

ALABAMA NATIONAL BANCORPORATION

Form 10-Q

August 08, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

PURSUANT TO SECTION 13 or 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007

0-25160

(Commission File No.)

ALABAMA NATIONAL BANCORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State of incorporation)

63-1114426
(IRS employer identification number)

1927 First Avenue North, Birmingham, Alabama
(Address of principal executive offices)

35203-4009
(Zip Code)

205-583-3600

(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 (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. (Check one):

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

The registrant has 20,378,883 shares of common stock, par value \$1.00 per share, outstanding at August 7, 2007.

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ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

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Statements contained in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, Alabama National Bancorporation (Alabama National or the Company), through its senior management, from time to time makes forward-looking public statements concerning its expected future operations and performance and other developments. Such forward-looking statements are necessarily estimates reflecting Alabama National's best judgment based upon current information and involve a number of risks and uncertainties, and various factors could cause results to differ materially from those contemplated by such forward-looking statements. Such factors could include those identified from time to time in Alabama National's Securities and Exchange Commission filings and other public announcements, including the factors described in Alabama National's Annual Report on Form 10-K for the year ended December 31, 2006. With respect to the adequacy of the allowance for loan and lease losses for Alabama National, these factors include the rate of growth in the economy, especially in the Southeast, the relative strength and weakness in the consumer and commercial credit sectors and in the real estate markets and the performance of the stock and bond markets. The forward-looking statements contained in this Quarterly Report speak only as of the date of this report, and Alabama National undertakes no obligation to revise these statements following the date of this Quarterly Report on Form 10-Q.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Financial Statements (Unaudited)****Alabama National BanCorporation and Subsidiaries****Consolidated Statements of Financial Condition****(In thousands, except share amounts)**

| | June 30, 2007 | December 31, 2006 |
|---|----------------------|--------------------------|
| Assets | | |
| Cash and due from banks | \$ 182,101 | \$ 200,153 |
| Interest-bearing deposits in other banks | 25,419 | 16,350 |
| Federal funds sold and securities purchased under resell agreements | 83,627 | 89,865 |
| Trading securities, at fair value | 3,000 | 532 |
| Investment securities (fair values of \$691,943 and \$705,460 at June 30, 2007 and December 31, 2006, respectively) | 713,900 | 716,406 |
| Securities available for sale, at fair value | 512,586 | 549,368 |
| Loans held for sale | 39,512 | 27,652 |
| Loans and leases | 5,710,253 | 5,461,400 |
| Unearned income | (4,731) | (5,264) |
| Loans and leases, net of unearned income | 5,705,522 | 5,456,136 |
| Allowance for loan and lease losses | (70,474) | (68,246) |
| Net loans and leases | 5,635,048 | 5,387,890 |
| Property, equipment and leasehold improvements, net | 164,722 | 155,001 |
| Assets to be disposed of | | 3,549 |
| Goodwill | 311,682 | 311,583 |
| Other intangible assets, net | 13,884 | 16,583 |
| Cash surrender value of life insurance | 107,248 | 104,992 |
| Receivable from investment division customers | 6,438 | 1,114 |
| Other assets | 103,370 | 90,236 |
| Totals | \$ 7,902,537 | \$ 7,671,274 |
| Commitments and contingencies (Note B) | | |
| Liabilities and Stockholders Equity | | |
| Deposits: | | |
| Noninterest bearing | \$ 767,775 | \$ 849,127 |
| Interest bearing | 5,017,735 | 4,718,476 |
| Total deposits | 5,785,510 | 5,567,603 |
| Federal funds purchased and securities sold under repurchase agreements | 611,291 | 627,297 |
| Liabilities to be disposed of | | 1,019 |
| Accrued expenses and other liabilities | 54,955 | 56,057 |
| Payable for securities purchased for investment division customers | 9,438 | 1,446 |
| Short-term borrowings | 133,372 | 161,830 |
| Long-term debt | 442,378 | 402,399 |

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| | | |
|---|--------------|--------------|
| Total liabilities | \$ 7,036,944 | \$ 6,817,651 |
| Common stock, \$1 par; 50,000,000 shares authorized; 20,606,707 and 20,562,467 shares issued at June 30, 2007 and December 31, 2006, respectively | 20,607 | 20,562 |
| Additional paid-in capital | 575,836 | 573,756 |
| Retained earnings | 291,283 | 266,668 |
| Treasury stock at cost, 200,000 shares at June 30, 2007 | (12,578) | |
| Accumulated other comprehensive loss, net of tax | (9,555) | (7,363) |
| Total stockholders' equity | 865,593 | 853,623 |
| Totals | \$ 7,902,537 | \$ 7,671,274 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents**Alabama National BanCorporation and Subsidiaries****Consolidated Statements of Income (Unaudited)****(In thousands, except per share data)**

| | For the Three Months Ended June 30, | |
|---|--|----------------|
| | 2007 | 2006 |
| Interest income: | | |
| Interest and fees on loans and leases | \$ 115,100 | \$ 91,857 |
| Interest on securities | 13,838 | 12,924 |
| Interest on deposits in other banks | 270 | 146 |
| Interest on trading securities | 10 | 8 |
| Interest on federal funds sold and securities purchased under resell agreements | 907 | 993 |
| Total interest income | 130,125 | 105,928 |
| Interest expense: | | |
| Interest on deposits | \$ 51,661 | \$ 33,943 |
| Interest on federal funds purchased and securities sold under repurchase agreements | 7,235 | 7,255 |
| Interest on short-term borrowings | 1,669 | 724 |
| Interest on long-term debt | 5,354 | 5,063 |
| Total interest expense | 65,919 | 46,985 |
| Net interest income | 64,206 | 58,943 |
| Provision for loan and lease losses | 3,273 | 1,920 |
| Net interest income after provision for loan and lease losses | 60,933 | 57,023 |
| Noninterest income: | | |
| Service charges on deposit accounts | \$ 4,190 | \$ 4,011 |
| Investment services income | 1,664 | 966 |
| Wealth management income | 6,332 | 5,364 |
| Gain on sale of mortgages | 3,693 | 2,661 |
| Commercial mortgage banking income | 397 | 284 |
| Bank owned life insurance | 1,120 | 798 |
| Securities losses | | (516) |
| Gain on disposition of assets | 104 | 32 |
| Other | 4,157 | 4,263 |
| Total noninterest income | 21,657 | 17,863 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents**Alabama National BanCorporation and Subsidiaries****Consolidated Statements of Income (Unaudited) (Continued)****(In thousands, except per share data)**

| | For the Three Months Ended June 30, | |
|--|--|---------------|
| | 2007 | 2006 |
| Noninterest expense: | | |
| Salaries and employee benefits | \$ 25,187 | \$ 22,822 |
| Commission based compensation | 5,386 | 4,423 |
| Occupancy and equipment expenses | 5,819 | 5,025 |
| Amortization of intangibles | 1,282 | 1,276 |
| Other | 13,017 | 11,831 |
| Total noninterest expense | 50,691 | 45,377 |
| Income before provision for income taxes from continuing operations | 31,899 | 29,509 |
| Provision for income taxes | 10,840 | 10,222 |
| Net income from continuing operations | 21,059 | 19,287 |
| Pre-tax income from discontinued operations, including a gain on disposal of \$1,463 during the three months ended June 30, 2007 | 1,574 | 49 |
| Provision for income taxes on discontinued operations | 595 | 19 |
| Income from discontinued operations | 979 | 30 |
| Net income | \$ 22,038 | \$ 19,317 |
| Cash dividends per common share | \$ 0.41 | \$ 0.375 |
| Weighted average common shares outstanding: | | |
| Basic | 20,714 | 18,806 |
| Diluted | 20,858 | 18,984 |
| Earnings per common share from continuing operations: | | |
| Basic | \$ 1.02 | \$ 1.03 |
| Diluted | \$ 1.01 | \$ 1.02 |
| Earnings per common share from discontinued operations: | | |
| Basic | \$ 0.05 | \$ 0.00 |
| Diluted | \$ 0.05 | \$ 0.00 |
| Earnings per common share: | | |
| Basic | \$ 1.06 | \$ 1.03 |
| Diluted | \$ 1.06 | \$ 1.02 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents**Alabama National BanCorporation and Subsidiaries****Consolidated Statements of Income (Unaudited)****(In thousands, except per share data)**

| | For the Six Months Ended June 30, | |
|---|--|----------------|
| | 2007 | 2006 |
| Interest income: | | |
| Interest and fees on loans and leases | \$ 226,665 | \$ 169,095 |
| Interest on securities | 27,966 | 25,054 |
| Interest on deposits in other banks | 554 | 225 |
| Interest on trading securities | 24 | 19 |
| Interest on federal funds sold and securities purchased under resell agreements | 1,794 | 1,725 |
| Total interest income | 257,003 | 196,118 |
| Interest expense: | | |
| Interest on deposits | \$ 100,541 | \$ 61,040 |
| Interest on federal funds purchased and securities sold under repurchase agreements | 14,819 | 13,065 |
| Interest on short-term borrowings | 3,675 | 1,121 |
| Interest on long-term debt | 10,711 | 9,374 |
| Total interest expense | 129,746 | 84,600 |
| Net interest income | 127,257 | 111,518 |
| Provision for loan and lease losses | 5,035 | 3,163 |
| Net interest income after provision for loan and lease losses | 122,222 | 108,355 |
| Noninterest income: | | |
| Service charges on deposit accounts | \$ 8,112 | \$ 7,711 |
| Investment services income | 2,725 | 1,830 |
| Wealth management income | 12,036 | 10,731 |
| Gain on sale of mortgages | 6,866 | 5,272 |
| Commercial mortgage banking income | 796 | 1,016 |
| Bank owned life insurance | 2,225 | 1,540 |
| Securities losses | | (1,250) |
| Gain on disposition of assets | 493 | 539 |
| Other | 8,099 | 8,421 |
| Total noninterest income | 41,352 | 35,810 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents**Alabama National BanCorporation and Subsidiaries****Consolidated Statements of Income (Unaudited) (Continued)****(In thousands, except per share data)**

| | For the Six Months Ended June 30, | |
|--|--|---------------|
| | 2007 | 2006 |
| Noninterest expense: | | |
| Salaries and employee benefits | \$ 52,255 | \$ 45,407 |
| Commission based compensation | 9,933 | 8,557 |
| Occupancy and equipment expenses | 11,519 | 9,683 |
| Amortization of intangibles | 2,699 | 2,028 |
| Other | 25,395 | 21,741 |
| Total noninterest expense | 101,801 | 87,416 |
| Income before provision for income taxes from continuing operations | 61,773 | 56,749 |
| Provision for income taxes | 20,939 | 19,664 |
| Net income from continuing operations | 40,834 | 37,085 |
| Pre-tax income from discontinued operations, including a gain on disposal of \$1,463 during the six months ended June 30, 2007 | 1,849 | 170 |
| Provision for income taxes on discontinued operations | 700 | 65 |
| Income from discontinued operations | 1,149 | 105 |
| Net income | \$ 41,983 | \$ 37,190 |
| Cash dividends per common share | \$ 0.82 | \$ 0.75 |
| Weighted average common shares outstanding: | | |
| Basic | 20,752 | 18,074 |
| Diluted | 20,904 | 18,252 |
| Earnings per common share from continuing operations: | | |
| Basic | \$ 1.97 | \$ 2.05 |
| Diluted | \$ 1.95 | \$ 2.03 |
| Earnings per common share from discontinued operations: | | |
| Basic | \$ 0.06 | \$ 0.01 |
| Diluted | \$ 0.05 | \$ 0.01 |
| Earnings per common share: | | |
| Basic | \$ 2.02 | \$ 2.06 |
| Diluted | \$ 2.01 | \$ 2.04 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents**Alabama National BanCorporation and Subsidiaries****Consolidated Statements of Comprehensive Income (Unaudited)****(In thousands)**

| | For the Three Months Ended June 30, | |
|--|--|-------------|
| | 2007 | 2006 |
| Net income | \$ 22,038 | \$ 19,317 |
| Other comprehensive income: | | |
| Unrealized losses on securities available for sale arising during the period | (5,485) | (5,317) |
| Reclassification adjustment for net losses included in net income | | (516) |
| Other comprehensive expense, before tax | (5,485) | (4,801) |
| Benefit of income taxes related to items of other comprehensive expense | (1,946) | (1,700) |
| Other comprehensive loss | (3,539) | (3,101) |
| Comprehensive income | \$ 18,499 | \$ 16,216 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents**Alabama National BanCorporation and Subsidiaries****Consolidated Statements of Comprehensive Income (Unaudited)****(In thousands)**

| | For the Six Months Ended June 30, | |
|--|--|-------------|
| | 2007 | 2006 |
| Net income | \$ 41,983 | \$ 37,190 |
| Other comprehensive income: | | |
| Unrealized losses on securities available for sale arising during the period | (3,402) | (8,098) |
| Reclassification adjustment for net losses included in net income | | (1,250) |
| Other comprehensive expense, before tax | (3,402) | (6,848) |
| Benefit of income taxes related to items of other comprehensive expense | (1,210) | (2,420) |
| Other comprehensive loss | (2,192) | (4,428) |
| Comprehensive income | \$ 39,791 | \$ 32,762 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents**Alabama National BanCorporation and Subsidiaries****Consolidated Condensed Statements of Cash Flows (Unaudited)**

