

COLONIAL BANGGROUP INC

Form 10-Q/A

February 14, 2006

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended September 30, 2005

OR

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

For the transition period from to

Commission File Number: 1-13508

THE COLONIAL BANGGROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

63-0661573
(I.R.S. Employer
Identification No.)

One Commerce Street
Montgomery, Alabama

36104
(Zip Code)

(Address of principal executive offices)

(334) 240-5000

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

<u>Class</u>	<u>Outstanding at October 31, 2005</u>
Common Stock, \$2.50 par value per share	154,199,064 shares

Table of Contents**Explanatory Note**

The Colonial BancGroup, Inc. (BancGroup , Colonial or the Company) is filing this amendment to its Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 to amend and restate financial statements and other financial information filed with the Securities and Exchange Commission (SEC). This amendment is being filed to correct errors in the originally filed Quarterly Report on Form 10-Q related to the Company s derivative accounting under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133).

In 2005 and prior years, the Company entered into interest rate swap agreements on brokered certificates of deposit (CD swaps) and junior subordinated debt (junior subordinated debt swaps) that were accounted for as fair value hedges under SFAS No. 133. The Company elected a method of fair value hedge accounting, commonly referred to as the abbreviated method of hedge accounting described in paragraph 65 of SFAS No. 133, which allowed the Company to assume no ineffectiveness in these transactions as long as critical terms did not change. The Company recently concluded that the CD swaps and junior subordinated debt swaps did not qualify for these methods in the periods covered by this restatement. In retrospect, the CD swaps did not comply due to the death puts contained in the brokered CDs, which allow the estate of the CD holder to require the bank to redeem the CD in the event of the CD holder s death. In addition, the junior subordinated debt swaps did not comply due to interest deferral features present in the junior subordinated debt. Hedge accounting under SFAS No. 133 is not allowed retrospectively because the hedge documentation required for the long-haul method was not in place at the inception of the hedge. Eliminating the application of fair value hedge accounting reverses the fair value adjustments that have been made to the brokered certificates of deposit and junior subordinated debt and results in all fair value changes for the interest rate swaps being recognized in noninterest income. Additionally, the net cash settlement payments received during each of the affected periods for these interest rate swaps were reclassified from interest expense on brokered certificates of deposit and junior subordinated debt to noninterest income. Adjustments were also made for other non-significant items.

The effect this restatement had on earnings for the affected periods is as follows:

	For the Quarter Ended			
		March 31,	June 30,	September 30,
	Total	2005	2005	2005
		(In thousands)		
Interest expense	\$ 9,421	\$ 3,684	\$ 2,988	\$ 2,749
Noninterest income	3,430	(2,848)	10,836	(4,558)
Noninterest expense	663	213	235	215
Provision for income taxes	(2,409)	(2,442)	2,756	(2,723)
Net income	\$ (4,245)	\$ (4,303)	\$ 4,857	\$ (4,799)
Diluted earnings per share	\$ (0.03)	\$ (0.03)	\$ 0.03	\$ (0.03)

	For the Quarter Ended			
		March 31,	June 30,	September 30,
	Total	2004	2004	2004

Edgar Filing: COLONIAL BANGGROUP INC - Form 10-Q/A

	(In thousands)			
Interest expense	\$ 13,274	\$ 4,591	\$ 4,290	\$ 4,393
Noninterest income	12,350	10,955	(10,687)	12,082
Noninterest expense	1,569	499	532	538
Provision for income taxes	(902)	2,123	(5,614)	2,589
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income	\$ (1,591)	\$ 3,742	\$ (9,895)	\$ 4,562
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Diluted earnings per share	\$ (0.01)	\$ 0.03	\$ (0.08)	\$ 0.04

In addition, the following Items have changed: Item 1, Item 2 and Item 4. For additional information on the restatement see Note A, Restatement, in the Notes to the Unaudited Condensed Consolidated Financial Statements.

Table of Contents

THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES

THE COLONIAL BANGROUP, INC.

INDEX

	Page Number
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	2
<u>Condensed Consolidated Statements of Condition September 30, 2005 and December 31, 2004</u>	2
<u>Condensed Consolidated Statements of Income Nine months ended September 30, 2005 and September 30, 2004, and three months ended September 30, 2005 and September 30, 2004</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income Nine months ended September 30, 2005 and September 30, 2004, and three months ended September 30, 2005 and September 30, 2004</u>	4
<u>Condensed Consolidated Statement of Changes in Shareholders' Equity Nine months ended September 30, 2005</u>	5
<u>Condensed Consolidated Statements of Cash Flows Nine months ended September 30, 2005 and September 30, 2004</u>	6
<u>Notes to the Unaudited Condensed Consolidated Financial Statements September 30, 2005</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	38
Item 4. <u>Controls and Procedures</u>	38
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	40
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
Item 3. <u>Defaults Upon Senior Securities</u>	40
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	40
Item 5. <u>Other Information</u>	40
Item 6. <u>Exhibits</u>	40
<u>SIGNATURE</u>	41

