

Colonial BancGroup Inc.
CNB - \$15.50 – NYSE**Recommendation: Cover 1/2 Short Position**

- **1st Short recommendation: 4-10-2007 @ \$23.93** Holding period 7 months
- **2nd Short Recommendation: 6-26-2007 @ \$24.82** Holding period 5 months
- Average Short Price: \$24.37 Average Holding period 6 months
- Close out ½: \$15.50
- **Profit: +\$8.87 +36.4%**

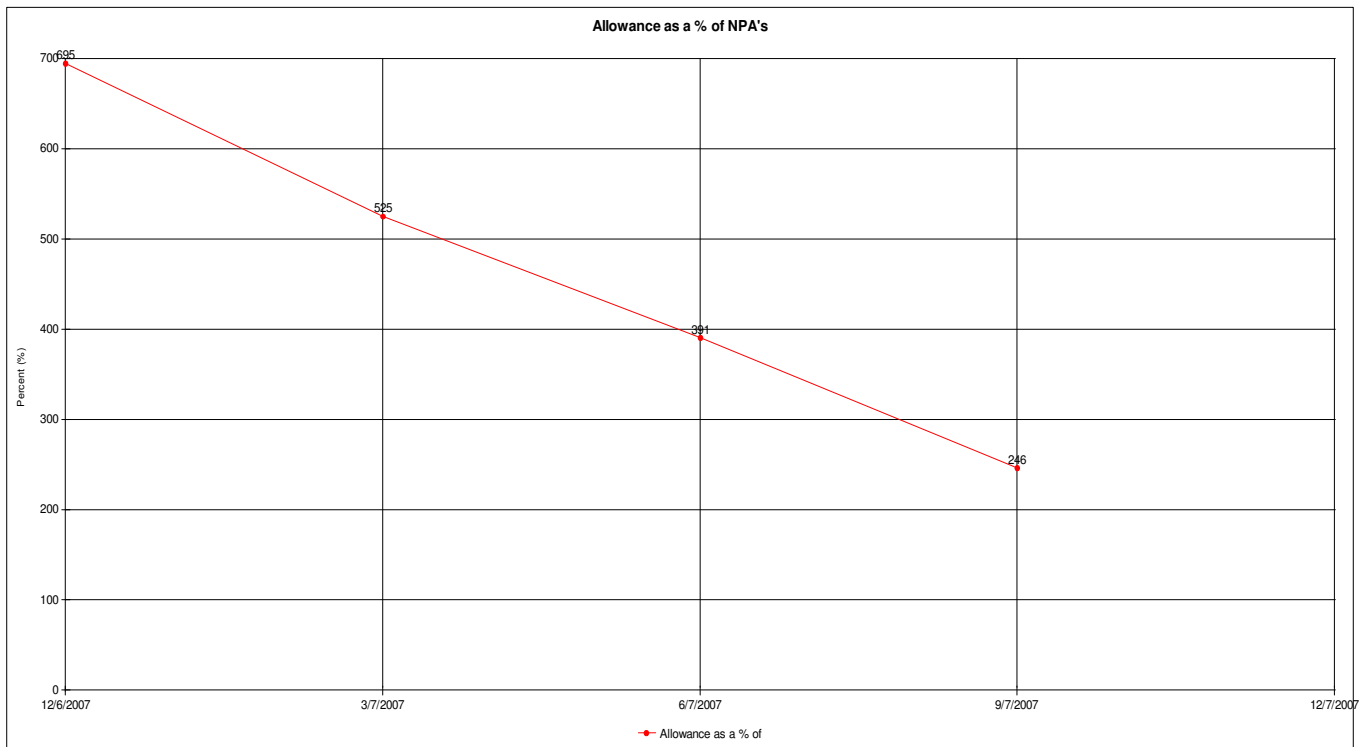
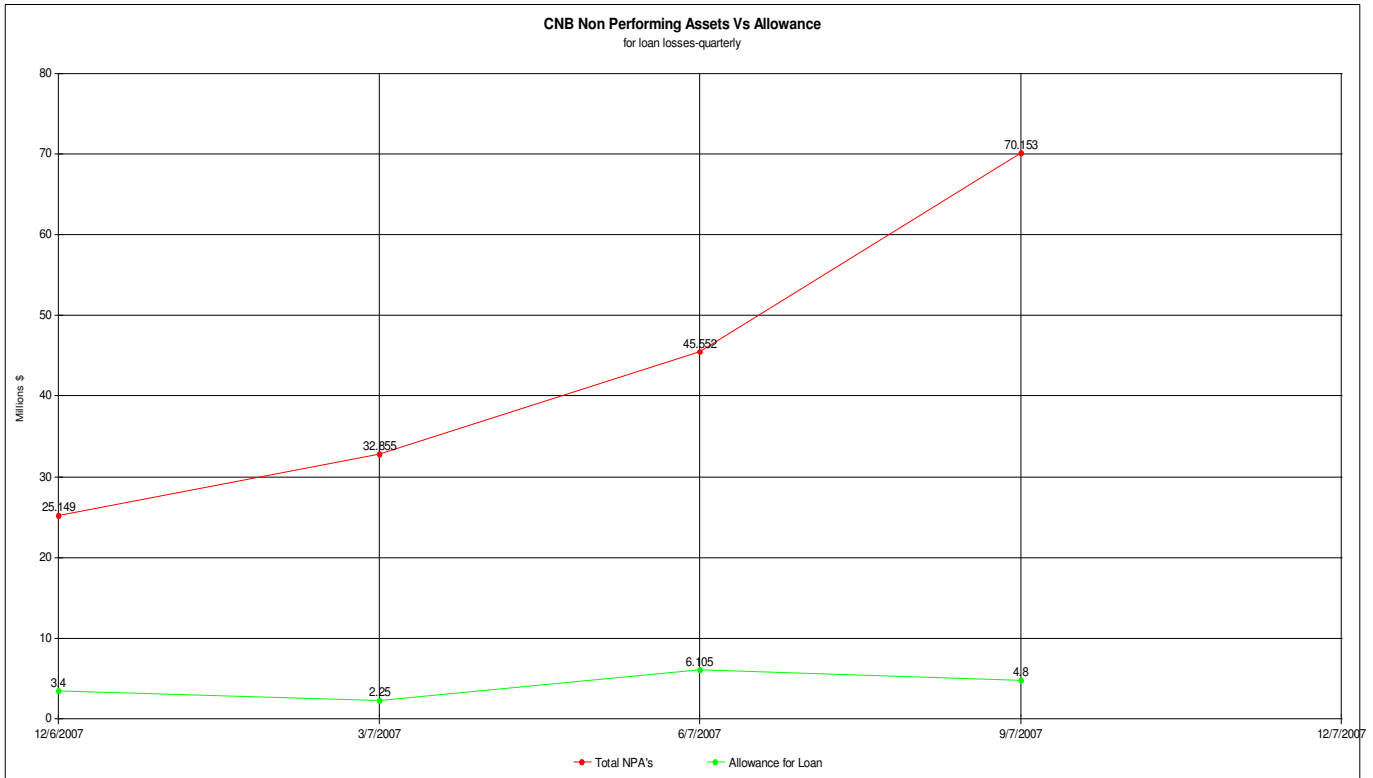
In our original short report on April 10, 2007 we recommended our clients sell short CNB with a price target of \$17 within 12 months. CNB has now gone below our price target and therefore we are recommending our clients take some profit here. We are not recommending covering our entire short position because the fundamentals are continuing to deteriorate. However, the stock has declined over 18% in the past week and has gone below our target price. We are comfortable holding the remaining one half of our short position.

