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 QUARTER ENDED JUNE 30, 2005

0-25160

(Commission File No.)

ALABAMA NATIONAL BANCORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**63-1114426**
(State of incorporation)	**(IRS employer identification number)**

1927 First Avenue North, Birmingham, Alabama	**35203-4009**
(Address of principal executive offices)	**(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 x No ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No ¨

The registrant has 17,030,033 shares of common stock, par value $1.00 per share, outstanding at August 4, 2005.

Table of Contents

INDEX

ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

FORWARD-LOOKING INFORMATION

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), 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, 2004. 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.

2

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, 2005	December 31, 2004
Assets		
Cash and due from banks	$ 171,355	$ 155,027
Interest-bearing deposits in other banks	19,036	21,274
Federal funds sold and securities purchased under resell agreements	101,587	100,970
Trading securities, at fair value		590
Investment securities (fair values of $559,178 and $566,602)	564,172	568,493
Securities available for sale, at fair value	607,109	631,914
Loans held for sale	32,247	22,313
Loans and leases	3,851,855	3,499,353
Unearned income	(3,168)	(3,652)
Loans and leases, net of unearned income	3,848,687	3,495,701
Allowance for loan and lease losses	(49,637)	(46,584)
Net loans and leases	3,799,050	3,449,117
Property, equipment and leasehold improvements, net	105,092	99,455
Goodwill	144,638	144,396
Other intangible assets, net	9,690	11,286
Cash surrender value of life insurance	72,947	71,535
Receivable from investment division customers	7,625	2,223
Other assets	51,579	37,276
Total assets	$ 5,686,127	$ 5,315,869
Liabilities and Stockholders Equity		
Deposits:		
Noninterest bearing	$ 737,153	$ 683,245
Interest bearing	3,447,014	3,251,478
Total deposits	4,184,167	3,934,723
Federal funds purchased and securities sold under repurchase agreements	501,734	379,114
Treasury, tax and loan accounts		2,217
Accrued expenses and other liabilities	48,962	43,861
Payable for securities purchased for investment division customers	7,230	2,223

Short-term borrowings	83,225	30,500
Long-term debt	311,512	393,688
Total liabilities	$ 5,136,830	$ 4,786,326
Commitments and contingencies (Note B)		
Common stock, $1 par; 50,000,000 and 27,500,000 shares authorized at June 30, 2005 and December 31, 2004, respectively; 17,024,647 and 16,998,918 shares outstanding at June 30, 2005 and December 31, 2004, respectively	17,025	16,999
Additional paid-in capital	341,635	340,161
Retained earnings	193,337	173,345
Accumulated other comprehensive loss, net of tax	(2,700)	(962)
Total stockholders equity	549,297	529,543
Total liabilities and stockholders equity	$ 5,686,127	$ 5,315,869

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,	
	2005	**2004**
Interest income:		
Interest and fees on loans and leases	$ 61,054	$ 44,099
Interest on securities	12,224	11,097
Interest on deposits in other banks	77	17
Interest on trading securities	5	17
Interest on federal funds sold and securities purchased under resell agreements	713	167
Total interest income	74,073	55,397
Interest expense:		
Interest on deposits	$ 17,537	$ 11,263
Interest on federal funds purchased and securities sold under repurchase agreements	3,261	963
Interest on short-term borrowings	870	285
Interest on long-term debt	3,318	3,252
Total interest expense	24,986	15,763
Net interest income	49,087	39,634
Provision for loan and lease losses	1,991	1,278
Net interest income after provision for loan and lease losses	47,096	38,356
Noninterest income:		
Service charges on deposit accounts	$ 4,154	$ 4,520
Investment services income	858	3,273
Securities brokerage and trust income	4,920	4,197
Gain on sale of mortgages	3,417	3,491
Insurance commissions	833	779
Bank owned life insurance	745	683
Gain on disposition of assets	283	57
Other	3,019	2,288
Total noninterest income	18,229	19,288