Table of Contents

THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES

CAUTIONARY STATEMENT PURSUANT TO SAFE HARBOR PROVISIONS

OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

FORWARD-LOOKING STATEMENTS

This report and the information incorporated by reference include forward-looking statements within the meaning of the federal securities laws. Words such as believes, estimates, plans, expects, should, may, might, outlook, and anticipates, and similar expressions, as they are used by BancGroup (including its subsidiaries or its management), are intended to identify forward-looking statements. The forward-looking statements in these reports are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. In addition to factors mentioned elsewhere in this report or previously disclosed in BancGroup's SEC reports (accessible on the SEC's website at www.sec.gov or on BancGroup's website at www.colonialbank.com), the following factors, among others, could cause actual results to differ materially from forward-looking statements and future results could differ materially from historical performance. These factors are not exclusive:

deposit attrition, customer loss, or revenue loss in the ordinary course of business;

increases in competitive pressure in the banking industry;

costs or difficulties related to the integration of the businesses of BancGroup and institutions it acquires are greater than expected;

the inability of BancGroup to realize elements of its strategic plans for 2005 and beyond;

changes in the interest rate environment which expand or reduce margins or adversely affect critical estimates as applied and projected returns on investments;

economic conditions affecting real estate values and transactions in BancGroup's market and/or general economic conditions, either nationally or regionally, that are less favorable than expected;

natural disasters in BancGroup's primary market areas result in prolonged business disruption or materially impair the value of collateral securing loans;

management's assumptions and estimates underlying critical accounting policies prove to be inadequate or materially incorrect or are not borne out by subsequent events;

changes which may occur in the regulatory environment;

a significant rate of inflation (deflation);

acts of terrorism or war; and

changes in the securities markets.

Many of these factors are beyond BancGroup's control. The reader is cautioned not to place undue reliance on any forward looking statements made by or on behalf of BancGroup. Any such statement speaks only as of the date the statement was made or as of such date that may be referenced within the statement. BancGroup does not undertake any obligation to update or revise any forward-looking statements.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited)****THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CONDITION****(Unaudited)**

	September 30, 2005 (Restated)	December 31, 2004 (Restated)
	(In thousands)	
ASSETS		
Cash and due from banks	\$ 425,121	\$ 296,889
Interest bearing deposits in banks	2,683	3,828
Federal funds sold	107,725	82,160
Securities purchased under agreements to resell	607,408	221,491
Securities available for sale	2,966,915	3,647,402
Investment securities (market value: 2005, \$3,283; 2004, \$6,503)	3,083	6,152
Loans held for sale	799,970	678,496
Total loans, net of unearned income:		
Mortgage warehouse loans	526,967	1,114,923
All other loans	14,196,682	11,742,888
Less:		
Allowance for loan losses	(168,324)	(148,802)
Loans, net	14,555,325	12,709,009
Premises and equipment, net	304,894	270,236
Goodwill	660,758	352,536
Other intangibles, net	62,667	41,604
Other real estate owned	5,747	9,865
Bank-owned life insurance	342,380	315,739
Accrued interest and other assets	272,104	261,203
Total	\$ 21,116,780	\$ 18,896,610
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits:		
Noninterest bearing transaction accounts	\$ 3,166,273	\$ 2,468,529
Interest bearing transaction accounts	5,782,269	5,077,509
Total transaction accounts	8,948,542	7,546,038
Time	6,321,283	4,317,657
Total deposits	15,269,825	11,863,695

Edgar Filing: COLONIAL BANGGROUP INC - Form 10-Q/A

Short-term borrowings	1,659,174	3,258,935
Subordinated debt	266,091	273,598
Junior subordinated debt	307,477	302,412
Other long-term debt	1,612,904	1,684,947
Accrued expenses and other liabilities	98,454	114,732
	<hr/>	<hr/>
Total liabilities	19,213,925	17,498,319
Contingencies and commitments (Notes C and I)		
Preferred stock, \$2.50 par value; 50,000,000 shares authorized and none issued at September 30, 2005; none authorized at December 31, 2004		
Preference stock, \$2.50 par value; 1,000,000 shares authorized and none issued at September 30, 2005 and December 31, 2004, respectively		
Common stock, \$2.50 par value; 400,000,000 and 200,000,000 shares authorized, 155,550,888 and 133,823,776 shares issued and 154,190,961 and 133,823,776 outstanding at September 30, 2005 and December 31, 2004, respectively		
	388,877	334,559
Additional paid in capital	758,909	343,694
Retained earnings	830,523	729,715
Treasury stock, at cost (1,359,927 shares at September 30, 2005 and none at December 31, 2004)	(31,510)	
Unearned compensation	(7,211)	(449)
Accumulated other comprehensive loss, net of taxes	(36,733)	(9,228)
	<hr/>	<hr/>
Total shareholders' equity	1,902,855	1,398,291
	<hr/>	<hr/>
Total	\$ 21,116,780	\$ 18,896,610
	<hr/>	<hr/>

See Notes to the Unaudited Condensed Consolidated Financial Statements

Table of Contents**THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

	Nine Months Ended		Three Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
	(Restated)	(Restated)	(Restated)	(Restated)
(In thousands, except per share amounts)				
Interest Income:				
Interest and fees on loans	\$ 701,947	\$ 500,068	\$ 263,343	\$ 175,699
Interest and dividends on securities	120,770	112,506	34,340	39,406
Interest on federal funds sold and other short-term investments	18,397	1,297	10,455	806
Total interest income	841,114	613,871	308,138	215,911
Interest Expense:				
Interest on deposits	183,020	106,562	76,968	37,904
Interest on short-term borrowings	60,803	23,915	22,359	9,780
Interest on long-term debt	74,632	70,091	23,545	22,785
Total interest expense	318,455	200,568	122,872	70,469
Net Interest Income	522,659	413,303	185,266	145,442
Provision for loan losses	20,946	21,606	6,007	7,153
Net Interest Income After Provision for Loan Losses	501,713	391,697	179,259	138,289
Noninterest Income:				
Service charges on deposit accounts	43,784	44,247	15,325	15,033
Financial planning services	10,621	10,137	3,600	3,030
Electronic banking	11,316	9,149	3,890	3,157
Mortgage banking	9,417	6,525	4,456	2,162
Mortgage warehouse fees	9,225	914	4,523	289
Securities (losses) gains, net	(4,642)	7,417		367
Gain on sale of branches	9,608			
Bank-owned life insurance	10,481	6,842	3,621	2,335
Net cash settlement of swap derivatives	8,812	12,624	2,514	4,183
Change in fair value of swap derivatives	(5,382)	726	(7,072)	7,899
Other income	28,434	17,776	8,469	6,687
Total noninterest income	131,674	116,357	39,326	45,142
Noninterest Expense:				
Salaries and employee benefits	196,097	160,492	70,204	55,509
Occupancy expense of bank premises, net	45,286	38,215	15,990	13,513
Furniture and equipment expenses	31,893	28,600	11,456	9,858

