8% annualized growth rate for the quarter and a 13% annualized growth rate year to date.

Noninterest income increased \$3,352,000, or 18% for the quarter ended June 30, 2001 compared to June 30, 2000. This increase is primarily attributable to service charges on deposit accounts, cash management services, mortgage origination income and electronic banking fees and includes \$756,000 in securities gains. In support of our sales culture, we continue to make strategic investments in our product and service offerings, technology systems, incentives and our branch network to enhance our competitive presence in existing markets. "I am convinced we have the best people in the best growth markets in the country. Our philosophy is to make strategic investments in the tools our people need to optimize our customers' financial success," said Lowder. Accordingly, noninterest expenses increased 10% for the quarter ended June 30, 2001 as compared to the same period last year, primarily due to increases in salaries and employee benefits as well as increased occupancy and equipment expenses.

As expected, based on softening economic conditions, nonperforming assets increased to 0.72% of loans and other real estate owned compared to 0.53% at March 31, 2001. Most of this increase was from one loan relationship. Annualized net charge-offs remained low at 0.22% of loans year to date, well below industry averages. Colonial continues to focus its efforts on relationship-based lending to known customers in its local market areas. The loan loss provision for the current quarter was \$7,433,000 compared

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to \$7,414,000 for the second quarter of 2000. Loan loss reserves as a percentage of loans increased from 1.15% at March 31, 2001 to 1.17% at June 30, 2001.

In 2000, the Company exited the mortgage servicing business. The financial results for this line of business have been separately reported as discontinued operations in all periods presented.

Earnings Summary (Dollars in thousands, except per share amounts)	Six Months Ended June 30,		
	2001	2000	% Change 00 to 01
Income from continuing operations (net of income taxes)	\$58,532	\$60,656	-4%
Income (Loss) from discontinued operations (net of income taxes)	-	(4,699)	
Net income	\$58,532	\$55,957	
Earnings per share:			
Income from continuing operations (net of income taxes)			

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Basic	\$ 0.53	\$ 0.55	-4%
Diluted	\$ 0.53	\$ 0.54	-2%
Cash earnings from continuing operations (net of income taxes) (1)			
Basic	\$ 0.56	\$ 0.57	-2%
Diluted	\$ 0.55	\$ 0.56	-2%

During the second quarter, Colonial entered a definitive agreement to acquire Manufacturers Bank of Florida, headquartered in Tampa. Manufacturers, with assets of \$291 million as of March 31, 2001, operates four offices in Hillsborough County and will become a part of Colonial's Bay Area Region also headquartered in Tampa. Colonial also announced that it entered a branch purchase and assumption agreement to acquire 13 Union Planters' offices located in Alabama and Florida. Nine of these offices, with \$244 million in deposits, are located in the Tampa Bay and Naples areas. This branch purchase coupled with the Manufacturers' merger will increase Colonial's Bay Area Region to 21 branch offices and approximately \$850 million in total assets making Colonial Bank the fifth

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largest bank in Hillsborough County.

Colonial BancGroup currently operates 243 offices in Alabama, Florida, Georgia, Nevada, Tennessee and Texas and is traded on the New York Stock Exchange under the symbol CNB. In most newspapers the stock is listed as ColBgp.

	Three Months
Earnings Summary (Dollars in thousands, except per share amounts)	2001
<b>Continuing Operations:</b>	
Net interest income (taxable equivalent)	\$102,756
Provision for possible loan losses	7,433
Noninterest income	21,862
Noninterest expense	69,367
Income from continuing operations (net of income taxes)	\$ 30,090
Income (Loss) from discontinued operations (net of income taxes)	-
Net income	\$ 30,090
<b>Earnings per share:</b>	
Income from continuing operations (net of income taxes)	
Basic	\$ 0.27
Diluted	\$ 0.27
Cash earnings from continuing operations (net of income taxes) (1)	
Basic	\$ 0.29
Diluted	\$ 0.28
<b>Selected Ratios:</b>	
Income from continuing operations (net of income taxes)	
Average assets	0.97%
Average shareholders' equity	15.08%

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Continuing Operations Ratios:	
Efficiency ratio	56.00%
Noninterest income (annualized) to average assets	0.69%
Noninterest expense (annualized) to average assets	2.26%
Cash Earnings from continuing operations (net of income taxes) (1)	
Average assets	1.02%
Average shareholders' equity	15.84%
Cash Basis Ratios:	
Efficiency ratio	54.95%
Noninterest income (annualized) to average assets	0.69%
Noninterest expense (annualized) to average assets	2.20%
Consolidated:	
Net interest margin	3.53%
Equity to assets	6.56%
Tier one leverage	6.46%

(1) Cash earnings excludes amortization of intangibles.