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,	
	2005	**2004**
Noninterest expense:		
Salaries and employee benefits	$ 20,953	$ 18,992
Commission based compensation	4,011	4,784
Occupancy and equipment expenses	4,342	3,867
Amortization of intangibles	769	842
Other	10,640	9,127
Total noninterest expense	40,715	37,612
Income before provision for income taxes	24,610	20,032
Provision for income taxes	8,415	6,788
Net income	$ 16,195	$ 13,244
Weighted average common shares outstanding:		
Basic	17,184	15,555
Diluted	17,394	15,806
Earnings per common share:		
Basic	$ 0.94	$ 0.85
Diluted	$ 0.93	$ 0.84
Cash dividends per common share	$ 0.3375	$ 0.3125

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,	
	2005	2004
Interest income:		
Interest and fees on loans and leases	$ 116,220	$ 84,312
Interest on securities	24,326	19,852
Interest on deposits in other banks	125	28
Interest on trading securities	9	35
Interest on federal funds sold and securities purchased under resell agreements	1,237	300
Total interest income	141,917	104,527
Interest expense:		
Interest on deposits	$ 32,395	$ 21,479
Interest on federal funds purchased and securities sold under repurchase agreements	5,629	1,960
Interest on short-term borrowings	1,276	579
Interest on long-term debt	6,625	6,205
Total interest expense	45,925	30,223
Net interest income	95,992	74,304
Provision for loan and lease losses	3,535	2,506
Net interest income after provision for loan and lease losses	92,457	71,798
Noninterest income:		
Service charges on deposit accounts	$ 8,084	$ 8,331
Investment services income	2,003	7,180
Securities brokerage and trust income	9,441	8,296
Gain on sale of mortgages	6,087	6,033
Insurance commissions	1,628	1,737
Bank owned life insurance	1,399	1,410
Securities gains	72	
Gain on disposition of assets	711	37
Other	5,587	3,904
Total noninterest income	35,012	36,928

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,	
	2005	**2004**
Noninterest expense:		
Salaries and employee benefits	$ 41,406	$ 36,671
Commission based compensation	7,505	9,549
Occupancy and equipment expenses	8,481	7,365
Amortization of intangibles	1,594	1,324
Other	20,390	16,874
Total noninterest expense	79,376	71,783
Income before provision for income taxes	48,093	36,943
Provision for income taxes	16,418	12,392
Net income	$ 31,675	$ 24,551
Weighted average common shares outstanding:		
Basic	17,178	14,751
Diluted	17,391	14,994
Earnings per common share:		
Basic	$ 1.84	$ 1.66
Diluted	$ 1.82	$ 1.64
Cash dividends per common share	$ 0.6750	$ 0.6250

See accompanying notes to unaudited consolidated financial statements

7

Table of Contents

Alabama National BanCorporation and Subsidiaries

Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands)

	For the Three Months Ended June 30,	
	2005	**2004**
Net income	$ 16,195	$ 13,244
Other comprehensive income:		
Unrealized gains (losses) on securities available for sale arising during the period	8,398	(19,605)
Less: Reclassification adjustment for net gains included in net income		
Other comprehensive income (loss), before tax	8,398	(19,605)
Provision for (benefit of) income taxes related to items of other comprehensive income (loss)	3,013	(6,948)
Other comprehensive income (loss)	5,385	(12,657)
Comprehensive income	$ 21,580	$ 587

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,	
	2005	**2004**
Net income	$ 31,675	$ 24,551
Other comprehensive income:		
Unrealized losses on securities available for sale arising during the period	(2,620)	(11,985)
Less: Reclassification adjustment for net gains included in net income	72	
Other comprehensive loss, before tax	(2,692)	(11,985)
Benefit of income taxes related to items of other comprehensive loss	(954)	(4,234)
Other comprehensive loss	(1,738)	(7,751)
Comprehensive income	$ 29,937	$ 16,800