Edgar Filing: COLONIAL BANGGROUP INC - Form 10-Q/A

Professional services	15,176	12,920	5,487	4,296
Amortization of intangible assets	8,461	4,438	2,970	1,925
Advertising	8,513	6,495	3,591	2,019
Communications	7,541	8,008	2,601	2,876
Merger related expenses	3,822	1,934	613	662
Net losses related to the early extinguishment of debt	9,550	6,183	1,673	
Other expenses	56,435	49,139	19,379	16,421
	382,774	316,424	133,964	107,079
Income before income taxes	250,613	191,630	84,621	76,352
Applicable income taxes	83,618	65,100	28,145	26,117
Net Income	\$ 166,995	\$ 126,530	\$ 56,476	\$ 50,235
Earnings per share:				
Basic	\$ 1.13	\$ 0.97	\$ 0.37	\$ 0.38
Diluted	\$ 1.12	\$ 0.97	\$ 0.36	\$ 0.38
Average number of shares outstanding:				
Basic	147,450	130,267	153,721	133,568
Diluted	149,171	131,405	155,510	134,730
Dividends declared per share	\$ 0.4575	\$ 0.4350	\$ 0.1525	\$ 0.1450

See Notes to the Unaudited Condensed Consolidated Financial Statements

Table of Contents

THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Nine Months Ended		Three Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
	(Restated)	(Restated)	(Restated)	(Restated)
	(In thousands)			
Net income	\$ 166,995	\$ 126,530	\$ 56,476	\$ 50,235
Other comprehensive income, net of taxes:				
Unrealized (losses)/gains on securities available for sale arising during the period, net of income taxes of \$12,587 and \$10,205 in 2005 and \$(7,791) and \$(33,488) in 2004, respectively	(23,375)	14,739	(19,004)	62,184
Less: reclassification adjustment for net losses/(gains) on securities available for sale included in net income, net of income taxes of \$(1,625) and \$0 in 2005 and \$2,522 and \$125 in 2004, respectively	3,017	(4,895)		(242)
Unrealized losses on cash flow hedging instruments, net of income taxes of \$3,867 and \$3,727 in 2005 and \$0 in 2004, respectively	(7,147)		(6,888)	
Comprehensive income	\$ 139,490	\$ 136,374	\$ 30,584	\$ 112,177

See Notes to the Unaudited Condensed Consolidated Financial Statements

Table of Contents

THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

	Common Stock		Treasury Stock	Additional Paid In Capital	Retained Earnings (Restated)	Unearned Compensation	Accumulated	Total
	Shares	Amount					Other	Shareholders
							Comprehensive Loss	Equity (Restated)
(In thousands, except share amounts)								
Balance, December 31, 2004	133,823,776	\$ 334,559	\$	\$ 343,694	\$ 729,715	\$ (449)	\$ (9,228)	\$ 1,398,291
Shares issued under:								
Directors plan	47,001	118		696				814
Stock option plans	558,736	1,397		4,722				6,119
Stock bonus plan, net of cancellations	374,480	936		6,856		(7,792)		
Employee Stock Purchase Plan	24,429	61		472				533
Tax benefit from exercise of nonqualified stock-based awards				596				596
Settlement of forward equity sales agreement	8,400,000	21,000		158,575				179,575
Issuance of shares for business combinations	12,322,466	30,806		243,298				274,104
Purchase of common stock	(1,359,927)		(31,510)					(31,510)
Amortization of unearned compensation						1,030		1,030
Net income					166,995			166,995
Cash dividends (\$0.4575 per share)					(66,187)			(66,187)
Change in unrealized loss on securities available for sale, net of taxes							(20,358)	(20,358)
Change in unrealized loss on derivative instruments, net of taxes							(7,147)	(7,147)
Balance, September 30, 2005	154,190,961	\$ 388,877	\$ (31,510)	\$ 758,909	\$ 830,523	\$ (7,211)	\$ (36,733)	\$ 1,902,855

See Notes to the Unaudited Condensed Consolidated Financial Statements

Table of Contents**THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW****(Unaudited)**