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Earnings Summary (Dollars in thousands, except per share amounts)	Six Months 2001
-----	
Continuing Operations:	
Net interest income (taxable equivalent)	\$203,397
Provision for possible loan losses	16,897
Noninterest income	42,312
Noninterest expense	135,751
Income from continuing operations (net of income taxes)	\$ 58,532
Income (Loss) from discontinued operations (net of income taxes)	-
Net income	\$ 58,532
Earnings per share:	
Income from continuing operations (net of income taxes)	
Basic	\$ 0.53
Diluted	\$ 0.53
Cash earnings from continuing operations (net of income taxes) (1)	
Basic	\$ 0.56
Diluted	\$ 0.55
Selected Ratios:	
Income from continuing operations (net of income taxes)	
Average assets	0.96%
Average shareholders' equity	14.98%
Continuing Operations Ratios:	
Efficiency ratio	55.68%
Noninterest income (annualized) to average assets	0.69%
Noninterest expense (annualized) to average assets	2.24%
Cash Earnings from continuing operations (net of income taxes) (1)	
Average assets	1.01%
Average shareholders' equity	15.75%

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Cash Basis Ratios:

Efficiency ratio	54.34%
Noninterest income (annualized) to average assets	0.69%
Noninterest expense (annualized) to average assets	2.19%

Consolidated:

Net interest margin	3.56%
Equity to assets	6.56%
Tier one leverage	6.46%

(1) Cash earnings excludes amortization of intangibles.

	June 30, 2001	Dec 2
-----		
Statement of Condition Summary		
Total assets	\$12,275,492	\$11,7
Loans	9,759,185	9,4
Total earning assets	11,563,838	10,9
Deposits	8,324,605	8,1
Shareholders' equity	805,804	7
Book value per share	\$ 7.28	\$

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	June 30, 2001	Dec. 31, 2000	June 30, 2000
-----			
Nonperforming Assets			
Total non-performing assets ratio	0.72%	0.54%	0.52%
Allowance as a percent of nonperforming loans	192%	256%	256%
Net charge-offs ratio (annualized):			
Quarter to date	0.29%	0.25%	0.19%
Year to date	0.22%	0.21%	0.18%

More detailed information on Colonial BancGroup's quarterly earnings is available on the company's website at [www.colonialbank.com](http://www.colonialbank.com) or in the Current

Report on Form 8-K filed today with the Securities and Exchange Commission. Copies of the Form 8-K are also available from the contact persons listed above.

This release and the above referenced Current Report on Form 8-K of which this release forms a part contain "forward-looking statements" within the meaning of the federal securities laws. The forward-looking statements in this release 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) an inability of the company to realize elements of its strategic plans for 2001 and beyond; (ii) increases in competitive pressure in the banking industry; (iii) general economic conditions, either nationally or regionally, that are less favorable than expected; and (iv) changes which may occur in the regulatory environment. When used in this Report, the words "believes," "estimates," "plans," "expects," "should," "may," "might,"

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"outlook," and "anticipates," and similar expressions as they relate to BancGroup (including its subsidiaries) or its management are intended to identify forward-looking statements.