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,	
	2005	**2004**
Net cash flows provided by operating activities	$ 20,103	$ 26,424
Cash flows from investing activities:		
Proceeds from calls and maturities of investment securities	45,911	70,597
Purchases of investment securities	(41,577)	(316,817)
Purchases of securities available for sale	(106,536)	(372,950)
Proceeds from sale of securities available for sale	11,306	5,162
Proceeds from calls and maturities of securities available for sale	117,139	504,519
Net decrease (increase) in interest bearing deposits in other banks	2,238	(4,419)
Net increase in federal funds sold and securities purchased under resell agreements	(617)	(29,314)
Net increase in loans and leases	(354,403)	(177,179)
Purchase acquisitions, net of cash acquired	(325)	28,866
Purchases of property, equipment and leasehold improvements	(8,994)	(7,990)
Cash paid for bank owned life insurance	(27)	
Proceeds from sale of other real estate owned and fixed assets	2,796	734
Net cash used in investing activities	(333,089)	(298,791)
Cash flows from financing activities:		
Net increase in deposits	249,444	312,531
Net increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	122,620	(25,963)
Net increase (decrease) in short-term borrowings	31,508	(10,755)
Repayments of long-term debt	(63,000)	
Proceeds from long-term debt		24,000
Dividends on common stock	(11,487)	(9,619)
Other	229	1,754
Net cash provided by financing activities	329,314	291,948
Increase in cash and cash equivalents	16,328	19,581
Cash and cash equivalents, beginning of period	155,027	123,086
Cash and cash equivalents, end of period	$ 171,355	$ 142,667
Supplemental schedule of noncash investing and financing activities		
Acquisition of collateral in satisfaction of loans	$ 935	$ 2,001
Adjustment to market value of securities available for sale, net of deferred income taxes	$ (1,738)	$ (7,751)
Assets acquired in business combinations	$	$ 781,225

Liabilities assumed in business combinations	$	$ 641,764

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

ALABAMA NATIONAL BANCORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited 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, 2005 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, 2005. 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, 2004.

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, 2005, the total unfunded commitments which are not reflected in the consolidated statements of financial condition totaled $1.2 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 December 2003, the American Institute of Certified Public Accountants issued Statement of Position 03-3, *Accounting for Certain Loans and Debt Securities Acquired in a Transfer* (SOP 03-3). SOP 03-3 addresses accounting for differences between contractual cash flows expected to be collected and an investor s initial investment in loans or debt securities acquired in a transfer if those differences are attributable, at least in part, to credit quality. SOP 03-3 s application includes loans and debt securities acquired in purchase business combinations. SOP 03-3 limits the yield that may be accreted (accretable yield) to the excess of the investor s estimate of undiscounted expected principal, interest and other cash flows (cash flows expected at acquisition to be collected) over the investor s initial investment in the loan. SOP 03-3 requires that the excess of contractual cash flows over cash flows to be collected (nonaccretable difference) not be recognized as an adjustment of yield, loss accrual or valuation allowance. SOP 03-3 prohibits investors from displaying accretable yield and nonaccretable difference in the balance sheet. Subsequent increases in cash flows expected to be collected generally should be recognized prospectively through adjustment of the loan s yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as impairment. SOP 03-3 prohibits carrying over or creation of valuation allowances in the initial accounting of all loans acquired in a transfer that are within the scope of SOP 03-3. The prohibition of the valuation allowance carryover applies to the purchase of an individual loan, a pool of loans, a group of loans, and loans acquired in a purchase business combination. SOP 03-3 is effective for loans acquired in fiscal years beginning after December 15, 2004. The changes required by this SOP have not had and are not expected to have a material impact on Alabama National s financial condition or results of operations.

Table of Contents

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

On December 16, 2004, the FASB issued SFAS 123(R), *Share-Based Payment,* which is a revision of SFAS 123, *Accounting for Stock-Based Compensation*. SFAS 123(R) supersedes APB Opinion 25, *Accounting for Stock Issued to Employees*, and amends SFAS 95, *Statement of Cash Flows*. Generally the approach in SFAS 123(R) is similar to the approach described in SFAS 123. However, SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on fair values. SFAS 123(R) was originally effective for interim or annual periods beginning after June 15, 2005. However, in April 2005 the Securities and Exchange Commission (SEC) amended this requirement allowing companies to adopt the standard at the beginning of their next fiscal year that begins after June 15, 2005. Early adoption will be permitted in periods in which financial statements have not yet been issued. Alabama National currently uses a fair value-based method of accounting for compensation costs and has fully adopted and implemented the expense recognition provisions of SFAS 123. Accordingly, Alabama National does not expect the changes required by SFAS 123(R) to have a material impact on Alabama National s financial condition or results of operations.