	Nine Months Ended September 30,	
	2005	2004
	(Restated)	(Restated)
	(In thousands)	
Net cash flows from operating activities	\$ 21,702	\$ 34,296
Cash flows from investing activities:		
Proceeds from maturities and calls of securities available for sale	319,820	311,859
Proceeds from sales of securities available for sale	1,362,696	1,143,993
Purchase of securities available for sale	(681,434)	(1,781,531)
Proceeds from maturities of investment securities	3,088	3,661
Increase in securities purchased under agreements to resell	(385,917)	(122,416)
Net increase in loans	(1,045,529)	(485,711)
Proceeds from sales of interests in mortgage warehouse loans	760,620	
Acquisitions, net of cash acquired	(114,873)	31,312
Net cash paid from the sale of branches	(110,202)	
Capital expenditures	(29,027)	(34,191)
Proceeds from sales of other real estate owned	9,425	19,595
Proceeds from sales of premises and equipment	2,391	1,808
Proceeds from sale of other assets	5,409	3,110
Net cash paid for equity investments	(9,813)	
Net cash flows from investing activities	86,654	(908,511)
Cash flows from financing activities:		
Net increase in demand, savings, and time deposits	2,075,888	913,048
Net (decrease) increase in federal funds purchased, repurchase agreements and other short-term borrowings	(1,749,062)	350,754
Proceeds from issuance of long-term debt	751,502	500,000
Repayment of long-term debt	(1,122,562)	(696,909)
Purchase of common stock	(31,510)	
Proceeds from issuance of common stock	6,652	4,980
Proceeds from settlement of forward equity sales agreement	179,575	
Dividends paid (\$0.4575 and \$0.4350 per share for 2005 and 2004, respectively)	(66,187)	(56,232)
Net cash flows from financing activities	44,296	1,015,641
Net increase in cash and cash equivalents	152,652	141,426
Cash and cash equivalents at beginning of year	382,877	345,717
Cash and cash equivalents at September 30	\$ 535,529	\$ 487,143

Supplemental disclosure of cash flow information:

Edgar Filing: COLONIAL BANGGROUP INC - Form 10-Q/A

Cash paid during the period for:

Interest	\$ 310,468	\$ 204,915
Income taxes	74,000	58,000
Non-cash investing and financing activities:		
Transfer of loans to other real estate	\$ 7,256	\$ 11,532
Assets (non-cash) acquired in business combinations	2,335,163	724,216
Liabilities assumed in business combinations	1,946,153	647,983

See Notes to the Unaudited Condensed Consolidated Financial Statements

Table of Contents**THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****Note A: Restatement**

The Colonial BancGroup, Inc. is restating its financial statements and other financial information to correct errors related to the Company's derivative accounting under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133).

In 2005 and prior years, the Company entered into interest rate swap agreements on brokered certificates of deposit (CD swaps) and junior subordinated debt (junior subordinated debt swaps) that were accounted for as fair value hedges under SFAS No. 133. The Company elected a method of fair value hedge accounting, commonly referred to as the abbreviated method of hedge accounting described in paragraph 65 of SFAS No. 133, which allowed the Company to assume no ineffectiveness in these transactions as long as critical terms did not change. The Company recently concluded that the CD swaps and junior subordinated debt swaps did not qualify for these methods in the periods covered by this restatement. In retrospect, the CD swaps did not comply due to the death puts contained in the brokered CDs, which allow the estate of the CD holder to require the bank to redeem the CD in the event of the CD holder's death. In addition, the junior subordinated debt swaps did not comply due to interest deferral features present in the junior subordinated debt. Hedge accounting under SFAS No. 133 is not allowed retrospectively because the hedge documentation required for the long-haul method was not in place at the inception of the hedge. Eliminating the application of fair value hedge accounting reverses the fair value adjustments that have been made to the brokered certificates of deposit and junior subordinated debt and results in all fair value changes for the interest rate swaps being recognized in noninterest income. Additionally, the net cash settlement payments received during each of the affected periods for these interest rate swaps were reclassified from interest expense on brokered certificates of deposit and junior subordinated debt to noninterest income. Adjustments were also made for other non-significant items.

The following tables reflect a summary of both the originally reported and the restated amounts:

Consolidated Statements of Condition:

	September 30, 2005		December 31, 2004	
	As Previously Reported	As Restated	As Previously Reported(1)	As Restated
	(In thousands)			
Accrued interest and other assets	\$ 270,251	\$ 272,104	\$ 261,743	\$ 261,203
Total assets	21,114,927	21,116,780	18,897,150	18,896,610
Time deposits	6,317,252	6,321,283	4,315,645	4,317,657
Total deposits	15,265,794	15,269,825	11,861,683	11,863,695
Junior subordinated debt	314,322	307,477	313,213	302,412
Accrued expenses and other liabilities	94,218	98,454	111,159	114,732
Total liabilities	19,212,503	19,213,925	17,503,535	17,498,319
Retained earnings	830,092	830,523	725,039	729,715
Total shareholders' equity	\$ 1,902,424	\$ 1,902,855	\$ 1,393,615	\$ 1,398,291

(1) Certain reclassifications were made to previously reported balances in order to be consistent with current presentation.

Table of Contents**THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Consolidated Statements of Income (by quarter):

	Nine Months Ended September 30,				Three Months Ended September 30,			
	2005		2004		2005		2004	
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
	(In thousands, except per share amounts)							
Net interest income	\$ 532,080	\$ 522,659	\$ 426,577	\$ 413,303	\$ 188,015	\$ 185,266	\$ 149,835	\$ 145,442
Provision for loan losses	20,946	20,946	21,606	21,606	6,007	6,007	7,153	7,153
Noninterest income:								
Net cash settlement of interest rate swap derivatives		8,812		12,624		2,514		4,183
Change in fair value of interest rate swap derivatives		(5,382)		726		(7,072)		7,899
Other noninterest income	128,244	128,244	104,007	103,007	43,884	43,884	33,060	33,060
Total noninterest income	128,244	131,674	104,007	116,357	43,884	39,326	33,060	45,142
Noninterest expense	382,111	382,774	314,855	316,424	133,749	133,964	106,541	107,079
Income before income taxes	257,267	250,613	194,123	191,630	92,143	84,621	69,201	76,352
Applicable income taxes	86,027	83,618	66,002	65,100	30,868	28,145	23,528	26,117
Net income	\$ 171,240	\$ 166,995	\$ 128,121	\$ 126,530	\$ 61,275	\$ 56,476	\$ 45,673	\$ 50,235
Diluted earnings per share:								
Net income	\$ 1.15	\$ 1.12	\$ 0.98	\$ 0.97	\$ 0.39	\$ 0.36	\$ 0.34	\$ 0.38
Impact of accounting correction		\$ (0.03)		\$		\$ (0.03)		\$ 0.04
Impact of other non-significant adjustments		\$		\$ (0.01)		\$		\$
Average diluted shares outstanding	149,171	149,171	131,405	131,405	155,510	155,510	134,730	134,730

