

COLONIAL BANGROUP INC

Form 10-Q

November 04, 2003

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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 QUARTERLY PERIOD ENDED September 30, 2003

COMMISSION FILE NUMBER 1-13508

THE COLONIAL BANGROUP, 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
(Address of principle executive offices)

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(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 NO

Indicate by check mark whether the registrant is an accelerated filer (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 September 30, 2003</u>
Common Stock, \$2.50 Par Value	124,422,742

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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) an inability of the company to realize elements of its strategic plans for 2003 and beyond; (ii) increases in competitive pressure in the banking industry or other factors that may reduce non-interest income; (iii) 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; (iv) expected cost savings from recent acquisitions are not fully realized; (v) adverse changes in the interest rate environment which may reduce or expand margins or adversely affect critical estimates as applied and projected returns on investments; (vi) management's assumptions and estimates underlying critical accounting policies prove to be inadequate or materially incorrect or are not borne out by subsequent events; and (vii) changes which may occur in the regulatory environment. When used in this report, the words believes, estimates, plans, expects, should, may, might, outlook, anticipates, and similar expressions as they relate to BancGroup (including its subsidiaries) management are intended to identify forward-looking statements. Forward-looking statements speak only as to the date they are made. BancGroup does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

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

	September 30, 2003	December 31, 2002	September 30, 2002
ASSETS:			
Cash and due from banks	\$ 321,362	\$ 381,549	\$ 323,944
Interest-bearing deposits in banks and federal funds sold	45,757	37,872	126,940
Securities available for sale	2,852,344	2,618,129	2,547,853
Investment securities	10,952	20,006	24,248
Mortgage loans held for sale	366,080	347,101	154,752
Loans, net of unearned income	11,409,448	11,692,430	11,196,422
Less: Allowance for loan losses	(136,625)	(135,265)	(136,360)
Loans, net	11,272,823	11,557,165	11,060,062
Premises and equipment, net	236,229	231,574	224,986
Goodwill	225,934	225,677	226,741
Other intangibles, net	28,214	31,471	33,100
Other real estate owned	16,809	20,602	20,712
Accrued interest and other assets	458,015	351,209	345,387
TOTAL ASSETS	\$ 15,834,519	\$ 15,822,355	\$ 15,088,725
LIABILITIES AND SHAREHOLDERS EQUITY:			
Deposits:			
Non-interest bearing deposits	\$ 1,884,568	\$ 1,734,321	\$ 1,618,195
Interest bearing deposits	3,002,640	2,704,479	2,606,538
Savings	558,071	511,643	483,387
Time	3,859,949	4,369,292	4,447,831
Total deposits	9,305,228	9,319,735	9,155,951
Short-term borrowings	3,352,913	3,355,678	2,748,976
Subordinated debt	284,926	283,317	286,356
Trust preferred securities		197,878	194,946

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Junior subordinated debt	305,425		
FHLB and other long-term debt	1,407,973	1,517,339	1,562,405
Accrued expenses and other liabilities	66,260	76,972	86,834
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	14,722,725	14,750,919	14,035,468
	<u> </u>	<u> </u>	<u> </u>
SHAREHOLDERS EQUITY:			
Common Stock, \$2.50 par value; 200,000,000 shares authorized; 124,422,742, 123,700,015, and 123,649,591 shares issued at September 30, 2003, December 31, 2002, and September 30, 2002, respectively			
	311,057	309,250	309,124
Additional paid in capital	205,232	200,886	200,591
Retained earnings	605,351	545,223	526,553
Unearned compensation	(1,930)	(2,778)	(3,080)
Accumulated other comprehensive income, net of taxes	(7,916)	18,855	20,069
	<u> </u>	<u> </u>	<u> </u>
Total shareholders equity	1,111,794	1,071,436	1,053,257
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 15,834,519	\$ 15,822,355	\$ 15,088,725
	<u> </u>	<u> </u>	<u> </u>

See Notes to the Unaudited Condensed Consolidated Financial Statements.

Table of Contents**THE COLONIAL BANGROUP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)****(Dollars in thousands except per share amounts)**

	Nine Months Ended		Three Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
INTEREST INCOME:				
Interest and fees on loans	\$ 505,831	\$ 497,058	\$ 168,313	\$ 167,871
Interest and dividends on securities	79,617	85,488	26,896	30,173
Other interest	545	715	133	325
Total interest income	585,993	583,261	195,342	198,369
INTEREST EXPENSE:				
Interest on deposits	107,419	141,345	32,058	47,154
Interest on short-term borrowings	30,454	26,116	9,813	10,318
Interest on long-term debt	72,293	74,170	23,895	25,018
Total interest expense	210,166	241,631	65,766	82,490
NET INTEREST INCOME	375,827	341,630	129,576	115,879
Provision for loan losses	28,176	24,777	9,306	6,803
Net Interest Income After Provision for Loan Losses	347,651	316,853	120,270	109,076
NONINTEREST INCOME:				
Service charges on deposit accounts	39,377	33,058	14,304	11,404
Financial planning services	11,525	8,326	3,764	3,200
Electronic banking	7,632	6,182	2,489	2,184
Mortgage origination	14,990	8,885	4,274	3,858
Securities gains, net	3,859	1,639	142	976
Other income	18,625	14,264	7,290	4,374
Total noninterest income	96,008	72,354	32,263	25,996
NONINTEREST EXPENSE:				
Salaries and employee benefits	145,625	120,045	50,295	42,591
Occupancy expense of bank premises, net	32,996	28,753	11,344	9,961
Furniture and equipment expenses	27,564	22,533	9,248	7,960
Amortization of intangible assets	3,257	1,767	1,085	892
Other expenses	64,233	54,171	21,755	18,957

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Total noninterest expense	<u>273,675</u>	<u>227,269</u>	<u>93,727</u>	<u>80,361</u>
	&nb			