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

Table of Contents

NOTE D - EARNINGS PER SHARE

The following table reflects the reconciliation of the numerator and denominator of the basic earnings per share computation to the diluted earnings per share computation for the three months and six months ended June 30, 2005 and 2004 (in thousands except per share data).

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands, except per share data)			
Basic Earnings Per Share:				
Net income available to common shareholders	$ 16,195	$ 13,244	$ 31,675	$ 24,551
Weighted average basic common shares outstanding	17,184	15,555	17,178	14,751
Basic Earnings Per Share	$ 0.94	$ 0.85	$ 1.84	$ 1.66
Diluted Earnings Per Share:				
Net income available to common shareholders	$ 16,195	$ 13,244	$ 31,675	$ 24,551
Weighted average common shares outstanding	17,184	15,555	17,178	14,751
Effect of dilutive securities	210	251	213	243
Weighted average diluted common shares outstanding	17,394	15,806	17,391	14,994
Diluted Earnings Per Share	$ 0.93	$ 0.84	$ 1.82	$ 1.64

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. 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	Securities Brokerage & Trust Division	Mortgage Lending Division	Insurance Services Division	Retail and Commercial Banking	Corporate Overhead	Elimination Entries	Total
Three Months Ended June 30, 2005:								
Interest income	$	$ 372	$ 379	$	$ 73,406	$ (29)	$ (55)	$ 74,073
Interest expense		55	168		23,928	890	(55)	24,986
Net interest income		317	211		49,478	(919)		49,087
Provision for loan and lease losses					1,991			1,991
Noninterest income	858	4,920	3,691	846	7,886	28		18,229

Noninterest expense	1,167	4,637	2,584	868	29,263	2,196		40,715
Net income (loss) before tax	$ (309)	$ 600	$ 1,318	$ (22)	$ 26,110	$ (3,087)	$	$ 24,610
Total assets as of June 30, 2005	$ 7,791	$ 33,151	$ 33,107	$ 3,705	$ 5,596,711	$ 11,662	$	$ 5,686,127
Three Months Ended June 30, 2004:								
Interest income	$	$ 277	$ 273	$	$ 54,886	$ (28)	$ (11)	$ 55,397
Interest expense		26	75		15,024	649	(11)	15,763
Net interest income		251	198		39,862	(677)		39,634
Provision for loan and lease losses					1,278			1,278
Noninterest income	3,273	4,197	3,335	779	7,685	19		19,288
Noninterest expense	2,512	3,934	2,253	853	26,386	1,674		37,612
Net income (loss) before tax	$ 761	$ 514	$ 1,280	$ (74)	$ 19,883	$ (2,332)	$	$ 20,032
Total assets as of June 30, 2004	$ 50,110	$ 29,019	$ 20,771	$ 4,063	$ 4,826,007	$ 9,479	$	$ 4,939,449
Six Months Ended June 30, 2005:								
Interest income	$	$ 716	$ 654	$	$ 140,698	$ (58)	$ (93)	$ 141,917
Interest expense		93	245		43,984	1,696	(93)	45,925
Net interest income		623	409		96,714	(1,754)		95,992
Provision for loan and lease losses					3,535			3,535
Noninterest income	2,003	9,441	6,501	1,645	15,362	60		35,012
Noninterest expense	2,305	8,914	4,773	1,697	57,144	4,543		79,376
Net income (loss) before tax	$ (302)	$ 1,150	$ 2,137	$ (52)	$ 51,397	$ (6,237)	$	$ 48,093
Six Months Ended June 30, 2004:								
Interest income	$	$ 545	$ 475	$	$ 103,605	$ (57)	$ (41)	$ 104,527
Interest expense		56	131		28,864	1,213	(41)	30,223
Net interest income		489	344		74,741	(1,270)		74,304
Provision for loan and lease losses					2,506			2,506
Noninterest income	7,180	8,296	5,989	1,737	13,691	35		36,928
Noninterest expense	5,365	7,802	4,060	1,776	49,713	3,067		71,783
Net income (loss) before tax	$ 1,815	$ 983	$ 2,273	$ (39)	$ 36,213	$ (4,302)	$	$ 36,943

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.