Consolidated Statements of Changes in Shareholders' Equity:

For the Nine Months Ended
September 30, 2005

	As Previously Reported	As Restated
--	------------------------------	----------------

Edgar Filing: COLONIAL BANGGROUP INC - Form 10-Q/A

	(In thousands)	
Balance, beginning of period	\$ 1,393,615	\$ 1,398,291
Increase attributable to net income	171,240	166,995
Balance, end of period	\$ 1,902,424	\$ 1,902,855

In addition, the following Notes to the Unaudited Condensed Consolidated Financial Statements have been restated: E, F, G, J, and K.

Table of Contents

THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note B: Accounting Policies

The accounting and reporting policies of The Colonial BancGroup, Inc. and its subsidiaries (variously referred to herein as BancGroup, Colonial, or the Company) are as stated in the 2004 Annual Report on Form 10-K/A. The Company adopted additional policies as noted below with respect to Sales and Servicing of Financial Assets and Loans Held for Sale as a result of 2005 business activities. The Company also adopted new policies with respect to Acquired Loans pursuant to Statement of Position (SOP) 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. These unaudited interim financial statements should be read in conjunction with the audited financial statements and footnotes included in BancGroup's 2004 Annual Report on Form 10-K/A.

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 BancGroup's financial position as of September 30, 2005 and December 31, 2004 and the results of operations and cash flows for the interim periods ended September 30, 2005 and 2004. All 2005 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.

Certain reclassifications were made to prior periods in order to conform with the current period presentation.

Sales and Servicing of Financial Assets

The Company has a facility through which it sells certain mortgage warehouse loans and mortgage loans held for sale to a wholly-owned special purpose entity (SPE) which then sells interests in those assets to third-party commercial paper conduits. These transactions provide a source of liquidity for the Company and allow the Company to utilize its balance sheet capacity and capital for higher-yielding assets while continuing to manage its customer relationships.

Under the provisions of Statement of Financial Accounting Standards (SFAS) No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, any retained interests resulting from sales of financial assets should be recognized at the time of sale. Retained interests include such items as servicing assets or liabilities, subordinated tranches, interest-only strips, and cash reserve accounts. The previous carrying amount of the assets sold should be allocated between the retained interests and the assets sold based on each component's fair value in relation to the total fair value at the date of sale. Any gain or loss recognized from the sale would depend in part on the allocation of value to the assets sold and interests retained.

Based on the structure of these transactions, the Company's only retained interest is the assets retained in the SPE as a first risk of loss position. The Company does retain servicing responsibilities for the assets sold and receives a servicing fee as compensation. However, due to the

Edgar Filing: COLONIAL BANGROUP INC - Form 10-Q/A

short-term nature of these assets and the Company's conclusion that the fee represents adequate compensation as a servicer, no servicing asset or liability is recorded. At the time of sale, the previous carrying amount of the assets is allocated between the interests sold and interests retained based on their relative fair values, which approximate cost because of the short-term and floating-rate nature of these assets. The sales price equals the Company's carrying amount for the assets sold, thus no gain or loss is recorded at the time of sale.

The Company provides credit enhancements to these transactions by maintaining assets in the SPE as a first risk of loss position to the interests sold to the commercial paper conduits. This credit risk is reviewed quarterly, and a reserve for loss exposure is maintained in the allowance for loan losses. The Company also provides a liquidity backstop facility to the commercial paper conduits. The Company, under this facility, may be required to purchase assets from the conduits in certain limited circumstances, including the conduits' inability to place commercial paper. Colonial includes this liquidity risk in its liquidity risk analysis to ensure that it would have sufficient sources of liquidity.

Table of Contents

THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Loans Held for Sale

Effective January 1, 2005, the Company began using forward sales commitments as fair value hedges of its short-term participations in mortgage loans which are included in loans held for sale on the consolidated balance sheet. Prior to January 1, 2005, all loans held for sale were carried at the lower of aggregate cost or market. After January 1, 2005, the carrying values of these hedged short-term participations are adjusted for changes in fair value. The fair values are calculated based on changes in market interest rates during the periods that the participations have been on the balance sheet. See Note J for discussion of the derivatives associated with this hedging strategy.

Acquired Loans

The Company generally acquires loans through business combinations rather than individually or in groups or portfolios. An acquired loan which has experienced deterioration of credit quality between origination and the Company's acquisition, and for which it is probable that the Company will be unable to collect all amounts due according to the loan's contractual terms, is accounted for under the provisions of SOP 03-3. For such loans, the Company estimates the amount and timing of undiscounted expected principal, interest, and other cash flows (including expected prepayments, if any) as of the acquisition date. The excess of the loan's contractually required cash flows over the Company's expected cash flows is referred to as a nonaccretable difference and is not recorded by the Company. The loan is initially recorded at fair value, or the present value of the expected cash flows. The difference between the undiscounted expected cash flows and the fair value at which the loan is recorded is referred to as accretable yield and is accreted into interest income over the remaining expected life of the loan.