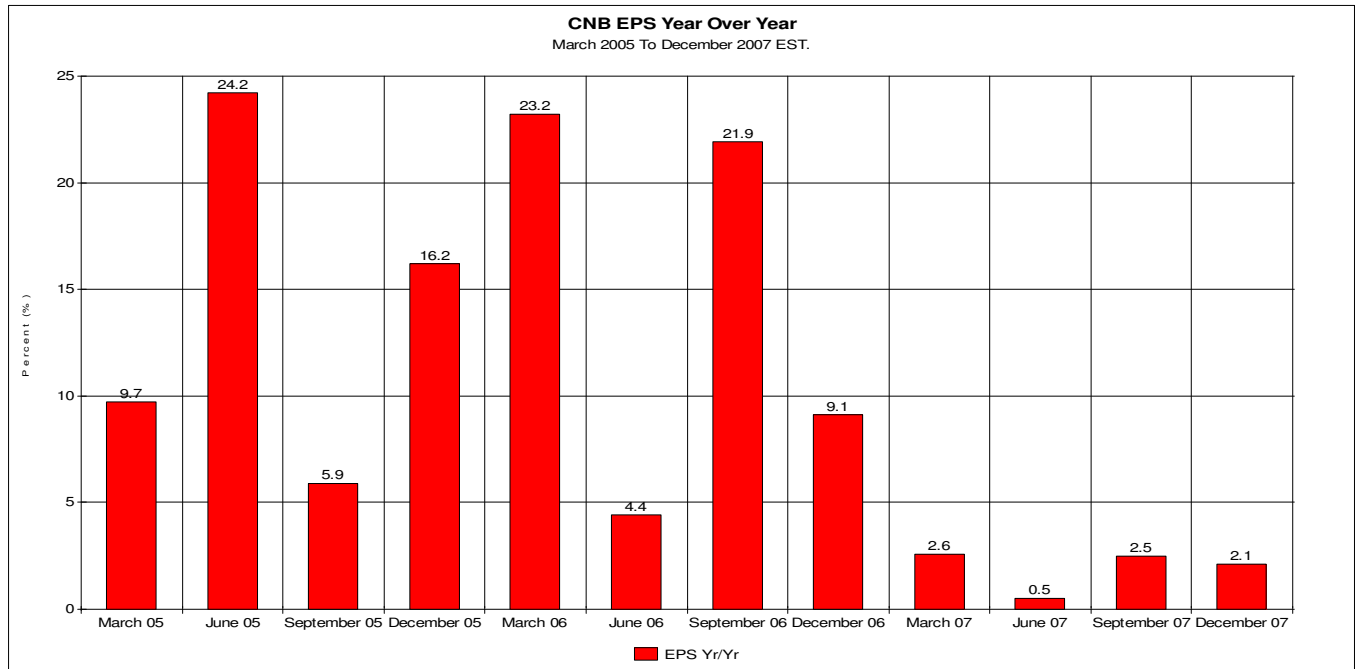
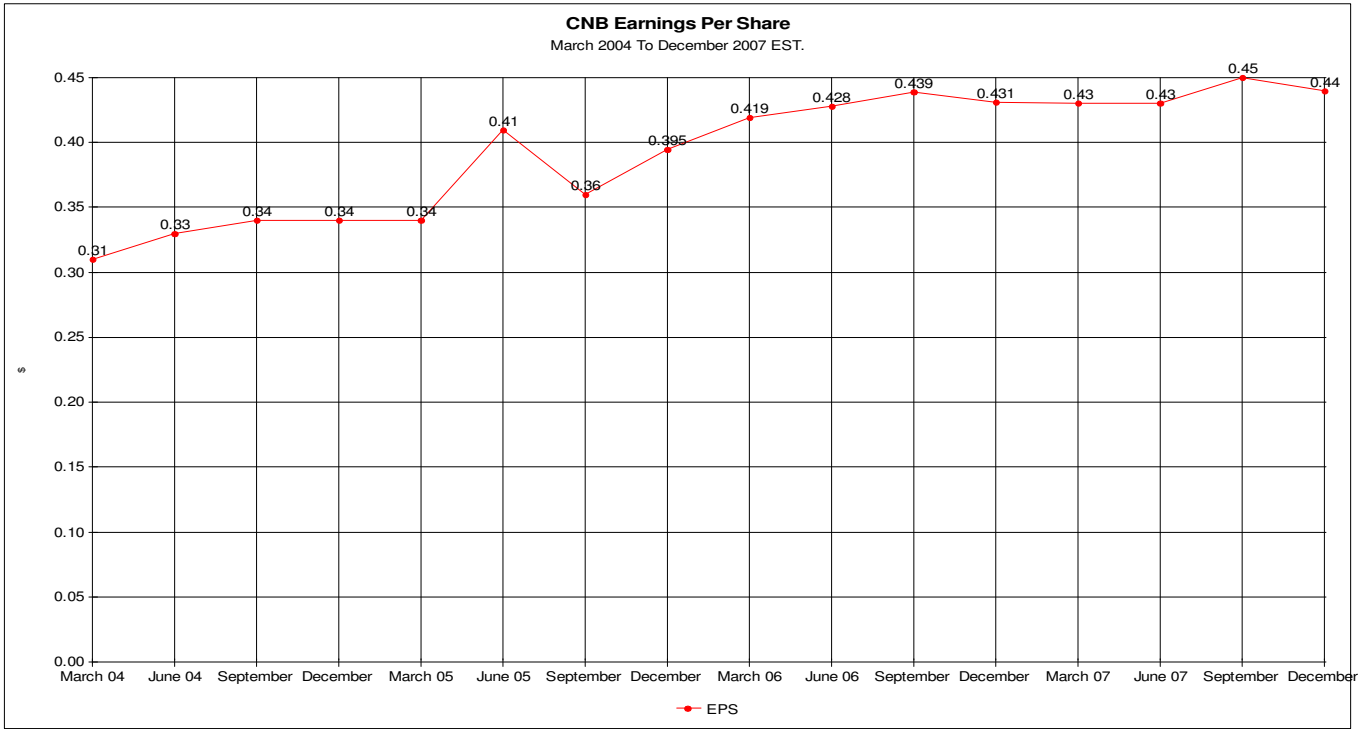
CNB continues to pretend that all is well and is not raising its loan loss provisions enough in our opinion. In the latest quarter ended September 30, 2007 **CNB lowered its loan loss provision 21 percent** versus the previous quarter **and has lowered its loan loss reserves 30% from \$18.7 million in September 2006 to \$13.15 million in the September 2007 quarter.** Has any real estate improved in Florida during the past 12 months?