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 Insurance Services Division for the six months ended June 30, 2005 are as follows (in thousands):

	Retail and Commercial Banking	Insurance Division
Balance, December 31, 2004	$ 141,703	$ 2,693
Acquired goodwill	216	
Other goodwill adjustments	26	
Balance, June 30, 2005	$ 141,945	$ 2,693

During the first quarter of 2005 Alabama National purchased the minority interest in one of its bank subsidiaries. The total purchase price was $325,000. This transaction resulted in the recognition of $216,000 of additional goodwill. Other goodwill adjustments relate to the refinement of the fair values assigned to the assets and liabilities of a previous acquisition.

Intangible assets as of June 30, 2005 and December 31, 2004 are as follows (in thousands):

	As of June 30, 2005		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortizing intangible assets			
Core deposit intangibles	$ 18,130	$ (8,703)	$ 9,427
Other customer intangibles	803	(540)	263
Total amortizing intangible assets	$ 18,933	$ (9,243)	$ 9,690

	As of December 31, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortizing intangible assets:			
Core deposit intangibles	$ 18,130	$ (7,172)	$ 10,958
Other customer intangibles	803	(475)	328
Total amortizing intangible assets	$ 18,933	$ (7,647)	$ 11,286

During the six months ended June 30, 2005 and 2004, Alabama National recognized $1.6 million and $1.3 million of other intangible amortization expense, respectively, and during the three months ended June 30, 2005 and 2004, Alabama National recognized $769,000 and $842,000 of other intangible expense, respectively. Based upon recorded intangible assets as of June 30, 2005, aggregate amortization expense for each of the next five years is estimated to be $2.9 million, $2.5 million, $1.9 million, $1.2 million and $0.9 million, respectively.

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,	
	2005	2004	2005	2004
Service cost	$	$	$	$
Interest cost	91	92	182	183
Expected return on plan assets	(122)	(118)	(243)	(235)
Amortization of prior service cost				
Amortization of transition asset				
Amortization of net loss	8	8	16	17
Net periodic pension income	$ (23)	$ (18)	$ (45)	$ (35)

Table of Contents

As of June 30, 2005, Alabama National has not made any 2005 contributions to the defined benefit pension plan because the plan is fully funded and Alabama National does not anticipate making any contributions in the year ended December 31, 2005. 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, 2005, 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	$ 1,707	$ 7	$ 18,613	$ 360	$ 20,320	$ 367
Obligations of states and political subdivisions	268	1	1,100	17	1,368	18
Mortgage-backed securities issued or guaranteed by U.S. government corporations and agencies	106,781	1,072	259,290	4,834	366,071	5,906
Total investment securities	$ 108,756	$ 1,080	$ 279,003	$ 5,211	$ 387,759	$ 6,291
Securities Available for Sale						
Debt securities:						
U.S. treasury securities and obligations of U.S. government corporations and agencies	$ 7,972	$ 35	$ 175,083	$ 2,659	$ 183,055	$ 2,694
Obligations of states and political subdivisions	863	2	5,991	146	6,854	148
Mortgage-backed securities issued or guaranteed by U.S. government corporations and agencies	27,844	181	216,056	3,176	243,900	3,357
Total debt securities	36,6lvetica,sans-serif">					

For consulting services charged by a related person of the President	$ 54,600	$ 63,875	$ 11,250
For geological consulting services on mineral claim	$ 68,060	$ -	$ -

interests charged by an Officer of the Company			
For secretarial and administrative services charged by a private company which a director has a 50% interest and any director's fees paid.	$ 53,704	$ 59,362	$ 41,405

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

10

SUPPLEMENTARY CASH FLOW INFORMATION

The statement of cash flows reflected the new requirement under Section 1540 of the Canadian Institute of Chartered Accountants Handbook.