(In thousands)

| | For the Six Months | |
|---|--------------------|------------------|
| | Ended June 30, | |
| | 2007 | 2006 |
| Net cash flows provided by operating activities | \$ 32,269 | \$ 24,206 |
| Cash flows from investing activities: | | |
| Proceeds from calls and maturities of investment securities | 53,229 | 44,030 |
| Purchases of investment securities | (50,500) | (104,572) |
| Purchases of securities available for sale | (10,644) | (27,246) |
| Proceeds from sale of securities available for sale | 6,007 | 41,261 |
| Proceeds from calls and maturities of securities available for sale | 38,086 | 29,612 |
| Net increase in interest bearing deposits in other banks | (9,069) | (3,188) |
| Net decrease (increase) in federal funds sold and securities purchased under resell agreements | 6,238 | (13,840) |
| Net increase in loans and leases | (260,039) | (285,130) |
| Purchase acquisitions, net of cash acquired | | (1,289) |
| Cash received from sale of discontinued operations | 4,360 | |
| Purchases of property, equipment and leasehold improvements | (14,570) | (14,456) |
| Capital expenditures related to other real estate | (222) | |
| Proceeds from sale of other real estate owned and fixed assets | 2,007 | 1,182 |
| Net cash used in investing activities | (235,117) | (333,636) |
| Cash flows from financing activities: | | |
| Net increase in deposits | \$ 217,907 | \$ 131,947 |
| Net (decrease) increase in federal funds purchased and securities sold under agreements to repurchase | (16,006) | 93,347 |
| Net (decrease) increase in short-term borrowings | (31,458) | 47,100 |
| Repayments of long-term debt | (42,000) | (55,000) |
| Proceeds from long-term debt | 85,000 | 126,000 |
| Dividends on common stock | (16,812) | (13,421) |
| Purchase of treasury stock | (12,578) | |
| Excess tax benefits from share-based compensation | 143 | 577 |
| Other | 544 | 66 |
| Net cash provided by financing activities | 184,740 | 330,616 |
| (Decrease) increase in cash and cash equivalents | (18,108) | 21,186 |
| Cash and cash equivalents, beginning of period | 200,209 | 189,256 |
| Cash and cash equivalents, end of period | \$ 182,101 | \$ 210,442 |
| Supplemental schedule of noncash investing and financing activities | | |
| Acquisition of collateral in satisfaction of loans | \$ 7,846 | \$ 294 |
| Adjustment to market value of securities available for sale, net of deferred income taxes | \$ (2,192) | \$ (4,428) |
| Assets acquired in business combinations | \$ | \$ 524,094 |

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| | | |
|--|----|------------|
| Liabilities assumed in business combinations | \$ | \$ 411,127 |
| Common stock issued in connection with business combinations | | 1,480,394 |

See accompanying notes to unaudited consolidated financial statements

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ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months and six months ended June 30, 2007 are subject to year-end audit and are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2007. These interim financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in Alabama National's Form 10-K for the year ended December 31, 2006.

NOTE B COMMITMENTS AND CONTINGENCIES

Alabama National's subsidiary banks make loan commitments and incur contingent liabilities in the normal course of business, which are not reflected in the consolidated statements of financial condition. As of June 30, 2007, the total unfunded commitments which are not reflected in the consolidated statements of financial condition totaled \$1.8 billion. A majority of these commitments will expire in less than one year.

Alabama National, in the normal course of business, is subject to various pending and threatened litigation. Although it is not possible to determine with certainty Alabama National's potential exposure from pending and threatened litigation, based on current knowledge and consultation with legal counsel, management does not anticipate that the ultimate liability, if any, resulting from such litigation will have a material adverse effect on Alabama National's financial condition or results of operations.

Alabama National has received preliminary tax assessments for certain state taxes from a taxing authority for subsidiaries holding investments outside of the state. Based upon review of the assessments and the relevant tax laws and based on review and consultation with accountants and counsel, management does not anticipate that the ultimate liability, if any, resulting from such assessments will have a material adverse effect on Alabama National's financial condition or results of operations.

NOTE C RECENTLY ISSUED PRONOUNCEMENTS

In September 2006, the FASB issued statement No. 157, *Fair Value Measurements* (SFAS 157). Among other requirements, SFAS No. 157 defines fair value and establishes a framework for measuring fair value and also expands disclosure about the use of fair value to measure assets and liabilities. SFAS 157 is effective beginning the first fiscal year that begins after November 15, 2007. Alabama National is currently evaluating the impact of the adoption of SFAS 157 and has not yet determined the impact SFAS 157 will have on the Alabama National's consolidated financial statements upon adoption.

In September 2006, the Emerging Issues Task Force issued EITF Issue No. 06-04, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements* (EITF 06-04). EITF 06-04 establishes that for certain split-dollar life insurance arrangements, an employer should recognize a liability for future benefits in accordance with currently existing accounting pronouncements based on the substantive agreement with the employee. EITF 06-04 will be effective for fiscal years beginning after December 15, 2007. Alabama National is currently evaluating the impact of the adoption of EITF 06-04 and has not yet determined the impact EITF 06-04 will have on the Alabama National's consolidated financial statements upon adoption.

In September 2006, the Emerging Issues Task Force issued EITF Issue No. 06-05, *Accounting for Purchases of Life Insurance-Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No 85-4* (EITF 06-05). EITF 06-05 clarifies the accounting for bank-owned life insurance (BOLI) and stipulates that

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policyholders should consider any additional amounts included in the contractual terms of the insurance policies other than cash surrender value in determining the amount that could be realized under the insurance contract in accordance with FASB Technical Bulletin No. 85-4. EITF 06-05 also establishes that policyholders should determine the amount that could be realized under the life insurance contracts assuming the surrender of an individual-life by individual-life policy. EITF 06-05 is effective for fiscal years beginning after December 31, 2006. The adoption of EITF 06-05 did not have a material impact on the Alabama National's consolidated financial statements.

In July 2006, the FASB released FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting and reporting for uncertainties in income tax law. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Alabama National adopted this Interpretation in the first quarter of 2007. The cumulative effect of adoption was recorded as an adjustment to retained earnings as of the January 1, 2007. See Note J below for more information regarding FIN 48.

In March 2006, the FASB issued statement No. 156, *Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140* (SFAS 156). SFAS 156 clarifies when to separately account for servicing rights, requires separately recognized servicing rights to be initially measured at fair value, and provides the option to subsequently account for those servicing rights (by class) at either fair value or under the amortization method previously required under FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. SFAS 156 is effective beginning the first fiscal year that begins after September 15, 2006. The adoption of this standard did not have a material impact on the consolidated financial statements of Alabama National.

In February 2006, the FASB issued statement No. 155, *Accounting for Certain Hybrid Instruments* (SFAS 155). This Statement amends SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, and SFAS 140, *Accounting for Transfers and Servicing of financial Assets and Extinguishments of Liabilities*, and resolves issues addressed in SFAS 133 Implementation Issue D1, *Application of Statement 133 to Beneficial Interests in Securitized Financial Assets*.

SFAS 155 permits, but does not require, fair value accounting for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation in accordance with SFAS 133, and amends SFAS 140 to eliminate the problem of a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. In addition, SFAS 155 establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. This Statement also clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133 and makes clear that concentrations of credit risk in the form of subordination are not embedded derivatives.

SFAS 155 is effective for all financial instruments acquired or issued after the beginning of an entity's fiscal year that begins after September 15, 2006. The fair value election provided for in this guidance may also be applied upon adoption of this Statement for hybrid financial instruments that had been bifurcated under SFAS 133 prior to adoption of this guidance. The adoption of SFAS 155 did not have a material impact on the consolidated financial statements of Alabama National.

In January 2007, the FASB issued SFAS 133 Implementation Issue B40, *Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets* (B40), which provides a narrow scope exception from the SFAS 155 requirement to evaluate interests in securitized financial assets for embedded derivatives that would require bifurcation. The bifurcation tests outlined in paragraph 13(b) of SFAS 133 will not be required for securitized interests containing only an embedded derivative that is tied to the prepayment risk of the underlying prepayable financial assets and that meet certain criteria. B40 is required to be applied upon adoption of SFAS 155. The application of B40 did not have a material impact on the consolidated financial statements of Alabama National.

In February 2007, the FASB issued statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which permits companies to elect to measure certain eligible items at fair value. Subsequent unrealized gains and losses on those items will be reported in earnings. Upfront costs and fees related to those items will

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be reported in earnings as incurred and not deferred. SFAS 159 is effective for fiscal years beginning after November 15, 2007. If a company elects to apply the provisions of the Statement to eligible items existing at that date, the effect of the remeasurement to fair value will be reported as a cumulative effect adjustment to the opening balance of retained earnings. Retrospective application will not be permitted. Alabama National is currently assessing whether it will elect to use the fair value option for any of its eligible items. Accordingly, Alabama National has not yet determined the impact of adoption on its consolidated financial statements.

NOTE D EARNINGS PER SHARE

The following table reflects the reconciliation of the numerator and denominator of the basic and diluted earnings per share from continuing operations computation for the three months and six months ended June 30, 2007 and 2006 (in thousands except per share data).