On a quarterly basis, the Company updates its estimate of cash flows expected to be collected. If the estimated cash flows have decreased, the Company creates a valuation allowance equal to the present value of the decrease in the cash flows and recognizes a loss. If the estimated cash flows have increased, the Company would first reverse any existing valuation allowance for that loan, and would then account for the remainder of the increase as an adjustment to the yield accreted on a prospective basis over the loan's remaining life.

Note C: Contingencies

BancGroup and its subsidiaries are from time to time defendants in legal actions and assertions from normal business activities. Management does not anticipate that the ultimate liability arising from such matters outstanding at September 30, 2005 will have a materially adverse effect on BancGroup's financial condition.

Note D: Recent Accounting Pronouncements

Edgar Filing: COLONIAL BANGGROUP INC - Form 10-Q/A

In December 2003, the American Institute of Certified Public Accountants (AICPA) issued SOP 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. This SOP addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. It includes such loans acquired in purchase business combinations and applies to all nongovernmental entities, including not-for-profit organizations. This SOP does not apply to loans originated by the entity. This SOP limits the yield that may be accreted (accretable yield) to the excess of the investor's estimate of undiscounted expected principal, interest, and other cash flows (cash flows expected at acquisition to be collected) over the investor's initial investment in the loan. This SOP requires that the excess of contractual cash flows over cash flows expected to be collected (nonaccretable difference) not be recognized as an adjustment of yield, loss accrual, or valuation allowance. This SOP prohibits investors from displaying accretable yield and nonaccretable difference in the balance sheet. Subsequent increases in cash flows expected to be collected generally should be recognized prospectively through adjustment of the loan's yield over its remaining

Table of Contents**THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

life. Decreases in cash flows expected to be collected should be recognized as impairment. This SOP prohibits carrying over or creation of valuation allowances in the initial accounting of all loans acquired in a transfer that are within the scope of this SOP. The prohibition of the valuation allowance carryover applies to the purchase of an individual loan, a pool of loans, a group of loans and loans acquired in a purchase business combination. This SOP is effective for loans acquired in fiscal years beginning after December 15, 2004. The changes required by this SOP have not had and are not expected to have a material impact on the Company's financial statements. With respect to the acquisitions of Union Bank and FFLC Bancorp discussed in Note E, there were no loans and nine loans, respectively, which fell within the scope of this SOP.

In March 2004, the Emerging Issues Task Force (EITF) reached a final consensus on Issue 03-1, *The Meaning of Other-Than-Temporary and Its Application to Certain Investments*. The Issue applies to debt and equity securities within the scope of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, certain debt and equity securities within the scope of SFAS 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, and equity securities that are not subject to the scope of SFAS 115 and not accounted for under the equity method of accounting (i.e., cost method investments). Issue 03-1 outlines a three-step model for assessing other-than-temporary impairment. The model involves first determining whether an investment is impaired, then evaluating whether the impairment is other-than-temporary, and if it is, recognizing an impairment loss equal to the difference between the investment's cost and its fair value. The model was to be applied prospectively to all current and future investments in interim or annual reporting periods beginning after June 15, 2004. However, in September 2004 the Financial Accounting Standards Board (FASB) staff issued FASB Staff Position (FSP) EITF Issue 03-1-1 which delayed the effective date for the measurement and recognition guidance contained in Issue 03-1 until such time as additional implementation guidance could be provided. In June 2005, the FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment, but directed the staff to draft and submit for vote FSP FAS 115-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, which will replace the measurement and recognition guidance set forth in Issue 03-1 with references to existing other-than-temporary impairment guidance. FSP FAS 115-1 will also codify the guidance set forth in EITF Topic D-44 and clarify that an investor should recognize an impairment loss no later than when the impairment is deemed other-than-temporary, even if a decision to sell has not been made. The FSP is expected to be issued in the fourth quarter and will likely be effective for other-than-temporary impairment analysis conducted in periods beginning after December 15, 2005. The disclosure guidance of Issue 03-1 remains effective. See Note M for BancGroup's disclosures under Issue 03-1. The changes required by FSP FAS 115-1 are not expected to have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS 123(R), *Share-Based Payment*, which is a revision of SFAS 123, *Accounting for Stock-Based Compensation*. SFAS 123(R) supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends SFAS 95, *Statement of Cash Flows*. Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123. However, SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. SFAS 123(R) was originally effective for interim or annual periods beginning after June 15, 2005. However, in April 2005 the Securities and Exchange Commission (SEC) amended this requirement allowing companies to adopt the standard at the beginning of their next fiscal year that begins after June 15, 2005. Early adoption will be permitted in periods in which financial statements have not yet been issued. SFAS 123(R) permits public companies to adopt its requirements using one of two methods:

A modified prospective method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123(R) that remain unvested on the effective date.

Table of Contents

THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A modified retrospective method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

The Company plans to adopt SFAS 123(R) on January 1, 2006 using the modified prospective method.

As permitted by SFAS 123, the Company currently accounts for share-based payments to employees using Opinion 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS 123(R)'s fair value method will have an impact on the Company's results of operations, although it should have no material impact on its overall financial position. The impact of adopting SFAS 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Company adopted SFAS 123(R) in prior periods, the impact of that standard would likely have approximated the impact of SFAS 123 as described in the disclosure of pro forma net income and earnings per share included in Note K.