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THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES  
 SELECTED FINANCIAL DATA (Unaudited)  
 (Dollars in thousands, except per share amounts)

	June 30, 2001	December 31, 2000	June 30, 2000	% Chang June 30, 2000 to 2
	-----	-----	-----	-----
Statement of Condition Summary				
Total assets.....	\$12,275,492	\$11,727,637	\$11,620,041	6%
Loans.....	9,759,185	9,416,770	8,921,687	9%
Total earning assets.....	11,563,838	10,936,187	10,657,594	9%
Deposits.....	8,324,605	8,143,017	8,251,265	1%
Shareholders' equity.....	805,804	756,852	696,253	16%
Book value per share.....	\$ 7.28	\$ 6.86	\$ 6.32	15%
	-----	-----	-----	--

	Six Months Ended June 30,			
	2001	2000	% Change	
	-----	-----	2000 to 2001	-----
Earnings Summary				
Continuing Operations:				
Net interest income (taxable equivalent).....	\$203,397	\$198,398	3%	
Provision for possible loan losses.....	16,897	12,961	30%	
Noninterest income.....	42,312	36,957	14%	
Noninterest expense.....	135,751	125,099	9%	
Income from continuing operations (net of income taxes)	\$ 58,532	\$ 60,656	-4%	
Loss from discontinued operations (net of income taxes).....	-	(4,699)		
Net income.....	\$ 58,532	\$ 55,957		
Average shares outstanding.....	110,594	111,249		
Average diluted shares outstanding.....	111,554	112,015		
Earnings per share:				
Income from continuing operations (net of income taxes)				
Basic.....	\$ 0.53	\$ 0.55	-4%	
Diluted.....	\$ 0.53	\$ 0.54	-2%	
Cash earnings from continuing operations (net of income taxes) (1)				
Basic.....	\$ 0.56	\$ 0.57	-2%	
Diluted.....	\$ 0.55	\$ 0.56	-2%	
Selected Ratios:				
Income from continuing operations (net of income taxes)				
Average assets.....	0.96%	1.09%		
Average shareholders' equity.....	14.98%	17.59%		

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### Continuing Operations Ratios:

Efficiency ratio.....	55.68%	53.14%
Noninterest income (annualized) to average assets...	0.69%	0.67%
Noninterest expense (annualized) to average assets.....	2.24%	2.24%

### Cash Earnings (net of income taxes) (1)

Average assets.....	1.01%	1.14%
Average shareholders' equity.....	15.75%	18.33%

### Cash Basis Ratios:

Efficiency ratio.....	54.34%	52.03%
Noninterest income (annualized) to average assets...	0.69%	0.67%
Noninterest expense (annualized) to average assets..	2.19%	2.19%

### Consolidated:

Net interest margin.....	3.56%	3.86%
Equity to assets.....	6.56%	5.99%
Tier one leverage.....	6.46%	6.30%

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(1) Cash earnings excludes amortization of intangibles.

	June 30, 2001	December 31, 2000	June 30, 2000
	-----	-----	-----
<b>Nonperforming Assets</b>			
Total non-performing assets ratio.....	0.72%	0.54%	0.52%
Allowance as a percent of nonperforming loans..	192%	256%	256%
Net charge-offs ratio (annualized):			
Quarter to date.....	0.29%	0.25%	0.19%
Year to date.....	0.22%	0.21%	0.18%

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

	June 30, 2001
	-----
<b>Assets:</b>	
Cash and due from banks.....	\$ 267,024
Interest-bearing deposits in banks and federal funds sold.....	137,072
Securities available for sale.....	1,600,845
Investment securities.....	37,463
Mortgage loans held for sale.....	29,273
Loans.....	9,759,185
Less:	
Allowance for possible loan losses.....	(113,706)
Loans, net.....	9,645,479

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Premises and equipment, net.....	183,250
Excess of cost over tangible and identified intangible assets acquired, net.....	91,585
Mortgage servicing rights.....	-
Other real estate owned.....	10,813
Accrued interest and other assets.....	272,688
Total.....	<u>\$12,275,492</u>

Liabilities and Shareholders' Equity:

Deposits.....	\$ 8,324,605
FHLB short-term borrowings.....	100,000
Other short-term borrowings.....	1,410,295
Subordinated debt.....	260,058
Trust preferred securities.....	70,000
FHLB long-term debt.....	1,121,718
Other long-term debt.....	88,064
Other liabilities.....	94,948
Total liabilities.....	<u>11,469,688</u>