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|--|---------------|--------------------------------------|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| Earnings per Common Share from Continuing Operations - Basic | | | | |
| Net income from continuing operations | \$ 21,059 | \$ 19,287 | \$ 40,834 | \$ 37,085 |
| Weighted average basic common shares outstanding | 20,714 | 18,806 | 20,752 | 18,074 |
| Basic Earnings Per Share from Continuing Operations | \$ 1.02 | \$ 1.03 | \$ 1.97 | \$ 2.05 |
| Earnings per Common Share from Continuing Operations - Diluted | | | | |
| Net income from continuing operations | \$ 21,059 | \$ 19,287 | \$ 40,834 | \$ 37,085 |
| Weighted average common shares outstanding | 20,714 | 18,806 | 20,752 | 18,074 |
| Effect of dilutive securities | 144 | 178 | 152 | 178 |
| Weighted average diluted common shares outstanding | 20,858 | 18,984 | 20,904 | 18,252 |
| Diluted Earnings Per Share from Continuing Operations | \$ 1.01 | \$ 1.02 | \$ 1.95 | \$ 2.03 |

NOTE E SEGMENT REPORTING

Alabama National's reportable segments represent the distinct major product lines it offers and are viewed separately for strategic planning purposes by management. During the first quarter of 2007, Alabama National signed a letter agreement to sell its insurance services division to an unrelated third party. The sale of the insurance services division closed during the second quarter of 2007. See Note I below for more information regarding the sale of the insurance services division. The activity of the insurance services segment is presented as a discontinued operation in the consolidated statements of income and financial condition and therefore is not shown as a segment in the disclosure below. The following table is a reconciliation of the reportable segment revenues, expenses and profit to Alabama National's consolidated totals (in thousands).

| | Investment Services Division | Wealth Management Division | Mortgage Lending Division | Commercial Mortgage Banking Division | Retail and Commercial Banking | Corporate Overhead | Elimination Entries | Total (1) |
|--|------------------------------------|----------------------------------|---------------------------------|---|-------------------------------------|-----------------------|------------------------|------------|
| Three Months Ended June 30, 2007: | | | | | | | | |
| Interest income | \$ | \$ 433 | \$ 590 | \$ 26 | \$ 129,183 | \$ (28) | \$ (79) | \$ 130,125 |
| Interest expense | | 82 | 446 | | 63,843 | 1,627 | (79) | 65,919 |
| Net interest income | | 351 | 144 | 26 | 65,340 | (1,655) | | 64,206 |
| Provision for loan and lease losses | | | | | 3,273 | | | 3,273 |
| Noninterest income | 1,664 | 6,332 | 3,679 | 397 | 9,566 | 19 | | 21,657 |
| Noninterest expense | 1,482 | 5,815 | 3,013 | 377 | 38,775 | 1,229 | | 50,691 |

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| | | | | | | | | | | | | | | |
|--|----|-------|----|--------|----|--------|----|-------|----|-----------|----|---------|----|-----------|
| Income before tax from continuing operations | \$ | 182 | \$ | 868 | \$ | 810 | \$ | 46 | \$ | 32,858 | \$ | (2,865) | \$ | 31,899 |
| Total assets | \$ | 9,549 | \$ | 34,789 | \$ | 41,375 | \$ | 4,160 | \$ | 7,795,396 | \$ | 17,268 | \$ | 7,902,537 |

Three Months Ended June 30, 2006:

| | | | | | | | | | | | | | | | | |
|-------------------------------------|----|-------|----|-------|----|-------|----|-----|----|---------|----|---------|----|------|----|---------|
| Interest income | \$ | | \$ | 457 | \$ | 330 | \$ | | \$ | 105,254 | \$ | (28) | \$ | (85) | \$ | 105,928 |
| Interest expense | | | | 86 | | 211 | | | | 45,384 | | 1,389 | | (85) | | 46,985 |
| Net interest income | | | | 371 | | 119 | | | | 59,870 | | (1,417) | | | | 58,943 |
| Provision for loan and lease losses | | | | | | | | | | 1,920 | | | | | | 1,920 |
| Noninterest income | | 966 | | 5,277 | | 2,984 | | 284 | | 8,315 | | 37 | | | | 17,863 |
| Noninterest expense | | 1,171 | | 5,526 | | 2,556 | | 277 | | 34,829 | | 1,018 | | | | 45,377 |

| | | | | | | | | | | | | | | |
|--|----|--------|----|--------|----|--------|----|-----|----|-----------|----|---------|----|-----------|
| Income before tax from continuing operations | \$ | (205) | \$ | 122 | \$ | 547 | \$ | 7 | \$ | 31,436 | \$ | (2,398) | \$ | 29,509 |
| Total assets | \$ | 15,874 | \$ | 45,692 | \$ | 18,084 | \$ | 124 | \$ | 6,699,092 | \$ | 11,188 | \$ | 6,790,054 |

Six Months Ended June 30, 2007:

| | | | | | | | | | | | | | | | | |
|-------------------------------------|----|-------|----|--------|----|-------|----|-----|----|---------|----|---------|----|-------|----|---------|
| Interest income | \$ | | \$ | 869 | \$ | 1,097 | \$ | 47 | \$ | 255,214 | \$ | (57) | \$ | (167) | \$ | 257,003 |
| Interest expense | | | | 167 | | 824 | | | | 125,794 | | 3,128 | | (167) | | 129,746 |
| Net interest income | | | | 702 | | 273 | | 47 | | 129,420 | | (3,185) | | | | 127,257 |
| Provision for loan and lease losses | | | | | | | | | | 5,035 | | | | | | 5,035 |
| Noninterest income | | 2,725 | | 12,036 | | 7,276 | | 796 | | 18,459 | | 60 | | | | 41,352 |
| Noninterest expense | | 2,583 | | 11,408 | | 6,017 | | 741 | | 77,536 | | 3,516 | | | | 101,801 |

| | | | | | | | | | | | | | | |
|--|----|-----|----|-------|----|-------|----|-----|----|--------|----|---------|----|--------|
| Income before tax from continuing operations | \$ | 142 | \$ | 1,330 | \$ | 1,532 | \$ | 102 | \$ | 65,308 | \$ | (6,641) | \$ | 61,773 |
|--|----|-----|----|-------|----|-------|----|-----|----|--------|----|---------|----|--------|

Six Months Ended June 30, 2006:

| | | | | | | | | | | | | | | | | |
|-------------------------------------|----|-------|----|--------|----|-------|----|-------|----|---------|----|---------|----|-------|----|---------|
| Interest income | \$ | | \$ | 875 | \$ | 577 | \$ | | \$ | 194,884 | \$ | (57) | \$ | (161) | \$ | 196,118 |
| Interest expense | | | | 162 | | 347 | | | | 81,785 | | 2,467 | | (161) | | 84,600 |
| Net interest income | | | | 713 | | 230 | | | | 113,099 | | (2,524) | | | | 111,518 |
| Provision for loan and lease losses | | | | | | | | | | 3,163 | | | | | | 3,163 |
| Noninterest income | | 1,830 | | 10,731 | | 5,780 | | 1,016 | | 16,372 | | 81 | | | | 35,810 |
| Noninterest expense | | 2,233 | | 10,699 | | 4,855 | | 864 | | 65,366 | | 3,399 | | | | 87,416 |

| | | | | | | | | | | | | | | |
|--|----|-------|----|-----|----|-------|----|-----|----|--------|----|---------|----|--------|
| Income before tax from continuing operations | \$ | (403) | \$ | 745 | \$ | 1,155 | \$ | 152 | \$ | 60,942 | \$ | (5,842) | \$ | 56,749 |
|--|----|-------|----|-----|----|-------|----|-----|----|--------|----|---------|----|--------|

(1) Does not include the assets classified as assets to be disposed of on the Consolidated Statements of Financial Condition as of June 30, 2006.

Corporate overhead is comprised of compensation and benefits for certain members of management, merger related costs, interest expense on parent company debt, amortization of intangibles and other expenses. The results of the operating segments include certain income and expense items that are allocated by management to the operating segments. Further, the results of each operating segment are not necessarily the same as would be expected if these activities were conducted by a stand-alone entity, because certain corporate overhead expenses are not allocated directly to each operating segment.

NOTE F GOODWILL AND OTHER ACQUIRED INTANGIBLES

The changes in the carrying amounts of goodwill attributable to the Retail and Commercial Banking segment and the Commercial Mortgage Banking Division for the six months ended June 30, 2007 are as follows (in thousands):

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| | Retail and Commercial Banking | Commercial Mortgage Banking Division |
|-------------------------------|--|---|
| Balance, December 31, 2006 | \$ 308,133 | \$ 3,450 |
| Other goodwill adjustments | 99 | |
| Balance, June 30, 2007 | \$ 308,232 | \$ 3,450 |

Intangible assets as of June 30, 2007 and December 31, 2006 are as follows (in thousands):

| | As of June 30, 2007 | | |
|---|-----------------------------|-----------------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Amortizing intangible assets | | | |
| Core deposit intangibles | \$ 30,524 | \$ (17,223) | \$ 13,301 |
| Other customer intangibles | 1,018 | (435) | 583 |
| Total amortizing intangible assets | \$ 31,542 | \$ (17,658) | \$ 13,884 |

| | As of December 31, 2006 | | |
|---|-----------------------------|-----------------------------|--------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Amortizing intangible assets: | | | |
| Core deposit intangibles | \$ 30,524 | \$ (14,633) | \$ 15,891 |
| Other customer intangibles | 1,018 | (326) | 692 |
| Total amortizing intangible assets | \$ 31,542 | \$ (14,959) | \$ 16,583 |

During the six months ended June 30, 2007 and 2006, Alabama National recognized \$2.7 million and \$2.0 million of other intangible amortization expense, respectively. During the three months ended June 30, 2007 and 2006, Alabama National recognized \$1.3 million of other intangible expense during each period. Based upon recorded intangible assets as of June 30, 2007, aggregate amortization expense for each of the next five years is estimated to be \$4.6 million, \$3.5 million, \$2.7 million, \$1.7 million and \$0.9 million, respectively.

Table of Contents**NOTE G DEFINED BENEFIT PENSION PLAN**

The following table provides certain information with respect to Alabama National's defined benefit pension plans for the periods indicated (amounts in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--------------------------------|--|------|--------------------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| Service cost | \$ | \$ | \$ | \$ |
| Interest cost | (95) | (93) | (189) | (185) |
| Expected return on plan assets | 127 | 120 | 254 | 239 |
| Amortization of net loss | (10) | (20) | (17) | (40) |
| Net pension income | \$ 22 | \$ 7 | \$ 48 | \$ 14 |

As of June 30, 2007, Alabama National has not made any 2007 contributions to the defined benefit pension plans because the plans are fully funded. Alabama National does not anticipate making any contributions in the year ended December 31, 2007. If needed in the future, Alabama National will contribute any amounts necessary to satisfy funding requirements of the Employee Retirement Income Security Act.

NOTE H SECURITIES

Information pertaining to securities with gross unrealized losses at June 30, 2007, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows (in thousands):

| | Less Than Twelve Months | | Over Twelve Months | | Total | |
|--|-------------------------|-------------------------------|--------------------|-------------------------------|---------------|-------------------------------|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Investment securities | | | | | | |
| Debt securities: | | | | | | |
| U.S. treasury securities and obligations of U.S. government corporations and agencies | \$ | \$ | \$ 23,661 | \$ 571 | \$ 23,661 | \$ 571 |
| Obligations of states and political subdivisions | 44,131 | 1,139 | 33,757 | 694 | 77,888 | 1,833 |
| Mortgage-backed securities issued or guaranteed by U.S. government corporations and agencies | 85,613 | 993 | 476,155 | 18,636 | 561,768 | 19,629 |
| Total investment securities | \$ 129,744 | \$ 2,132 | \$ 533,573 | \$ 19,901 | \$ 663,317 | \$ 22,033 |
| Securities Available for Sale | | | | | | |
| Debt securities: | | | | | | |
| U.S. treasury securities and obligations of U.S. government corporations and agencies | \$ 19,050 | \$ 56 | \$ 155,132 | \$ 3,756 | \$ 174,182 | \$ 3,812 |
| Obligations of states and political subdivisions | 13,983 | 265 | 23,710 | 640 | 37,693 | 905 |
| Mortgage-backed securities issued or guaranteed by U.S. government corporations and agencies | 18,561 | 201 | 211,735 | 9,138 | 230,296 | 9,339 |
| Total debt securities | 51,594 | 522 | 390,577 | 13,534 | 442,171 | 14,056 |
| Equity securities | | | | | | |
| Total securities available for sale | \$ 51,594 | \$ 522 | \$ 390,577 | \$ 13,534 | \$ 442,171 | \$ 14,056 |

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Management evaluates securities for other-than-temporary impairment no less than quarterly and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) length of time and the extent to which fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, and (3) the intent and ability of Alabama National to retain its investment in the issuer for a period sufficient to allow for any anticipated recovery in fair value.

As of June 30, 2007, 701 debt securities have been in a loss position for more than twelve months and 180 debt securities have been in a loss position for less than twelve months. The losses for all securities are a direct result of rising interest rates and the effect that rising rates has on the value of debt securities and not the credit worthiness of the issuers. Further, Alabama National has the current intent and ability to hold the securities to an expected recovery in market value. Therefore, Alabama National has not recognized any other-than-temporary impairments for the periods presented herein.