In March 2005, the SEC issued Staff Accounting Bulletin (SAB) No. 107, *Share-Based Payment*, which provides interpretive guidance on various issues in SFAS 123(R), particularly valuation methodologies and the selection of assumptions. This SAB also discusses the SEC staff's expectations regarding disclosures in Management's Discussion and Analysis related to share-based payment transactions, as well as the interaction of SFAS 123(R) with existing SEC guidance, such as that dealing with disclosure of non-GAAP financial measures.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections*, which replaces APB Opinion No. 20, *Accounting Changes*, and SFAS 3, *Reporting Accounting Changes in Interim Financial Statements - An Amendment of APB Opinion No. 28*. SFAS 154 changes the requirements for the accounting and reporting of a change in accounting principle. It applies to all voluntary changes in accounting principle as well as to changes required by an accounting pronouncement that does not include specific transition provisions. SFAS 154 eliminates the requirement in APB Opinion No. 20 to include the cumulative effect of changes in accounting principle in the income statement in the period of change. Instead, to enhance the comparability of prior period financial statements, SFAS 154 requires that changes in accounting principle be retrospectively applied. Under retrospective application, the new accounting principle is applied as of the beginning of the first period presented as if that principle had always been used. The cumulative effect of the change is reflected in the carrying value of assets and liabilities as of the first period presented and the offsetting adjustments are recorded to opening retained earnings. Each period presented is adjusted to reflect the period-specific effects of applying the change. Although retrospective application is similar to restating prior periods, SFAS 154 gives the treatment a new name to differentiate it from restatement for the correction of an error. Only direct effects of the change will be included in the retrospective application; all indirect effects will be recognized in the period of change. If it is impracticable to determine the cumulative effect for all prior periods, the new accounting principle should be applied as if it were adopted prospectively from the earliest date practicable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date SFAS 154 was issued. The changes required by SFAS 154 are not expected to have a material impact on the Company's financial statements.

Note E: Business Combinations

Edgar Filing: COLONIAL BANGROUP INC - Form 10-Q/A

During the nine months ended September 30, 2005, BancGroup made the following acquisitions to enhance its geographic position and expand its banking operations within Florida.

Table of Contents

THE COLONIAL BANCGROUP, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Union Bank Acquisition

BancGroup completed the acquisition of UB Financial Corporation's wholly-owned subsidiary, Union Bank of Florida (Union), a Florida state chartered bank, on February 10, 2005. Union's results of operations were included in BancGroup's consolidated financial results beginning February 11, 2005.

Total consideration for the transaction was \$233.4 million, consisting of 2,903,402 shares of BancGroup common stock valued at \$58.7 million and \$174.7 million in cash. This consideration along with other direct acquisition costs and liabilities incurred led to a total acquisition cost of approximately \$239.9 million. The value of the common stock issued was determined based on the average market price of BancGroup's shares over the five-day period beginning two days before and ending two days after February 3, 2005, the measurement date for this transaction.

FFLC Bancorp, Inc. Acquisition

BancGroup completed the acquisition of FFLC Bancorp, Inc. (FFLC) and its subsidiary, First Federal Savings Bank of Lake County, on May 18, 2005. FFLC's results of operations were included in BancGroup's consolidated financial results beginning May 19, 2005.

Total consideration for the transaction was \$247.3 million, consisting of 9,419,064 shares of BancGroup common stock valued at \$212.7 million, \$31.9 million in cash, and stock options valued at \$2.7 million. This consideration along with other direct acquisition costs and liabilities incurred led to a total acquisition cost of approximately \$249.9 million. The value of the common stock issued was determined based on the average market price of BancGroup's shares over the five-day period beginning two days before and ending two days after May 16, 2005, the measurement date for this transaction. The fair value of the stock options was determined using the Black-Scholes option pricing model.

Pro Forma Results of Operations

The following table presents unaudited pro forma results of operations for the nine and three months ended September 30, 2005 and 2004, as if the Union and FFLC acquisitions had occurred at January 1, 2004. Since no consideration is given to operational efficiencies and expanded products and services, the pro forma summary information does not necessarily reflect the results of operations as they actually would have been if the acquisitions had occurred at January 1, 2004:

Nine Months Ended	Three Months Ended
	September 30,

Edgar Filing: COLONIAL BANGROUP INC - Form 10-Q/A

	September 30,			
	2005	2004	2005	2004
	(Restated)	(Restated)	(Restated)	(Restated)
	(In thousands, except per share amounts)			
Net Interest Income	\$ 541,395	\$ 460,983	\$ 185,266	\$ 162,131
Net Income	172,896	144,625	56,476	56,009
Basic EPS	1.13	1.01	0.37	0.38
Diluted EPS	1.12	1.00	0.36	0.38

Table of Contents

THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note F: 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:

	Nine Months Ended			Three Months Ended		
	September 30,			September 30,		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
(Restated)		(Restated)	(Restated)		(Restated)	
(In thousands, except per share amounts)						
2005						
Basic EPS	\$ 166,995	147,450	\$ 1.13	\$ 56,476	153,721	\$ 0.37
Effect of dilutive instruments:						
Options and nonvested stock bonus awards		1,721			1,789	
Diluted EPS	\$ 166,995	149,171	\$ 1.12	\$ 56,476	155,510	\$ 0.36
2004						
Basic EPS	\$ 126,530	130,267	\$ 0.97	\$ 50,235	133,568	\$ 0.38
Effect of dilutive instruments:						
Options		1,138			1,162	
Diluted EPS	\$ 126,530	131,405	\$ 0.97	\$ 50,235	134,730	\$ 0.38

The above calculations exclude options that could potentially dilute basic EPS in the future but were antidilutive for the periods presented. The number of such options excluded was 63,875 for both the three months and nine months ended September 30, 2005 and 10,000 and 58,000 for the three and nine months ended September 30, 2004, respectively.