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
Treasury shares (2,376,746, 2,773,782 and 2,882,076 at June 30, 2001, December 31, 2000 and June 30, 2000, respectively).....	(22,571)
Additional paid in capital.....	119,731
Retained earnings.....	422,459
Unearned compensation.....	(4,027)
Accumulated other comprehensive income (loss), net of taxes.....	7,485
Total shareholders' equity.....	<u>805,804</u>
Total.....	<u>\$12,275,492</u>

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

	Six Months Ended June 30,		Three M June
	2001	2000	2001
Interest Income:			
Interest and fees on loans.....	\$411,791	\$376,638	\$203,32
Interest on investments.....	48,755	54,007	23,23
Other interest income.....	1,435	1,255	69



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Total interest income.....	461,981	431,900	227,25
Interest Expense:			
Interest on deposits.....	178,634	163,858	85,20
Interest on short-term borrowings.....	42,468	41,505	19,22
Interest on long-term debt.....	39,086	29,890	20,87
Total interest expense.....	260,188	235,253	125,29
Net Interest Income.....	201,793	196,647	101,95
Provision for possible loan losses.....	16,897	12,961	7,43
Net Interest Income After Provision for Possible Loan Losses.....	184,896	183,686	94,52
Noninterest Income:			
Service charges on deposit accounts.....	19,761	18,678	10,47
Wealth Management.....	4,524	4,942	2,28
Electronic Banking.....	3,147	2,693	1,62
Mortgage Origination.....	3,518	2,410	1,90
Securities gains (losses), net.....	1,899	(61)	75
Other income.....	9,463	8,295	4,82
Total noninterest income.....	42,312	36,957	21,86
Noninterest Expense:			
Salaries and employee benefits.....	69,049	62,352	35,13
Occupancy expense of bank premises, net.....	16,679	14,691	8,59
Furniture and equipment expenses.....	14,355	14,244	7,19
Amortization of intangibles.....	3,270	2,601	1,63
Other expense.....	32,398	31,211	16,79
Total noninterest expense.....	135,751	125,099	69,36
Income from continuing operations before income taxes.....	91,457	95,544	47,01
Applicable income taxes.....	32,925	34,888	16,92
Income from continuing operations.....	58,532	60,656	30,09
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 June 30, 2001 and 2000 and for the three months ended June 30, 2001 and 2000 .....	-	(4,699)	
Net Income.....	\$ 58,532	\$ 55,957	\$ 30,09
Earnings per share:			
Income from continuing operations:			
Basic.....	\$0.53	\$0.55	\$0.2
Diluted.....	\$0.53	\$0.54	\$0.2
Net Income			
Basic.....	\$0.53	\$0.50	\$0.2
Diluted.....	\$0.53	\$0.50	\$0.2

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(Unaudited)  
(Dollars in thousands)

	Three Months Ended					
	June 30, 2001			March 31, 2001		
	Average Volume	Interest	Rate	Average Volume	Interest	Rate
<b>Assets</b>						
Loans, net.....	\$10,121,974	\$203,111	8.05%	\$ 9,660,125	\$208,439	8.73%
Mortgage loans held for sale.....	22,788	382	6.69%	11,987	195	6.51%
Investment securities and securities available for sale and other interest-earning assets	1,509,902	24,557	6.51%	1,592,557	26,905	6.76%
Total interest-earning assets(1).....	11,654,664	\$228,050	7.84%	11,264,669	\$235,539	8.45%
Nonearning assets.....	649,082			664,459		
Total assets.....	\$12,303,746			\$11,929,128		
<b>Liabilities and</b>						
<b>Shareholders' Equity:</b>						
Interest-bearing deposits	\$ 7,124,565	\$ 85,202	4.80%	\$ 7,116,844	\$93,432	5.32%
Short-term borrowings....	1,704,153	19,224	4.52%	1,623,323	23,244	5.81%
Long-term debt.....	1,404,817	20,988	6.00%	1,210,291	18,401	6.17%
Total interest-bearing liabilities.....	10,233,535	\$125,414	4.92%	9,950,458	\$135,077	5.51%
Noninterest-bearing demand deposits.....	1,181,195			1,100,535		
Other liabilities.....	97,734			108,420		
Total liabilities.....	11,512,464			11,159,413		
Shareholders' equity.....	791,282			769,715		
Total liabilities and shareholders' equity.....	\$ 12,303,746			\$11,929,128		
Rate differential.....			2.92%			2.94%
Net yield on interest-earning assets...		\$102,636	3.53%		\$100,462	3.59%

(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 : actual interest earned times 145%. The taxable equivalent adjustment

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has given effect to the disallowance of interest expense deductions, for federal income tax purposes, related to certain tax-free assets.