NOTE 1 DISCONTINUED OPERATIONS

During the first quarter of 2007, Alabama National entered into a letter agreement for the sale of its insurance agency subsidiary, ANB Insurance Services, Inc. to an unrelated third party. The board of directors and management of Alabama National concluded that the terms of the sale were fair and in the Company's best interests and that the sale would enable the Company to redeploy capital and resources to other financial services offered by Alabama National. On April 11, 2007, Alabama National announced the signing of a definitive agreement for the sale of substantially all of the assets of ANB Insurance Services, Inc. to the unrelated third party. The sale transaction closed on May 1, 2007 and Alabama National recorded a pre-tax gain of \$1.5 million related to the sale. Accordingly, the results of operations and the gain recognized on the sale of the insurance services division for the three months and six months ended June 30, 2007 and 2006 have been reported separately as a discontinued operation. The assets and liabilities associated with ANB Insurance Services, Inc. have been segregated from continuing operations and presented as assets and liabilities to be disposed of in the consolidated statements of financial condition as of December 31, 2006. Assets and liabilities of the discontinued operations as of December 31, 2006 were as follows (in thousands):

| | December 31, 2006 |
|--|------------------------------|
| Cash and due from banks | \$ 56 |
| Property, equipment and leasehold improvements, net | 175 |
| Goodwill | 2,693 |
| Other intangible assets, net | 259 |
| Other assets | 366 |
| | |
| Total assets to be disposed of | \$ 3,549 |
| | |
| Accrued expenses and other liabilities to be disposed of | \$ 1,019 |

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The following table details the revenues and expenses of the discontinued operation for the periods indicated (in thousands):

| | For the Three Months Ended | | For the Six Months Ended | |
|--|----------------------------|---------------|--------------------------|---------------|
| | June 30, 2007 | June 30, 2006 | June 30, 2007 | June 30, 2006 |
| Insurance commissions revenue and other income | \$ 409 | \$ 947 | \$ 1,635 | \$ 1,929 |
| Gain on sale of insurance services division | 1,463 | | 1,463 | |
| Salaries & employee benefits | (253) | (656) | (965) | (1,296) |
| Occupancy & equipment | (35) | (108) | (150) | (207) |
| Amortization of intangibles | (15) | (44) | (59) | (88) |
| Other | 5 | (90) | (75) | (168) |
| Net income before taxes | \$ 1,574 | \$ 49 | \$ 1,849 | \$ 170 |

NOTE J INCOME TAXES

In July 2006, the FASB issued FASB Interpretation No 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109* (FIN 48). FIN 48 allows the recognition of only those tax benefits that the Company estimates have a greater than 50 percent likelihood of being sustained upon examination by the taxing authorities. FIN 48 also provides guidance on financial statement classification and disclosure, and the accounting for interest, penalties, interim periods and transition.

Alabama National adopted the provisions of FIN 48 on January 1, 2007. As a result of adoption, the Company recognized an increase of approximately \$278,000 in the liability for unrecognized tax benefits. This increase resulted in a decrease to the retained earnings balance as of January 1, 2007 of \$278,000. As of the adoption date, the Company had gross unrecognized tax benefits of \$2.3 million, of which \$1.5 million, if recognized, would favorably impact the effective tax rate. Also, as of the adoption date, the Company had accrued interest expense related to the unrecognized tax benefits of \$370,000. The Company recognizes interest expense related to unrecognized tax benefits in income tax expense. Penalties, if incurred, would be recognized as a component of income tax expense. There have been no significant changes to these amounts during the three or six months ended June 30, 2007. Alabama National does not anticipate significant changes to the total unrecognized tax benefits prior to the end of the second quarter of 2008.

The tax years 2004 to 2006 remain open to examination by the Internal Revenue Service. In addition to the Internal Revenue Service, the Company is subject to various state income tax jurisdictions and tax years from 1999 to 2006 remain open to examination by those jurisdictions.

NOTE K ACQUISITIONS

On April 3, 2006, Alabama National completed the acquisition of Florida Choice Bankshares, Inc. of Mt. Dora, Florida (Florida Choice). On October 1, 2006, Alabama National completed the acquisition of The PB Financial Services Corporation (Peachtree). Accordingly, the results of operations for the three months and six months ended June 30, 2006 do not include the results of operations of Peachtree. Additionally, the results of operations of Florida Choice are only included in the three months ended June 30, 2006.

The following table presents the unaudited pro forma results of operations for Alabama National as if the Florida Choice and Peachtree acquisitions had occurred at January 1, 2006. Since no consideration is given to the operational efficiencies and expanded products and services typically offered by the newly acquired banks subsequent to acquisition, the pro forma summary information does not necessarily reflect the results of operations as they would have been if the acquisition had occurred at the indicated date (amounts in thousands, except per share data):

| | Three | Six |
|----------------|-------------------------------|-------------------------------|
| | Months Ended June 30, 2006 | Months Ended June 30, 2006 |
| Total revenue* | \$ 82,929 | \$ 163,419 |
| Net income | \$ 21,631 | \$ 42,499 |

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| | | | | |
|-------------|----|------|----|------|
| Basic EPS | \$ | 1.04 | \$ | 2.05 |
| Diluted EPS | \$ | 1.03 | \$ | 2.03 |

* Total revenue consists of net interest income and noninterest income

NOTE L TREASURY STOCK

On April 18, 2007, Alabama National announced that its board of directors authorized the repurchase of up to 1,000,000 shares of its common stock either through open market purchases or private transactions. During the three months ended June 30, 2007, Alabama National acquired 200,000 shares through open market purchases at an average price of \$62.89 per share. The total number of any additional shares actually acquired will be subject to management discretion and will depend upon subsequent developments, market availability and other factors. The share repurchase authorization will expire on December 31, 2008.

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NOTE M SUBSIDIARY MERGERS

On June 15, 2007, Alabama National merged two wholly owned subsidiaries, Florida Choice Bank and Public Bank, both located in greater metropolitan Orlando. The combined bank now operates under the Florida Choice Bank name. Since this merger involved entities under common control, this merger was accounted for at historical cost. At June 30, 2007, the combined bank had \$945 million in assets with locations throughout greater metropolitan Orlando.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Basis of Presentation

The following is a discussion and analysis of the consolidated financial condition of Alabama National and results of operations as of the dates and for the periods indicated. All significant intercompany accounts and transactions have been eliminated. The accounting and reporting policies of Alabama National conform with generally accepted accounting principles and with general financial services industry practices.

Many of the comparisons of financial data from period to period presented in the following discussion have been rounded from actual values reported in the financial statements. The percentage changes presented herein are based on a comparison of the actual values recorded in the financial statements, not the rounded values.

Alabama National acquired Florida Choice Bankshares, Inc. (Florida Choice) on April 3, 2006 and The PB Financial Services Corporation (Peachtree) on October 1, 2006. Both acquisitions were accounted for using the purchase method of accounting. Accordingly, the results of operations of Alabama National for the three and six months ended June 30, 2006 do not include the results of Peachtree and only include the results of Florida Choice since the acquisition date, April 3, 2006.

This information should be read in conjunction with Alabama National's unaudited consolidated financial statements and related notes appearing elsewhere in this report, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and related notes appearing in Alabama National's Annual Report on Form 10-K for the year ended December 31, 2006.

Critical Accounting Policies and Estimates

Alabama National's accounting policies are critical to understanding the results of operations and financial position as reported in the consolidated financial statements. Significant accounting policies utilized by Alabama National are discussed in detail in the notes to the consolidated financial statements and in Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in Alabama National's Annual Report on Form 10-K for the year ended December 31, 2006.

Performance Overview

Alabama National's net income from continuing operations was \$21.1 million for the second quarter of 2007 (the 2007 second quarter), compared to \$19.3 million for the second quarter of 2006 (the 2006 second quarter). Net income from continuing operations for the six months ended June 30, 2007 (the 2007 six months) was \$40.8 million, compared to \$37.1 million for the six months ended June 30, 2006 (the 2006 six months). Alabama National's net income for the 2007 second quarter and six months totaled \$22.0 million and \$42.0 million, respectively. During the 2006 second quarter and six months net income totaled \$19.3 million and \$37.2 million, respectively. Net income from continuing operations per diluted common share for the 2007 and 2006 second quarters was \$1.01 and \$1.02, respectively. For the 2007 six months, net income from continuing operations per diluted common share was \$1.95, compared to \$2.03 for the 2006 six months.

The annualized return on average assets for Alabama National was 1.13% for the 2007 second quarter, compared to 1.16% for the 2006 second quarter. For the 2007 six months, the annualized return on average assets for Alabama National was 1.09%, compared to 1.19% for the 2006 six months. The annualized return on average stockholders' equity decreased for the 2007 second quarter to 10.14%, as compared to 11.33% for the 2006 second quarter. The annualized return on average stockholders' equity decreased for the 2007 six months to 9.76%, as compared to 11.88% for the 2006 six months. Book value per share at June 30, 2007 was \$42.42, an increase of \$0.91 from year-end 2006. Alabama National declared cash dividends totaling \$0.81 per share on common stock during the 2007 six months, compared to \$0.75 per share declared on common stock during the 2006 six months.

Table of Contents**Net Income From Continuing Operations**

The primary reason for the increased net income from continuing operations during the 2007 second quarter and 2007 six months, compared to the same periods in 2006, is an increase in net interest income and noninterest income. Net interest income for the 2007 second quarter totaled \$64.2 million, an 8.9% increase over the \$58.9 million recorded in the 2006 second quarter. During the 2007 six months, net interest income totaled \$127.3 million, a 14.1% increase compared to \$111.5 million recorded in the 2006 six months. Noninterest income increased significantly during the 2007 second quarter and six months. During the 2007 second quarter, total noninterest income was \$21.7 million, an increase of \$3.8 million as compared to the 2006 second quarter. For the 2007 six months, noninterest income was \$41.4 million, an increase of 15.5% from \$35.8 million recorded in the 2006 six months. Contributing to the increased net income from continuing operations, net interest income and noninterest income for the 2007 second quarter and 2007 six months is the effect of the 2006 acquisitions of The Peachtree Bank (Peachtree) and Florida Choice Bank (Florida Choice). The Peachtree and Florida Choice acquisitions contributed net income, net interest income and noninterest income of \$2.0 million, \$6.1 million and \$0.3 million, respectively, during the 2007 second quarter. During the 2007 six months these acquisitions contributed net income, net interest income and noninterest income of \$6.2 million, \$18.2 million and \$1.2 million, respectively,

Average earning assets for the 2007 second quarter and six months increased by \$1.0 billion and \$1.3 billion, respectively, as compared to the same periods in 2006. Average interest-bearing liabilities increased by \$1.0 billion and \$1.2 billion during the 2007 second quarter and six months, respectively, as compared to the same periods in 2006. The 2006 acquisitions of Peachtree and Florida Choice accounted for approximately \$601.1 million of the growth in average earning assets and \$511.9 million of the growth in average interest-bearing liabilities for the 2007 second quarter. The 2006 acquisitions accounted for approximately \$850.2 million of the growth in average earning assets and \$725.3 million of the growth in average interest-bearing liabilities for the 2007 six months. The average taxable equivalent rate earned on assets was 7.48% for each of the 2007 second quarter and 2007 six months compared to 7.10% and 6.95% for the 2006 second quarter and 2006 six months, respectively. The average rate paid on interest-bearing liabilities was 4.32% and 4.30% for the 2007 second quarter and 2007 six months, respectively, compared to 3.67% and 3.49% for the 2006 second quarter and 2006 six months. The net interest margin was 3.66% and 3.68% for the 2007 second quarter and 2007 six months, respectively, compared to 3.93% for each of the 2006 second quarter and 2006 six months. The net interest margin recorded in the 2007 three months decreased 3 basis points compared to the 2007 first quarter's net interest margin of 3.69%. The yield earned on earning assets, specifically loans, has increased during the last year as short-term rates continue to rise. However, the rates paid on deposits have risen more quickly than the rates earned on assets. Time deposits originated in a lower interest rate environment are repricing at higher current rates. Also, Alabama National has increased rates on interest-bearing transaction accounts and savings deposits to remain competitive in the markets it serves.

The following tables depict, on a taxable equivalent basis for the 2007 and 2006 second quarter and six months, certain information related to Alabama National's average balance sheet and its average yields on assets and average costs of liabilities. Such yields or costs are derived by dividing income or expense by the average daily balance of the associated assets or liabilities.