Note G: Segment Information

Edgar Filing: COLONIAL BANCGROUP INC - Form 10-Q/A

The Company has six operating segments. Each regional bank segment consists of commercial lending and full service branches in its geographic region. The branches provide a full range of traditional banking products as well as financial planning and mortgage banking services. The mortgage warehouse segment headquartered in Orlando, Florida provides loans, collateralized by residential mortgage loans, to mortgage origination companies and services loans sold to third-parties. Corporate/Treasury/Other includes balance sheet management activities that include the investment securities portfolio, wholesale funding and derivative hedging strategies, the parent company's activities, intercompany eliminations, certain support activities not currently allocated to the aforementioned segments, income from bank owned life insurance, income and expenses from various nonbank subsidiaries, joint ventures and equity investments, merger related expenses and the unallocated portion of the Company's financial planning business.

The results for these segments are based on our management reporting process, which assigns balance sheet and income statement items to each segment. Unlike financial reporting, there is no authoritative guidance for management reporting equivalent to generally accepted accounting principles. Colonial uses an internal funding methodology to assign funding costs to assets and earning credits to liabilities as well as an internal capital allocation methodology with offsets in Corporate/Treasury/Other. The provision for loan losses included in each segment is based on management's allocation of the Company's loan loss reserve. Certain back office support functions are allocated to each segment on the basis most applicable to the function being allocated. The management accounting process measures the performance of the defined segments based on our management structure and is not necessarily comparable with similar information for other financial services companies. If the management structure and/or allocation process changes, allocations, transfers and assignments may change. Results for prior periods have been restated for comparability.

Table of Contents**THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Florida Regional Bank	Florida Mortgage Warehouse	Alabama Regional Bank	Georgia Regional Bank	Nevada Regional Bank	Texas Regional Bank	Corporate/ Treasury/ Other	Consolidated BancGroup
(Dollars in thousands, restated)								
Nine Months Ended September 30, 2005								
Net interest income before intersegment income / expense	\$ 241,972	\$ 77,964	\$ 91,305	\$ 50,023	\$ 36,182	\$ 47,262	\$ (22,049)	\$ 522,659
Intersegment interest income / expense	(5,008)	(31,231)	22,872	(12,128)	(3,934)	(13,235)	42,664	
Net interest income	236,964	46,733	114,177	37,895	32,248	34,027	20,615	522,659
Provision for loan losses	7,699	436	3,201	450	1,282	1,741	6,137	20,946
Noninterest income	38,415	10,633	43,205	6,443	4,392	3,946	24,640	131,674
Noninterest expense	155,777	5,107	80,604	21,046	17,930	21,062	81,248	382,774
Income/(loss) before income taxes	\$ 111,903	\$ 51,823	\$ 73,577	\$ 22,842	\$ 17,428	\$ 15,170	\$ (42,130)	250,613
Income taxes								83,618
Net Income								\$ 166,995
Balances at September 30, 2005:								
Total Assets	\$ 9,487,158	\$ 2,189,969	\$ 3,919,235	\$ 1,310,060	\$ 877,071	\$ 1,183,415	\$ 2,149,872	\$ 21,116,780
Total Deposits	\$ 8,034,988	\$ 628,168	\$ 3,797,728	\$ 803,144	\$ 637,071	\$ 532,875	\$ 835,851	\$ 15,269,825
Nine Months Ended September 30, 2004								
Net interest income before intersegment income / expense	\$ 165,533	\$ 46,784	\$ 87,777	\$ 39,319	\$ 30,182	\$ 33,097	\$ 10,611	\$ 413,303
Intersegment interest income / expense	11,341	(8,640)	28,146	(1,726)	(2,284)	(4,911)	(21,926)	
Net interest income	176,874	38,144	115,923	37,593	27,898	28,186	(11,315)	413,303
Provision for loan losses	9,008	171	5,616	815	1,128	1,360	3,508	21,606
Noninterest income	29,534	2,182	35,984	6,070	3,993	3,977	34,617	116,357
Noninterest expense	112,131	4,171	85,656	20,503	16,751	19,293	57,919	316,424
Income/(loss) before income taxes	\$ 85,269	\$ 35,984	\$ 60,635	\$ 22,345	\$ 14,012	\$ 11,510	\$ (38,125)	191,630
Income taxes								65,100
Net Income								\$ 126,530
Balances at September 30, 2004:								
Total Assets	\$ 6,513,690	\$ 1,716,137	\$ 3,856,464	\$ 1,298,789	\$ 736,196	\$ 973,025	\$ 3,092,589	\$ 18,186,890
Total Deposits	\$ 5,410,008	\$ 316,978	\$ 3,655,801	\$ 768,477	\$ 479,258	\$ 488,851	\$ 260,079	\$ 11,379,452

Table of Contents

THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Florida Regional Bank	Florida Mortgage Warehouse	Alabama Regional Bank	Georgia Regional Bank	Nevada Regional Bank	Texas Regional Bank	Corporate/ Treasury/ Other	Consolidated BancGroup
(In thousands, restated)								
Three Months Ended September 30, 2005								
Net interest income before intersegment income / expense	\$ 86,678	\$ 33,987	\$ 31,694	\$ 17,392	\$ 13,022	\$ 17,458	\$ (14,965)	\$ 185,266
Intersegment interest income / expense	(3,952)	(16,498)	6,044	(4,849)	(1,380)	(5,407)	26,042	
Net interest income	82,726	17,489	37,738	12,543	11,642	12,051	11,077	185,266
Provision for loan losses	1,802	22	532	150	430	588	2,483	6,007
Noninterest income	14,382	5,034	11,347	2,306	1,619	1,541	3,097	39,326
Noninterest expense	57,168	1,811	26,968					