Note: Above table of average volume and rates is reflected on Colonial BancGroup, Inc. consolidated basis.

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THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES  
 AVERAGE VOLUME AND RATES  
 (Unaudited)  
 (Dollars in thousands)

	Six Months Ended			Av V
	Average Volume	Interest	Rate	
<b>Assets</b>				
Loans, net of unearned income.....	\$ 9,892,326	\$411,545	8.38%	\$ 8
Mortgage loans held for sale.....	17,417	577	6.63%	
Investment securities and securities available for sale and other interest-earning assets.....	1,551,001	51,462	6.65%	1
<b>Total interest-earning assets(1).....</b>	<b>11,460,744</b>	<b>\$463,584</b>	<b>8.14%</b>	<b>10</b>
Nonearning assets.....	656,727			
<b>Total assets.....</b>	<b>\$12,117,471</b>			<b>\$11</b>
<b>Liabilities and Shareholders' Equity:</b>				
Interest-bearing deposits.....	\$ 7,120,725	\$178,634	5.03%	\$ 6
Short-term borrowings.....	1,663,961	42,468	5.15%	1
Long-term debt.....	1,308,091	39,086	6.04%	
<b>Total interest-bearing liabilities.....</b>	<b>10,092,777</b>	<b>\$260,188</b>	<b>5.20%</b>	<b>9</b>
Noninterest-bearing demand deposits.....	1,141,088			1
Other liabilities.....	103,048			
<b>Total liabilities.....</b>	<b>11,336,913</b>			<b>10</b>
Shareholders' equity.....	780,558			
<b>Total liabilities and shareholders' equity.....</b>	<b>\$12,117,471</b>			<b>\$11</b>
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 : actual interest earned times 145%. The taxable equivalent adjustment has given effect to the disallowance of interest

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expense deductions, for federal income tax purposes, related to certain tax-free assets.

Note: Above table of average volume and rates is reflected on Colonial BancGroup, Inc. consolidated basis.

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THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES  
NONPERFORMING ASSETS (Unaudited)  
(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.....	\$ 7,339	\$ 4,998
Year to date.....	\$10,922	\$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 nonperforming assets.....	162%	211%
Allowance as a percent of nonperforming loans.....	192%	256%
Net charge-offs as a percent of average net loans (annualized):		
Quarter to date.....	0.29%	0.25%
Year to date.....	0.22%	0.21%

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ALLOWANCE FOR POSSIBLE LOAN LOSSES PERCENT BY CATEGORY	June 30, 2001		December 31, 2000	
	Loans	Percent reserve	Loans	Percent reserve
Single Family Real Estate:				
Short Term lines of credit secured by real estate loans held for sale.....	\$ 857,450	0.25%	\$ 376,995	0.25%
1-4 Family real estate portfolio - held to maturity.....	2,160,852	0.50%	2,562,708	0.50%
Other.....	6,740,883	1.49%	6,477,067	1.44%
Total loans.....	\$9,759,185	1.17%	\$9,416,770	1.14%

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8-K Supplemental

Net Interest Margins

Net interest margins declined to 3.53% for the quarter compared to 3.59% for the first quarter of 2001 and 3.62% for the fourth quarter of 2000. 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. As of June 30, 2001, the Company has approximately \$2.4 billion in certificates of deposit that will mature and reprice in the next six months at rates that are expected to be approximately 2.0% below their current cost. The Company 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.

In addition to the rate changes, margins were impacted by the growth in mortgage warehouse lending volumes which have lower margins due to their relatively low credit risk. The growth in warehouse loans resulted in an increase of \$1.7 million in net interest income for the quarter but caused a six basis point reduction in the margin compared to the first quarter of 2001.