AVERAGE BALANCES, INCOME AND EXPENSES AND RATES**(Amounts in thousands, except yields and rates)**

| | Three Months Ended June 30, | | | | | |
|------------------------------|-----------------------------|----------------|------------|-----------------|----------------|------------|
| | 2007 | | | 2006 | | |
| | Average Balance | Income/Expense | Yield/Cost | Average Balance | Income/Expense | Yield/Cost |
| Assets: | | | | | | |
| Earning assets: | | | | | | |
| Loans and leases (1)(2)(3) | \$ 5,714,954 | \$ 115,303 | 8.09% | \$ 4,758,596 | \$ 91,978 | 7.75% |
| Securities: | | | | | | |
| Taxable | 1,078,873 | 12,393 | 4.61 | 1,089,534 | 12,087 | 4.45 |
| Tax exempt (2) | 144,425 | 2,189 | 6.08 | 79,355 | 1,268 | 6.41 |
| Cash balances in other banks | 21,732 | 270 | 4.98 | 12,555 | 146 | 4.66 |
| Funds sold | 67,298 | 907 | 5.41 | 73,930 | 993 | 5.39 |
| Trading account securities | 859 | 10 | 4.67 | 814 | 8 | 3.94 |
| Total earning assets (2) | 7,028,141 | 131,072 | 7.48 | 6,014,784 | 106,480 | 7.10 |

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| | | | | | | |
|--|---------------------|---------------|-------------|---------------------|---------------|-------------|
| Cash and due from banks | 185,397 | | | 189,785 | | |
| Premises and equipment | 164,020 | | | 131,942 | | |
| Other assets | 518,772 | | | 402,259 | | |
| Allowance for loan and lease losses | (70,331) | | | (60,111) | | |
| Total assets | \$ 7,825,999 | | | \$ 6,678,659 | | |
| Liabilities: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing transaction accounts | \$ 1,199,127 | \$ 8,717 | 2.92% | \$ 1,145,632 | \$ 7,651 | 2.68% |
| Savings deposits | 1,102,663 | 9,682 | 3.52 | 936,041 | 6,061 | 2.60 |
| Time deposits | 2,667,493 | 33,262 | 5.00 | 1,950,926 | 20,231 | 4.16 |
| Funds purchased | 611,175 | 7,235 | 4.75 | 634,029 | 7,255 | 4.59 |
| Other short-term borrowings | 121,946 | 1,669 | 5.49 | 62,783 | 724 | 4.63 |
| Long-term debt | 422,275 | 5,354 | 5.09 | 406,217 | 5,063 | 5.00 |
| Total interest-bearing liabilities | 6,124,679 | 65,919 | 4.32 | 5,135,628 | 46,985 | 3.67 |
| Demand deposits | 779,936 | | | 773,744 | | |
| Accrued interest and other liabilities | 49,892 | | | 85,638 | | |
| Stockholders' equity | 871,492 | | | 683,649 | | |
| Total liabilities and stockholders' equity | \$ 7,825,999 | | | \$ 6,678,659 | | |
| Net interest spread | | | 3.16% | | | 3.43% |
| Net interest income/margin on a taxable equivalent basis | | 65,153 | 3.72% | | 59,495 | 3.97% |
| Tax equivalent adjustment (2) | | 947 | | | 552 | |
| Net interest income/margin | | \$ 64,206 | 3.66% | | \$ 58,943 | 3.93% |

(1) Average loans include nonaccrual loans. All loans and deposits are domestic.

(2) Tax equivalent adjustments are based upon an assumed tax rate of 34%, and do not reflect the disallowance for Federal income tax purposes of interest expense related to certain tax exempt assets.

(3) Fees in the amount of \$3.2 million and \$2.9 million are included in interest and fees on loans for the three months ended June 30, 2007 and 2006, respectively.

Table of Contents**AVERAGE BALANCES, INCOME AND EXPENSES AND RATES**

(Amounts in thousands, except yields and rates)

| | Six Months Ended June 30, | | | | | |
|--|---------------------------|----------------------------|----------------|--------------------|----------------------------|----------------|
| | Average Balance | 2007 Income/ Expense | Yield/ Cost | Average Balance | 2006 Income/ Expense | Yield/ Cost |
| Assets: | | | | | | |
| Earning assets: | | | | | | |
| Loans and leases (1)(2)(3) | \$ 5,647,459 | \$ 227,079 | 8.11% | \$ 4,493,694 | \$ 169,344 | 7.60% |
| Securities: | | | | | | |
| Taxable | 1,097,562 | 25,098 | 4.61 | 1,079,285 | 23,627 | 4.41 |
| Tax exempt (2) | 142,551 | 4,345 | 6.15 | 67,408 | 2,162 | 6.47 |
| Cash balances in other banks | 22,538 | 554 | 4.96 | 10,137 | 225 | 4.48 |
| Funds sold | 68,704 | 1,794 | 5.27 | 69,894 | 1,725 | 4.98 |
| Trading account securities | 982 | 24 | 4.93 | 904 | 19 | 4.24 |
| | | | | | | |
| Total earning assets (2) | 6,979,796 | 258,894 | 7.48 | 5,721,322 | 197,102 | 6.95 |
| | | | | | | |
| Cash and due from banks | 185,379 | | | 185,844 | | |
| Premises and equipment | 161,637 | | | 123,415 | | |
| Other assets | 518,970 | | | 353,164 | | |
| Allowance for loan and lease losses | (69,733) | | | (56,883) | | |
| | | | | | | |
| Total assets | \$ 7,776,049 | | | \$ 6,326,862 | | |
| Liabilities: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing transaction accounts | \$ 1,190,925 | \$ 17,105 | 2.90% | \$ 1,087,705 | \$ 13,445 | 2.49% |
| Savings deposits | 1,114,971 | 19,424 | 3.51 | 917,604 | 11,174 | 2.46 |
| Time deposits | 2,599,553 | 64,012 | 4.97 | 1,833,611 | 36,421 | 4.01 |
| Funds purchased | 627,872 | 14,819 | 4.76 | 608,120 | 13,065 | 4.33 |
| Other short-term borrowings | 140,443 | 3,675 | 5.28 | 48,349 | 1,121 | 4.68 |
| Long-term debt | 412,058 | 10,711 | 5.24 | 388,676 | 9,374 | 4.86 |
| | | | | | | |
| Total interest-bearing liabilities | 6,085,822 | 129,746 | 4.30 | 4,884,065 | 84,600 | 3.49 |
| | | | | | | |
| Demand deposits | 766,770 | | | 730,340 | | |
| Accrued interest and other liabilities | 55,710 | | | 81,077 | | |
| Stockholders' equity | 867,747 | | | 631,380 | | |
| | | | | | | |
| Total liabilities and stockholders' equity | \$ 7,776,049 | | | \$ 6,326,862 | | |
| | | | | | | |
| Net interest spread | | | 3.18% | | | 3.45% |
| | | | | | | |
| Net interest income/margin on a taxable equivalent basis | | 129,148 | 3.73% | | 112,502 | 3.97% |
| | | | | | | |
| Tax equivalent adjustment (2) | | 1,891 | | | 984 | |
| | | | | | | |
| Net interest income/margin | | \$ 127,257 | 3.68% | | \$ 111,518 | 3.93% |

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- (1) Average loans include nonaccrual loans. All loans and deposits are domestic.
 - (2) Tax equivalent adjustments are based upon an assumed tax rate of 34%, and do not reflect the disallowance for Federal income tax purposes of interest expense related to certain tax exempt assets.
 - (3) Fees in the amount of \$6.4 million and \$5.4 million are included in interest and fees on loans for the six months ended June 30, 2007 and 2006, respectively.
- Net interest income is the difference between the income earned on interest bearing assets and the interest paid on deposits and borrowings used to support such assets. The following tables set forth, on a taxable equivalent basis, the effect which varying levels of earning assets and interest-bearing liabilities and the applicable interest rates had on changes in net interest income for each of the 2007 second quarter and six months compared to the 2006 second quarter and six months, respectively. For the purposes of these tables, changes which are not solely attributable to volume or rate are allocated to volume and rate on a pro rata basis.

ANALYSIS OF CHANGES IN NET INTEREST INCOME

(Amounts in thousands)

| | Three Months Ended June 30, 2007 Compared to 2006 | | |
|---|--|----------------|---------------|
| | Variance Due to | | |
| | Volume | Yield/ Rate | Total |
| Earning assets: | | | |
| Loans and leases | \$ 19,150 | \$ 4,175 | \$ 23,325 |
| Securities: | | | |
| Taxable | (677) | 983 | 306 |
| Tax exempt | 1,360 | (439) | 921 |
| Cash balances in other banks | 113 | 11 | 124 |
| Funds sold | (109) | 23 | (86) |
| Trading account securities | | 2 | 2 |
| Total interest income | 19,837 | 4,755 | 24,592 |
| Interest-bearing liabilities: | | | |
| Interest-bearing transaction accounts | 368 | 698 | 1,066 |
| Savings and money market deposits | 1,207 | 2,414 | 3,621 |
| Time deposits | 8,401 | 4,630 | 13,031 |
| Funds purchased | (1,037) | 1,017 | (20) |
| Other short-term borrowings | 789 | 156 | 945 |
| Long-term debt | 203 | 88 | 291 |
| Total interest expense | 9,931 | 9,003 | 18,934 |
| Net interest income on a taxable equivalent basis | \$ 9,906 | \$ (4,248) | 5,658 |
| Taxable equivalent adjustment | | | (395) |
| Net interest income | | | \$ 5,263 |

ANALYSIS OF CHANGES IN NET INTEREST INCOME

(Amounts in thousands)

| | Six Months Ended June 30, 2007 Compared to 2006 | | |
|------------------------------|--|----------------|-----------|
| | Variance Due to | | |
| | Volume | Yield/ Rate | Total |
| Earning assets: | | | |
| Loans and leases | \$ 45,789 | \$ 11,946 | \$ 57,735 |
| Securities: | | | |
| Taxable | 405 | 1,066 | 1,471 |
| Tax exempt | 2,505 | (322) | 2,183 |
| Cash balances in other banks | 302 | 27 | 329 |
| Funds sold | (76) | 145 | 69 |
| Trading account securities | 2 | 3 | 5 |

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| | | | |
|---|---------------|---------------|---------------|
| Total interest income | 48,927 | 12,865 | 61,792 |
| Interest-bearing liabilities: | | | |
| Interest-bearing transaction accounts | 1,352 | 2,308 | 3,660 |
| Savings and money market deposits | 2,748 | 5,502 | 8,250 |
| Time deposits | 17,531 | 10,060 | 27,591 |
| Funds purchased | 435 | 1,319 | 1,754 |
| Other short-term borrowings | 2,392 | 162 | 2,554 |
| Long-term debt | 583 | 754 | 1,337 |
| Total interest expense | 25,041 | 20,105 | 45,146 |
| Net interest income on a taxable equivalent basis | \$ 23,886 | \$ (7,240) | 16,646 |
| Taxable equivalent adjustment | | | (907) |
| Net interest income | | | \$ 15,739 |

The provision for loan and lease losses represents a charge to current earnings necessary to maintain the allowance for loan and lease losses at an appropriate level based on management's analysis of loss inherent in the loan and lease portfolio. The amount of the provision is a function of the level of loans and leases outstanding, the growth rate in loans, loan type concentration, the level of non-performing loans and adversely rated loans, credit and collateral administration trends, historical loan and lease loss experience, the amount of loan and lease charge-offs during a given period, and current economic conditions. The provision for loan and lease losses was \$3.3 million and \$5.0 million for the 2007 second quarter and six months, respectively, compared to \$1.9 million and \$3.2 million recorded during the 2006 second quarter and six months, respectively. The increased provision expense during the 2007 periods is primarily attributable to increased charge-offs during 2007 and an increase in nonaccrual loans. The allowance for loan and lease losses as a percentage of outstanding loans and leases, net of unearned income (excluding loans held for sale), was 1.24% at June 30, 2007, compared to 1.25% at December 31, 2006.

Because of the inherent uncertainty of assumptions made during the assessment process, there can be no assurance that loan and lease losses in future periods will not exceed the allowance for loan and lease losses or that additional allocations to the allowance will not be required. See **Asset Quality**.