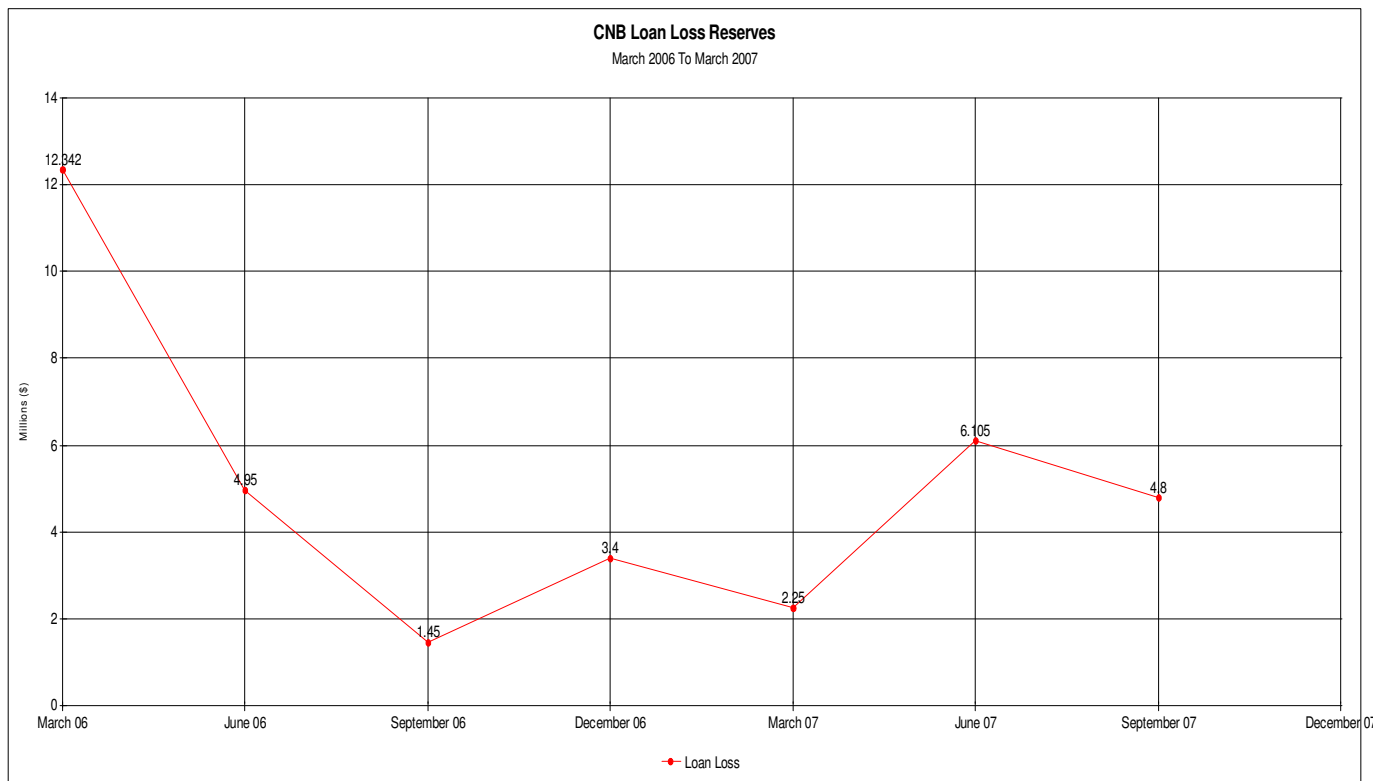
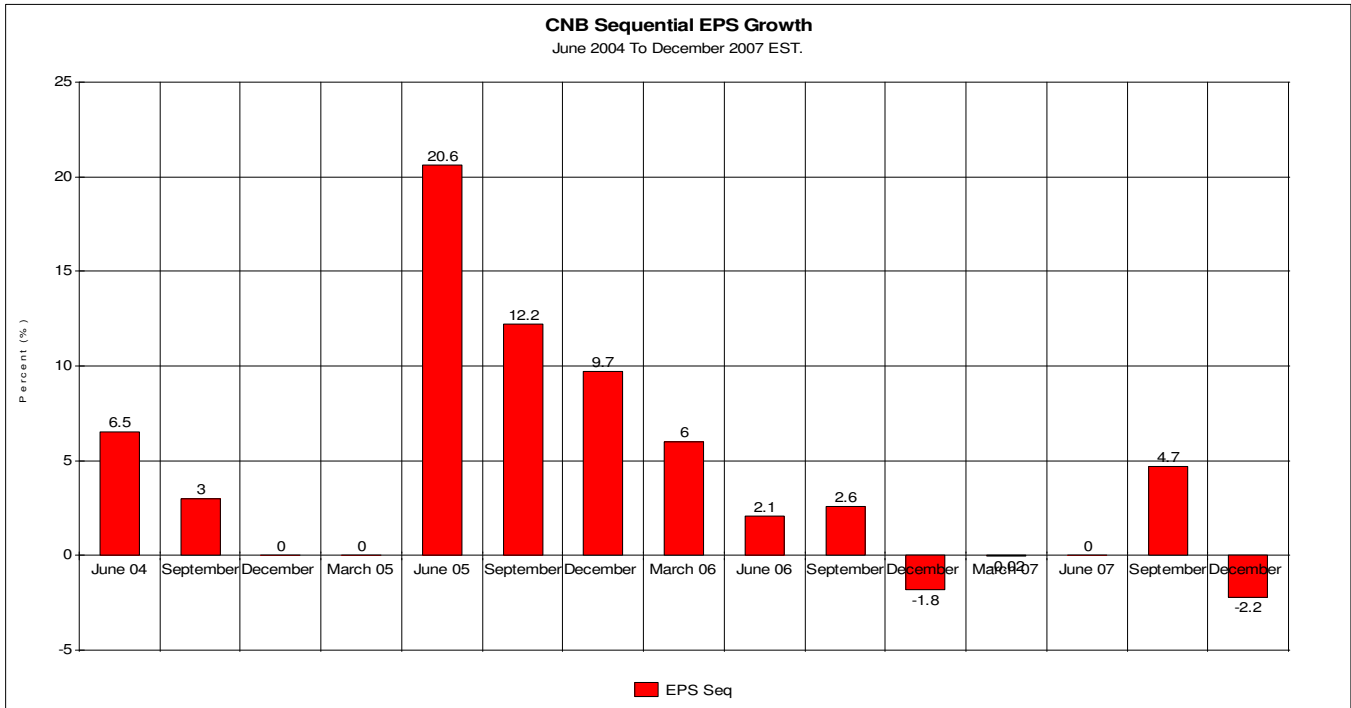
Non performing assets increased 54% from \$45.5 million to \$70.153 million in the 2007 third quarter from the second quarter, **yet CNB lowered its allowance for loan losses 21%**, from \$6.1 million to \$4.8 million. For the first 9 months of 2007 **NPA's have risen 178.9%**, from \$25.1 million at December 31, 2006 to \$70.1 million at the end of September 2007, **yet CNB has lowered its allowance for loan losses 30%.**

We believe that this stock will eventually trade below book value which is currently \$14.16. We also believe that in the next quarter or two, CNB will be forced to raise its loan loss reserves substantially, which will dramatically cut earnings per share.

There is no need to rush to cover this short position, things are still deteriorating, but it has reached our original price target so we are taking some profit.







COLONIAL BANCGROUP CLASS A
as of 20-Nov-2007

Splits: ▼