Loan Growth

Loan growth for the quarter consisted of the following:

	\$ Growth (millions)	Annualized %
Mortgage Warehouse Lending	\$ 213	132 %
Single-family real estate	(52)	(13)%
Regional bank lending	26	1 %
Total internal growth	187	8 %
Loan securitization	(307)	
Total	\$ (120)	

Mortgage warehouse lending consists of a self-contained lending unit that funds mortgage loans held for sale in the secondary market by various independent mortgage companies. With lower mortgage rates the balances outstanding have grown substantially during the second quarter. Loan growth has slowed in the regional banks as most borrowers are conservatively reducing their demand for credit due to the slowing of the economy.

Noninterest Expense

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The 10% increase in noninterest expense was primarily attributable to investments in the information technology department, salary increases, additional incentive related compensation, increased pension costs as well as increases in occupancy and equipment expenses from new branches.

Future Earnings Outlook

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Federal Funds Rate reductions already executed by the Federal Reserve thus far in 2001 should have a modest benefit over the remainder of 2001 in the Company's net interest margin. Continued rate reductions, however, have postponed a portion of the benefit for Colonial until 2002 due to the Company's interest rate sensitivity position.

The pace of loan growth has slowed in 2001 to a single digit growth rate in the Company's banking markets. Currently, the overall growth rate for loans is expected to be less than 6% for the remainder of the year excluding the impact of the mortgage warehouse lending unit.

The Company continues to project net charge-offs for the full year to be between 20 and 25 basis points of average loans and the nonperforming asset ratio to stay below 80 basis points of related assets.

The net impact of lower rates, slower loan demand and maintenance of strong loan loss

reserves currently result in earnings per share expectations to be in the \$1.10 to \$1.14 range for 2001 with cash earnings ranging from \$1.13 to \$1.17.

Acquisitions

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As part of the Company's continuing strategy to expand in its high growth markets, the Company announced in June definitive agreements to acquire Manufacturer's Bank in a stock for stock exchange and to purchase a total of 13 branches from Union Planters. Additional information concerning these two agreements follows:

Manufacturers Bank has approximately \$225 million in loans with 78% of the portfolio in loans secured by real estate. There are four branch locations being acquired in this transaction all located in Hillsborough County, Florida with approximately \$213 million in deposits of which approximately \$100 million are demand and savings deposits.

Manufacturers Bank is expected to be accounted for as a pooling of interests. It is anticipated that the acquisition will close in the 4th quarter of 2001 with full systems conversion by year end 2001. In connection with this

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transaction the Company expects to achieve \$3.0 to \$3.5 million in pre-tax annual cost savings with substantially all of those savings effective for the year 2002. One time costs including acquisition costs, asset write-offs, severance accruals and adjustments to align loan loss reserves to Colonial policy standards are expected to be between \$1.0 and \$2.0 million. The Company also expects to reissue approximately 800,000 shares of Treasury stock prior to completing the acquisition.

The Union Planters branch acquisition will be accounted for as a purchase transaction and will be closed with simultaneous systems conversions early in the 4th quarter of 2001. Four branches in Elmore County, Alabama, had approximately \$112 million in deposits and \$59 million in loans at April 30, 2001. The remaining nine locations are in

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Florida with approximately \$250 million in deposits and an immaterial amount of loans as of April 30, 2001. The Florida locations are in the following counties: two in Pasco, three in Hillsborough, one in Manatee, one in Sarasota, one in Lee and one in Collier. The Company expects to record core deposit premium of 5% or less. These branches had approximately \$100 million in demand and savings deposits as of April 30, 2001.

These acquisitions are expected to be slightly accretive to earnings in 2002 and due to their small size relative to the Company as a whole should have no noticeable impact on EPS in 2002, with a \$.01 to .015 positive impact on cash EPS.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE COLONIAL BANCGROUP, INC.

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(Registrant)

Date: July 17, 2001

/s/ W. Flake Oakley, IV

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BY: W. Flake Oakley

ITS: Chief Financial Officer

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