Total noninterest income for the 2007 second quarter was \$21.7 million, compared to \$17.9 million for the 2006 second quarter, an increase of 21.2%. For the 2007 six months, total noninterest income increased to \$41.4 million, compared to \$35.8 million for the 2006 six months, an increase of 15.5%. The major components of noninterest income include service charges on deposits, investment services revenue, wealth management income, gains from sale of residential mortgage loans, commercial mortgage banking income and income earned on bank owned life insurance. During the 2007 six months, Alabama National sold its insurance services division and, accordingly, the activity of this segment is presented as a discontinued operation. Most of the noninterest income areas experienced increases during the 2007 second quarter and six months, as compared with the same periods of 2006.

The wealth management division's income totaled \$6.3 million during the 2007 second quarter, compared to \$5.4 million for the 2006 second quarter, an increase of 18.0%. During the 2007 six months, income for the wealth management division totaled \$12.0 million, compared to \$10.7 million for the 2006 six months, an increase of 12.2%. This division is benefiting from growth in invested client assets and increased activity in the equity markets. The investment department's income totaled \$1.7 million during the 2007 second quarter, compared to \$1.0 million for the 2006 second quarter, an increase of 72.3%. During the 2007 six months, income for the investment department totaled \$2.7 million, compared to \$1.8 million for the 2006 six months. The revenue recorded for the 2007 second quarter is the best revenue quarter for this division since the fourth quarter of 2004. Sales of fixed income securities were higher during the 2007 second quarter due to increased demand for such securities by correspondent banks. Such demand is impacted by the interest rate environment and by loan demand at these correspondent banks, as they are typically more active purchasers of securities when their loan demand is lower and when they perceive an opportunity to earn an acceptable spread above the cost of interest bearing liabilities. The gain recorded from the sale of mortgages also showed an increase during the 2007 second quarter and six months. During the 2007 second quarter, the gain from the

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sale of mortgages totaled \$3.7 million, an increase of \$1.0 million, or 38.8%, as compared to \$2.7 million in the 2006 second quarter. During the 2007 six months, the gain from the sale of mortgages totaled \$6.9 million, an increase of \$1.6 million, or 30.2%, as compared to \$5.3 million in the 2006 six months. This division has benefited from low long term interest rates and purchase and refinance activity in housing markets in the areas served by Alabama National. It has also benefited from the hiring of additional experienced mortgage loan originators during the fourth quarter of 2006. Service charges on deposits for the 2007 second quarter and 2006 second quarter were \$4.2 million and \$4.0 million, respectively. For the 2007 six months, service charge income increased to \$8.1 million, from \$7.7 million for the 2006 six months. The income earned on bank owned life insurance increased for each period of 2007 compared to the same periods of 2006. The increase is attributable to an increased investment in bank owned life insurance during the third quarter of 2006 and the impact of the 2006 acquisitions.

During the 2006 first quarter and second quarter, Alabama National repaid FHLB advances where the FHLB had exercised its right to convert to a variable rate. The repayment resulted in a gain of \$0.7 million and \$0.6 million in the 2006 first and second quarter, respectively. The gain is recorded in other noninterest income for the 2006 second quarter and six months. Excluding this gain recorded during 2006, other noninterest income would show a modest increase for each period of 2007 versus 2006 instead of a slight decrease. Alabama National restructured a portion of its securities portfolio by selling some lower yielding available for sale securities during the 2006 first and second quarters and recognized losses of \$0.7 million and \$0.5 million, respectively, during these quarters.

The 2006 acquisitions contributed to the increased noninterest income during both the 2007 second quarter and six months. During the 2007 second quarter, the 2006 acquisitions contributed to the components of noninterest income as follows: \$72 thousand service charge income, \$40 thousand income on bank-owned life insurance, and \$180 thousand other noninterest income. For the 2007 six months, the 2006 acquisition contributed to the components of noninterest income as follows: \$230 thousand service charge income, \$136 thousand income on bank owned life insurance, and \$583 thousand other noninterest income.

Noninterest expense was \$50.7 million for the 2007 second quarter, compared to \$45.6 million for the 2006 second quarter. For the 2007 six months, noninterest expense was \$101.8 million, compared to \$87.4 million for the 2006 six months. Noninterest expense includes salaries and employee benefits, commission based compensation, occupancy and equipment expenses, amortization of intangibles, and other expenses. Salaries and employee benefits were \$25.1 million for the 2007 second quarter, compared to \$22.8 million for the 2006 second quarter. For the 2007 six months, salaries and employee benefits were \$52.3 million, compared to \$45.4 million in the 2006 six months. The 2006 acquisitions contributed \$1.4 million of the increase in salaries and employee benefits during the 2007 second quarter versus the 2006 second quarter. The 2007 second quarter salaries and compensation was \$1.9 million less than the \$27.1 million recorded during the 2007 first quarter. The 2006 acquisitions accounted for \$4.8 million of the \$6.8 million increase in salaries and compensation expense during the 2007 six months. Salaries and compensation expense also increased due to branch expansions and staff additions. The reduction during the 2007 second quarter versus the 2007 first quarter was due to true-ups of bonus compensation and equity awards that are based on profitability of Alabama National and its subsidiaries. Commission based compensation was \$5.4 million for the 2007 second quarter, compared to \$4.4 million for the 2006 second quarter. For the 2007 six months, commission based compensation totaled \$9.9 million, compared to \$8.6 million in the 2006 six months. The increase in commission based compensation recorded for each period of 2007 is attributable to increased production in the wealth management division and investment services division, as a large portion of the compensation in this area is commission based. Occupancy and equipment expense totaled \$5.8 million in the 2007 second quarter, compared to \$5.0 million in the 2006 second quarter. Occupancy and equipment expense totaled \$11.5 million in the 2007 six months, compared to \$9.7 million in the 2006 six months. The primary reason for the increased occupancy and equipment expense for the 2007 second quarter and six months is due to branch expansion within the existing Alabama National banks plus the 2006 acquisitions. The 2006 acquisitions increased occupancy and equipment expense by \$230 thousand and \$831 thousand during the 2007 second quarter and six months, respectively. Other noninterest expense increased to \$13.0 million in the 2007 second quarter, compared with \$11.8 million in the 2006 second quarter. Other noninterest expense was \$25.4 million in the 2007 six months, compared to \$21.7 million in the 2006 six months. Other noninterest expenses that contributed significantly to this increase during the 2007 second quarter and six months included legal and professional expenses, advertising costs, and increased fees associated with electronic banking and debit cards. The 2006 acquisitions contributed \$610 thousand and \$1.8 million of the increase during the 2007 second quarter and six months, respectively.

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Because of an increase in pre-tax income, income tax expense was \$10.8 million for the 2007 second quarter, compared to \$10.2 million for the 2006 second quarter. For the 2007 six months, income tax expense was \$20.9 million, compared to \$19.7 million for the 2006 six months. The effective tax rates for the 2007 second quarter and the 2007 six months were 34.0% and 33.9%, respectively, compared to 34.6% and 34.7% for the same periods of 2006. These effective tax rates are affected by items of income and expense that are not subject to federal or state taxation.

Earning Assets

Loans and leases comprised the largest single category of Alabama National's earning assets on June 30, 2007. Loans and leases, net of unearned income, were \$5.71 billion, or 72.2% of total assets at June 30, 2007, compared to \$5.46 billion, or 71.1% of total assets at December 31, 2006. Loans and leases grew \$249.4 million, or 4.6%, during the 2007 six months, compared to year-end 2006. The following table details the composition of the loan and lease portfolio by category at the dates indicated:

COMPOSITION OF LOAN AND LEASE PORTFOLIO**(Amounts in thousands, except percentages)**

| | June 30, 2007 | | December 31, 2006 | |
|---|---------------------|------------------|---------------------|------------------|
| | Amount | Percent of Total | Amount | Percent of Total |
| Commercial, financial and agricultural | \$ 441,955 | 7.74% | \$ 401,057 | 7.34% |
| Real estate: | | | | |
| Construction | 2,057,426 | 36.04 | 1,901,671 | 34.82 |
| Mortgage - residential | 1,165,026 | 20.39 | 1,166,847 | 21.37 |
| Mortgage - commercial | 1,563,465 | 27.38 | 1,517,744 | 27.79 |
| Mortgage - other | 21,533 | .38 | 20,129 | .37 |
| Consumer | 97,927 | 1.71 | 94,563 | 1.73 |
| Lease financing receivables | 98,742 | 1.73 | 87,018 | 1.59 |
| Securities brokerage margin loans | 16,132 | .28 | 18,642 | .34 |
| Other | 248,047 | 4.35 | 253,729 | 4.65 |
| Total gross loans and leases | 5,710,253 | 100.00% | 5,461,400 | 100.00% |
| Unearned income | (4,731) | | (5,264) | |
| Total loans and leases, net of unearned income | 5,705,522 | | 5,456,136 | |
| Allowance for loan and lease losses | (70,474) | | (68,246) | |
| Total net loans and leases | \$ 5,635,048 | | \$ 5,387,890 | |

The carrying value of investment securities decreased \$2.5 million during the 2007 six months, as compared to the balance at December 31, 2006. During the 2007 six months, Alabama National purchased \$50.5 million of investment securities and received \$53.2 million from maturities and calls, including principal paydowns of mortgage backed securities.

The carrying value of securities available for sale decreased \$36.8 million in the 2007 six months compared to year-end 2006. During the 2007 six months, purchases of available for sale securities totaled \$10.6 million, maturities, calls, and sales of available for sale securities totaled \$44.1 million. The change in the unrealized losses on available for sale securities increased \$2.2 million, net of income taxes, during the 2007 six months.

Trading account securities, which had a balance of \$3.0 million at June 30, 2007, are securities owned by Alabama National prior to sale and delivery to Alabama National's customers. It is the policy of Alabama National to limit positions in such securities to reduce its exposure to market and interest rate changes. Federal funds sold and securities purchased under agreements to resell totaled \$83.6 million at June 30, 2007 and \$89.9 million at December 31, 2006.

Deposits and Other Funding Sources

Deposits increased by \$217.9 million from December 31, 2006, to \$5.79 billion at June 30, 2007. Deposits continue to increase due to recent branch expansions, successful business development efforts by Alabama National and an overall growth in the economies in the markets served by Alabama National. At June 30, 2007, deposits included \$200.0 million of brokered time deposits, compared to \$154.4 million at December 31, 2006.

Federal funds purchased and securities sold under agreements to repurchase totaled \$611.3 million at June 30, 2007, a decrease of \$16.0 million from December 31, 2006. These balances typically vary with liquidity, loan demand, and investment securities purchases at downstream correspondents and corporate repurchase customers. Short-term borrowings at June 30, 2007 totaled \$133.4 million, including a note payable to a third party bank of \$26.0 million, advances from the Federal Home Loan Bank of Atlanta (FHLB of Atlanta) totaling \$104.0 million and a subsidiary overnight bank overdraft of \$3.4 million.

Alabama National's short-term borrowings at June 30, 2007 and December 31, 2006 are summarized as follows:

SHORT-TERM BORROWINGS

(Amounts in thousands)

| | June 30, 2007 | December 31, 2006 |
|--|-------------------|----------------------|
| Note payable to third-party bank under secured master note agreement; rate varies with LIBOR and was 5.97% and 6.00% at June 30, 2007 and December 31, 2006, respectively; collateralized by the Company's stock in a subsidiary bank. Matures on May 31, 2008 | \$ 26,000 | \$ 15,800 |
| Subsidiary overnight bank overdraft at correspondent bank | 3,372 | |
| FHLB open ended notes payable; rate varies daily based on the FHLB Daily Rate Credit interest price and was 5.50% at December 31, 2006 | | 7,530 |
| FHLB borrowings due at various maturities ranging from July 2, 2007 through March 26, 2008 at June 30, 2007; at December 31, 2006, maturities ranged from January 18, 2007 to December 14, 2007; bearing interest at fixed and variable rates ranging from 3.57% to 5.51% at June 30, 2007, and at December 31, 2006 included fixed and variable rates ranging from 2.93% to 5.44% | 104,000 | 138,500 |
| Total short-term borrowings | \$ 133,372 | \$ 161,830 |

Alabama National's long-term debt at June 30, 2007 and December 31, 2006 is summarized as follows:

LONG-TERM DEBT

(Amounts in thousands)

| | June 30, 2007 | December 31, 2006 |
|---|------------------|----------------------|
| FHLB borrowings due at various maturities ranging from June 26, 2009 through March 1, 2017 at June 30, 2007; at December 31, 2006, maturities ranged from January 29, 2008 to December 19, 2016; bearing interest at fixed rates ranging from 2.91% to 6.00% at March 31, 2007 and December 31, 2006; convertible to variable rate advances at the option of the FHLB at dates ranging from April 23, 2007 to December 19, 2009 | \$ 325,957 | \$ 283,978 |
| FHLB borrowings due at various maturities ranging from November 5, 2008 to April 6, 2011 at June 30, 2007 and December 31, 2006; rate varies quarterly with LIBOR and was 5.36% at June 30, 2007 and 5.37% at December 31, 2006 | 53,000 | 55,000 |
| Note payable to third-party bank under secured master note agreement; rate varies with LIBOR and was 6.12% and 6.15% at June 30, 2007 and December 31, 2006, respectively; collateralized by the Company's stock in a subsidiary bank. Matures on March 31, 2009 | 16,000 | 16,000 |
| Junior subordinated debentures payable to unconsolidated trusts due at dates ranging from December 18, 2031 to March 29, 2035; rates vary quarterly with LIBOR and ranged from 7.31% to 9.25% at June 30, 2007; at December 31, 2006 rates ranged from 7.31% to 9.25% | 47,421 | 47,421 |

| | | |
|----------------------|------------|------------|
| Total long-term debt | \$ 442,378 | \$ 402,399 |
|----------------------|------------|------------|

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Nonperforming loans are comprised of loans past due 90 days or more and still accruing interest, loans accounted for on a nonaccrual basis and loans in which the terms have been restructured to provide a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower. At June 30, 2007, Alabama National had no loans past due 90 days or more and still accruing interest. Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that the collection of interest is doubtful. It is Alabama National's policy to place a delinquent loan on nonaccrual status when it becomes 90 days or more past due. When a loan is placed on nonaccrual status, all interest that is accrued on the loan is reversed and deducted from earnings as a reduction of reported interest. No additional interest is accrued on the loan balance until the collection of both principal and interest becomes reasonably certain. When a problem loan is finally resolved, there may ultimately be an actual writedown or charge-off of the principal balance of the loan which would necessitate additional charges to the allowance for loan and lease losses.

At June 30, 2007, nonperforming assets totaled \$18.4 million, compared to \$11.7 million at year-end 2006. Nonperforming assets as a percentage of period-end loans plus other real estate were 0.32% at June 30, 2007, compared to 0.21% at December 31, 2006. The following table presents Alabama National's nonperforming assets for the dates indicated.

NONPERFORMING ASSETS**(Amounts in thousands, except percentages)**

| | June 30, 2007 | December 31, 2006 |
|--|--------------------------|------------------------------|
| Nonaccrual loans | \$ 10,686 | \$ 10,921 |
| Restructured loans | | |
| Loans past due 90 days or more and still accruing | | |
| Total nonperforming loans | 10,686 | 10,921 |
| Other real estate owned | 7,678 | 790 |
| Total nonperforming assets | \$ 18,364 | \$ 11,711 |
| Allowance for loan and lease losses to period-end loans | 1.24% | 1.25% |
| Allowance for loan and lease losses to period-end nonperforming loans | 659.50 | 624.91 |
| Allowance for loan and lease losses to period-end nonperforming assets | 383.76 | 582.75 |
| Net charge-offs to average loans (1) | 0.10 | 0.02 |
| Nonperforming assets to period-end loans and other real estate owned | 0.32 | 0.21 |
| Nonperforming loans to period-end loans | 0.19 | 0.20 |

(1) Excludes average loans held for sale.

Net loan charge-offs for the 2007 six months totaled \$2.8 million, or 0.10% (annualized) of average loans and leases for the period (excluding loans held for sale). Net loan charge-offs for the 2007 second quarter totaled \$2.5 million, or 0.18% (annualized) of average loans and leases for the period (excluding loans held for sale). The allowance for loan and lease losses as a percentage of total loans, net of unearned income, was 1.24% at June 30, 2007, compared to 1.25% at December 31, 2006. The following table analyzes activity in the allowance for loan and lease losses for the periods indicated.

ANALYSIS OF THE ALLOWANCE FOR LOAN AND LEASE LOSSES**(Amounts in thousands)**

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| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2007 | 2006 | 2007 | 2006 |
| Allowance for loan and lease losses at beginning of period | \$ 69,677 | \$ 53,848 | \$ 68,246 | \$ 52,815 |
| Charge-offs: | | | | |
| Commercial, financial and agricultural | 465 | 219 | 615 | 452 |
| Real estate - mortgage | 2,122 | 66 | 2,318 | 151 |
| Consumer | 212 | 228 | 367 | 415 |
| Total charge-offs | 2,799 | 513 | 3,300 | 1,018 |
| Recoveries: | | | | |
| Commercial, financial and agricultural | 57 | 188 | 91 | 259 |
| Real estate - mortgage | 152 | 11 | 191 | 35 |
| Consumer | 114 | 206 | 211 | 406 |
| Total recoveries | 323 | 405 | 493 | 700 |
| Net charge-offs | 2,476 | 108 | 2,807 | 318 |
| Provision for loan and lease losses | 3,273 | 1,920 | 5,035 | 3,163 |
| Additions to allowance through acquisitions | | 5,079 | | 5,079 |
| Allowance for loan and lease losses at end of period | \$ 70,474 | \$ 60,739 | \$ 70,474 | \$ 60,739 |

The 2007 net charge-offs were concentrated in four relationships where losses were recognized during the 2007 second quarter. In each case, the borrower was unable to continue to repay the loan, necessitating the repossession of the collateral (real estate). The Company obtained a new appraisal on each of these properties and wrote its asset down in each case to an amount equal to 80% of the value indicated in these appraisals, which is management's best estimate of the net realizable value of the loan's collateral. The losses from these write-downs totaled approximately \$2.3 million during the 2007 second quarter.

The loan and lease portfolio is periodically reviewed to evaluate the outstanding loans and leases and to measure both the performance of the portfolio and the adequacy of the allowance for loan and lease losses. This analysis includes a review of delinquency trends, actual losses, internal credit ratings and other related factors. Based on this analysis, management considers the allowance for loan and lease losses at June 30, 2007 to be adequate to cover probable loan and lease losses in the portfolio as of that date. However, because of the inherent uncertainty of assumptions made during the evaluation process, there can be no assurance that loan and lease losses in future periods will not exceed the allowance for loan and lease losses or that additions to the allowance will not be required.

Interest Rate Sensitivity

Alabama National monitors and manages the pricing and maturity of its assets and liabilities in order to diminish the potential adverse impact that changes in interest rates could have on net interest income. The principal monitoring technique employed by Alabama National is simulation analysis, which technique is augmented by gap analysis.

In simulation analysis, Alabama National reviews each individual asset and liability category and its projected behavior in various different interest rate environments. These projected behaviors are based upon management's past experiences and upon current competitive environments, including the various environments in the different markets in which Alabama National competes. Using this projected behavior and differing rate scenarios as inputs, the simulation

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analysis generates as output a projection of net interest income. Alabama National also periodically verifies the validity of this approach by comparing actual results with those that were projected in previous models. See **Market Risk**.

Another technique used by Alabama National in interest rate management is the measurement of the interest sensitivity gap, which is the positive or negative dollar difference between assets and liabilities that are subject to interest rate repricing within a given period of time. Interest rate sensitivity can be managed by repricing assets and liabilities, selling securities available for sale, replacing an asset or liability at maturity or by adjusting the interest rate during the life of an asset or liability.

Alabama National evaluates interest sensitivity risk and then formulates guidelines regarding asset generation and repricing, and sources and prices of off-balance sheet commitments in order to decrease interest sensitivity risk. Alabama National uses computer simulations to measure the net income effect of various interest rate scenarios. The modeling reflects interest rate changes and the related impact on net income over specified periods of time.

The following table illustrates Alabama National's interest rate sensitivity at June 30, 2007, assuming relevant assets and liabilities are collected and paid, respectively, based upon historical experience rather than their stated maturities.

INTEREST SENSITIVITY ANALYSIS

(Amounts in thousands, except ratios)

| | June 30, 2007 | | | | |
|--|------------------------------------|--|-------------------------------|--------------------------------|---------------------|
| | Zero Through Three Months | After Three Through Twelve Months | One Through Three Years | Greater Than Three Years | Total |
| Assets: | | | | | |
| Earning assets: | | | | | |
| Loans (1) | \$ 3,191,154 | \$ 703,575 | \$ 1,059,250 | \$ 780,369 | \$ 5,734,348 |
| Securities (2) | 40,389 | 150,196 | 490,618 | 503,493 | 1,184,696 |
| Trading securities | 3,000 | | | | 3,000 |
| Interest-bearing deposits in other banks | 25,419 | | | | 25,419 |
| Funds sold | 83,627 | | | | 83,627 |
| Total interest-earning assets | \$ 3,343,589 | \$ 853,771 | \$ 1,549,868 | \$ 1,283,862 | \$ 7,031,090 |
| Liabilities: | | | | | |
| Interest-bearing liabilities: | | | | | |
| Interest-bearing deposits: | | | | | |
| Demand deposits | \$ 758,956 | \$ | \$ | \$ 449,487 | \$ 1,208,443 |
| Savings and money market deposits | 650,649 | | | 434,090 | 1,084,739 |
| Time deposits (3) | 879,524 | 1,471,777 | 245,160 | 128,092 | 2,724,553 |
| Funds purchased | 611,291 | | | | 611,291 |
| Short-term borrowings | 130,372 | 3,000 | | | 133,372 |
| Long-term debt | 171,420 | 150,000 | 71,000 | 49,958 | 442,378 |
| Total interest-bearing liabilities | \$ 3,202,212 | \$ 1,624,777 | \$ 316,160 | \$ 1,061,627 | \$ 6,204,776 |
| Period gap | \$ 141,377 | \$ (771,006) | \$ 1,233,708 | \$ 222,235 | |
| Cumulative gap | \$ 141,377 | \$ (629,629) | \$ 604,079 | \$ 826,314 | \$ 826,314 |
| Ratio of cumulative gap to total earning assets | 2.01% | (8.95)% | 8.59% | 11.75% | |

(1) Excludes nonaccrual loans of \$10.7 million.

(2) Excludes investment in equity securities with a fair market value of \$41.8 million.

(3) Excludes matured certificates which have not been redeemed by customers and on which no interest is accruing.

Alabama National generally benefits from increasing market rates of interest when it has an asset-sensitive gap and generally benefits from decreasing market rates of interest when it is liability sensitive. As shown in the table above, Alabama National is asset sensitive in total, but is liability sensitive in the after three through twelve month time frame. The analysis presents only a static view of the timing and repricing opportunities, without taking into consideration that changes in interest rates do not affect all assets and liabilities equally. For example, rates paid on a substantial portion of core deposits may change contractually within a relatively short time frame, but those are viewed by management as significantly less interest sensitive than market-based rates such as those paid on non-core deposits. For this and other reasons, management relies more upon the simulation analysis (as noted above) in managing interest rate risk. Net interest income may be affected by other significant factors in a given interest rate environment, including changes in the volume and mix of interest earning assets and interest-bearing liabilities.

Market Risk

Alabama National's earnings are dependent, to a large degree, on its net interest income, which is the difference between interest income earned on all earning assets, primarily loans and securities, and interest paid on all interest bearing liabilities, primarily deposits. Market risk is the risk of loss from adverse changes in market prices and interest rates. Alabama National's market risk arises primarily from inherent interest rate risk in its lending, investing and deposit gathering activities. Alabama National seeks to reduce its exposure to market risk through actively monitoring and managing its interest rate risk. Management relies upon static gap analysis to determine the degree of mismatch in the maturity and repricing distribution of interest earning assets and interest bearing liabilities which quantifies, to a large extent, the degree of market risk inherent in Alabama National's balance sheet. Gap analysis is further augmented by simulation analysis to evaluate the impact of varying levels of prevailing interest rates and the sensitivity of specific earning assets and interest bearing liabilities to changes in those prevailing rates. Simulation analysis consists of evaluating the impact on net interest income given changes from 200 basis points below to 200 basis points above the current prevailing rates. Management makes certain assumptions as to the effect varying levels of interest rates have on certain earning assets and interest bearing liabilities, which assumptions consider both historical experience and consensus estimates of outside sources.

With respect to the primary earning assets, loans and securities, certain features of individual types of loans and specific securities introduce uncertainty as to their expected performance at varying levels of interest rates. In some cases, prepayment options exist whereby the borrower may elect to repay the obligation at any time prior to maturity. These prepayment options make anticipating the performance of those instruments difficult given changes in prevailing interest rates. At June 30, 2007, mortgage backed securities with a carrying value of \$836.9 million, or 10.6% of total assets and

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essentially every loan and lease, net of unearned income (totaling \$5.71 billion, or 72.2% of total assets), carried such prepayment options. Management believes that assumptions used in its simulation analysis about the performance of financial instruments with such prepayment options are appropriate. However, the actual performance of these financial instruments may differ from management's estimates due to several factors, including the diversity and financial sophistication of the customer base, the general level of prevailing interest rates and the relationship to their historical levels, and general economic conditions. The difference between those assumptions and actual results, if significant, could cause the actual results to differ from those indicated by the simulation analysis.

Deposits totaled \$5.79 billion, or 73.2% of total assets, at June 30, 2007. Since deposits are the primary funding source for earning assets, the associated market risk is considered by management in its simulation analysis. Generally, it is anticipated that deposits will be sufficient to support funding requirements. However, the rates paid for deposits at varying levels of prevailing interest rates have a significant impact on net interest income and therefore, must be quantified by Alabama National in its simulation analysis. Specifically, Alabama National's spread, the difference between the rates earned on earning assets and rates paid on interest bearing liabilities, is generally higher when prevailing rates are higher. As prevailing rates decrease, the spread tends to compress, with severe compression at very low prevailing interest rates. This characteristic is called "spread compression" and adversely affects net interest income in the simulation analysis when anticipated prevailing rates are reduced from current rates. Management relies upon historical experience to estimate the degree of spread compression in its simulation analysis. Management believes that such estimates of possible spread compression are reasonable. However, if the degree of spread compression varies from that expected, the actual results could differ from those indicated by the simulation analysis.

The following table illustrates the results of simulation analysis used by Alabama National to determine the extent to which market risk would affect net interest income for the next twelve months if prevailing interest rates increased or decreased by the specified amounts from current rates. As noted above, this model uses estimates and assumptions in asset and liability account rate reactions to changes in prevailing interest rates. The illustration in the following table assumes an instantaneous parallel shift in the yield curve of the indicated magnitude. In addition, in order to isolate the impact of interest rate movements on the Company, this table reflects the anticipated changes in net interest income in such a parallel shift rate environment with no growth in the balance sheet. Because of the inherent use of these estimates and assumptions in the simulation model used to derive this market risk information, the actual results of the future impact of market risk on Alabama National's net interest margin may differ from those found in the table.

MARKET RISK

| | As of June 30, 2007 % Change in Net Interest Income | As of December 31, 2006 % Change in Net Interest Income |
|--|--|--|
| Change in Prevailing Interest Rates (1) | | |
| +200 basis points | (1.05)% | (0.41)% |
| +100 basis points | (0.68) | (0.17) |
| 0 basis points | | |
| -100 basis points | 0.23 | (0.71) |
| -200 basis points | (1.12) | (2.91) |

(1) Assumes an immediate rate change of this magnitude.

Liquidity and Capital Adequacy

Alabama National's net loan and lease to deposit ratio was 97.4% at June 30, 2007, compared to 98.0% at year-end 2006. Alabama National's liquid assets as a percentage of total deposits were 5.0% at June 30, 2007, compared to 5.5% at year-end 2006. At June 30, 2007, Alabama National had unused federal funds lines of approximately \$405.8 million, unused lines at the Federal Home Loan Bank of Atlanta of \$1.5 billion (subject to collateral availability) and a credit line with a third party bank of \$30.0 million with \$26.0 million outstanding. Alabama National also has access to approximately \$115.3 million via a credit facility with the Federal Reserve Bank of Atlanta. At June 30, 2007 and year-end 2006 there were no outstanding borrowings under this credit facility. Management analyzes the level of off-balance sheet assets such as unfunded loan commitments and outstanding letters of credit as they relate to the levels of cash, cash equivalents, liquid investments, and available funds lines in an attempt to minimize the possibility that a potential liquidity shortfall will exist. Based on this analysis, management believes that Alabama National has adequate liquidity to meet short-term operating requirements. However, no assurances can be given in this regard.

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Alabama National's stockholders' equity increased by \$12.0 million from December 31, 2006, to \$865.6 million at June 30, 2007. This increase was attributable to the following components (in thousands):

| | |
|---|------------------|
| Net income | \$ 41,983 |
| Dividends | (16,812) |
| Adoption of FIN 48 | (278) |
| Issuance of stock for option exercises and other stock based compensation | 538 |
| Additional paid in capital related to stock based compensation | 1,166 |
| Excess tax benefit from share based-compensation | 143 |
| Treasury stock purchase | (12,578) |
| Change in unrealized gain or loss on securities available for sale, net of deferred taxes | (2,192) |
| Net increase | \$ 11,970 |

A strong capital position is vital to the continued profitability of Alabama National because it promotes depositor and investor confidence and provides a solid foundation for future growth of the organization. The capital of Alabama National and its subsidiary banks (the Banks) exceeded all prescribed regulatory capital guidelines at June 30, 2007. Under the capital guidelines of their respective regulators, Alabama National and the Banks are currently required to maintain a minimum risk-based total capital ratio of 8%, with at least 4% being Tier 1 capital. Tier 1 capital consists of common

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stockholders' equity, qualifying perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, less goodwill. In addition, Alabama National and the Banks must maintain a minimum Tier 1 leverage ratio (Tier 1 capital to total assets) of at least 4%. The following table sets forth the risk-based and leverage ratios of Alabama National and each subsidiary bank at June 30, 2007:

| | Tier 1 Risk Based | Total Risk Based | Tier 1 Leverage |
|---------------------------------|------------------------------|-----------------------------|----------------------------|
| Alabama National Bancorporation | 9.71% | 10.86% | 7.94% |
| First American Bank | 9.44 | 10.54 | 7.59 |
| Florida Choice Bank | 10.40 | 11.55 | 9.20 |
| Indian River National Bank | 10.55 | 11.66 | 7.54 |
| First Gulf Bank, N.A. | 9.38 | 10.58 | 7.71 |
| The Peachtree Bank | 9.22 | 10.25 | 8.16 |
| Community Bank of Naples, N.A. | 10.42 | 11.66 | 8.45 |
| Georgia State Bank | 10.51 | 11.76 | 8.01 |
| CypressCoquina Bank | 11.12 | 12.22 | 9.65 |
| Millennium Bank | 9.72 | 10.97 | 7.32 |
| Bank of Dadeville | 14.48 | 15.73 | 7.66 |
| Alabama Exchange Bank | 17.63 | 18.90 | 8.38 |
| Required minimums | 4.00 | 8.00 | 4.00 |

Table of Contents**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

The information required by this item is contained in Item 2 herein under the headings Interest Rate Sensitivity and Market Risk.

Item 4. Controls and Procedures.

Pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the Exchange Act), Alabama National carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of Alabama National's disclosure controls and procedures (as such term is defined in Exchange Act Rule 13a-15(e)) as of June 30, 2007, the end of the quarter covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Alabama National's disclosure controls and procedures were effective as of June 30, 2007.

There was no change in Alabama National's internal controls over financial reporting during the quarter ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, Alabama National's internal controls over financial reporting.

PART II. OTHER INFORMATION**Item 1A. Risk Factors**

In addition to other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing Alabama National. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Our share repurchase program for each of the three months ended June 30, 2007 was as follows:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Issuer Purchases of Equity Securities | |
|---------------------------|----------------------------------|------------------------------|--|--|
| | | | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a) | Maximum Number of Shares That May Yet Be Purchased Under the Plans (a) |
| April 1 to April 30, 2007 | | | | 1,000,000 |
| May 1 to May 31, 2007 | 200,000 | \$ 62.89 | 200,000 | 800,000 |
| June 1 to June 30, 2007 | | \$ | | 800,000 |
| Total | 200,000 | \$ 62.89 | 200,000 | 800,000 |

- (a) On April 18, 2007, Alabama National announced that its board of directors authorized the repurchase of up to 1,000,000 shares of its common stock either through open market purchases or private transactions. The number of shares actually acquired will be subject to management discretion and will depend upon subsequent developments, market availability and other factors. The share repurchase authorization will expire on December 31, 2008.

Item 4. Submission of Matters to a Vote of Security Holders

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Alabama National held its Annual Meeting of Stockholders on May 23, 2007. At the meeting, the stockholders of Alabama National were asked to vote on several matters, including the election of 15 directors to serve until the next annual meeting of stockholders. The results of the stockholder voting on all matters submitted to stockholder vote are summarized as follows:

Proposal 1 Election of Directors:

| | VOTES | |
|-----------------------|--------------|-----------------------|
| | FOR | WITHHOLD AUTHORITY |
| W. Ray Barnes | 17,389,137.2 | 142,691.2 |
| Bobby A. Bradley | 17,388,657.2 | 143,171.2 |
| Dan M. David | 17,133,880.2 | 397,948.2 |
| Griffin A. Greene | 17,378,959.2 | 152,869.2 |
| John H. Holcomb, III | 17,184,440.2 | 347,388.2 |
| John D. Johns | 17,235,074.2 | 296,754.2 |
| John J. McMahon, Jr. | 17,000,182.2 | 531,646.2 |
| C. Phillip McWane | 17,000,896.2 | 530,932.2 |
| William D. Montgomery | 17,331,297.2 | 200,531.2 |
| Richard Murray, IV | 17,133,637.2 | 398,191.2 |
| G. Ruffner Page, Jr. | 17,132,711.2 | 399,117.2 |
| John M. Plunk | 16,579,223.2 | 952,605.2 |
| William Britt Sexton | 17,390,255.2 | 141,573.2 |
| W. Stancil Starnes | 16,521,563.2 | 1,010,265.2 |
| W. Edgar Welden | 17,386,566.2 | 145,262.2 |

Proposal 2 Approval of 2008 Annual Incentive Plan:

| VOTES FOR | VOTES AGAINST | ABSTAIN | NON-VOTES |
|--------------|------------------|----------|-------------|
| 13,651,276.8 | 489,594.2 | 83,098.3 | 3,307,859.0 |

Proposal 3 Approval of Second Amendment to Performance Share Plan:

| VOTES FOR | VOTES AGAINST | ABSTAIN | NON-VOTES |
|--------------|------------------|-----------|-------------|
| 13,652,278.6 | 465,605.6 | 106,085.1 | 3,307,859.0 |

Proposal 4 Ratification of Appointment of Independent Registered Public Accounting Firm:

| VOTES FOR | VOTES AGAINST | ABSTAIN | NON-VOTES |
|--------------|------------------|----------|-----------|
| 17,175,681.1 | 270,106.9 | 86,040.3 | |

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Item 6. Exhibits

- Exhibit 3.1 Restated Certificate of Incorporation (Filed as an Exhibit to Alabama National's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 and incorporated herein by reference).
- Exhibit 3.2 First Amendment to Restated Certificate of Incorporation (filed as on exhibit to Alabama National's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 and incorporated herein by reference).
- Exhibit 3.3 Amended and Restated Bylaws (filed as an Exhibit to Alabama National's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- Exhibit 10.1 Alabama National BanCorporation 2008 Annual Incentive Plan.
- Exhibit 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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 thereunto duly authorized.

ALABAMA NATIONAL BANCORPORATION

Date: August 8, 2007

/s/ John H. Holcomb, III
John H. Holcomb, III, its Chairman and Chief Executive Officer

Date: August 8, 2007

/s/ William E. Matthews, V
William E. Matthews, V, its Executive Vice President and Chief
Financial Officer