The Company conducted non-cash activities as follows:

	Sept. 30, 2004	Dec. 31, 2003	Dec. 31, 2002
Financing Activities			
Common shares issued for mineral claim interests	$ -	$ 60,000	$ 120,000

11

SEGMENTED INFORMATION

The Company's operations consist of mineral exploration in Canada. The other principal assets which are held in Canada consist primarily of cash, term deposits, and corporate notes.

	Sept. 30, 2004	Dec. 31. 2003
CANADA		
Current Assets	$ 26,285,101	$ 24,833,006
Mineral Claim Interests	4,174,493	3,487,296
Property and Equipment	266,010	28,999
	30,725,604	28,349,301
U.S.A.		
Current Assets	4,156	10,228
Investment Property	-	110,867
	4,156	121,095
TOTAL ASSETS	$ 30,729,760	$ 28,470,396

12

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, term deposits, corporate notes, amounts receivable, accounts payable and finance contract payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of cash, term deposits, corporate notes, amounts receivable and accounts payable approximate their carrying values due to the relatively short period to maturity of these instruments. At September 30, 2004 the Company had $355,092 in US dollars, comprised of $3,294 in a current account and $351,798 in a bankers acceptance note, due November 15, 2004.

13

COMMITMENTS

The Company entered into an executive services contract with its President on April 23, 2003 to provide services as chief executive officer of the Company for a five year term on a per diem fee basis at $500 per day during 2003. The per diem fee is subject to review on an annual basis at the discretion of the board of directors. This contract has been amended as of October 18, 2004 to provide for services as chair of the Board of Directors. A new chief executive officer and President has been appointed as of that date.

Under the terms of the option agreement to acquire the "Afton" Mineral Property, the Company is required to issue an additional 400,000 shares in 200,000 share instalments over the next two years and, to perform a work commitment of $6,500,000 over nine years. To September 30, 2004 $5,452,254 has been expended.

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

13

COMMITMENTS [CONT'D]

495,000 common shares are reserved for issuance for stock options and underwriter compensation options. [See notes 8[c] and 8[d]]

14

ENVIRONMENTAL RISKS

Existing and possible future environmental legislation, regulations and action could give rise to additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Regulatory requirements and environmental standards are subject to constant evaluation and may be significantly increased, which could materially and adversely affect the business of the Company or its ability to develop its mineral claim interests on an economic basis. Before production can commence on any property, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals will be obtained on a timely basis or at all. The cost of compliance with changes in government regulations has the potential to reduce the profitability of operations or preclude entirely the economic development of mineral claim interests.

15

DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) which differ in certain material respects from United States generally accepted accounting principles and practices (U.S. GAAP).

[a]

Mineral Claim Interests

Under Canadian GAAP, applicable to junior exploration companies, mineral claim interests acquisitions and exploration expenditures are recorded at cost if the mineral claim interests have economically recoverable reserves or significant mineralization which in the view of management justify additional exploration, as well as any interest and or other related costs incurred to finance these expenditures. (See Note 2(c))

Under U.S. GAAP, the recoverability of capitalized mineral claim interests expenditures are generally considered insupportable until a commercially mineable deposit is determined; therefore, all mineral claim interests expenditures are expensed as incurred.

[b]

Stock Option Compensation

For U.S. GAAP purposes, the Company has elected to continue the guidance set out in Accounting Principle Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employees stock options. Under APB 25, if the exercise price of the Company's employee stock option is below the market value of the underlying share on the date of the grant, APB 25 requires a stock compensation cost to be recognized. For the year ended December 31, 2002, the stock compensation cost was $72,500. For the year ended December 31, 2003 and the nine months ended September 30, 2004 the stock compensation cost was nil.

[c]

Pro Forma Information on Stock-Based Compensation

Under U.S. GAAP, compensation cost must be considered for all stock options granted requiring the Company to utilize both the intrinsic value-based and the fair value based methods of accounting and reporting stock-based compensation. Under Canadian GAAP, effective January 1, 2002, all stock-based awards made to non-employees must be measured and recognized using the fair value based method. The Company has elected to adopt the intrinsic value method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at date of grant, but requires pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted.

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

15

DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

[c]

Pro Forma Information on Stock-Based Compensation [Cont'd]

Further, Statement of Financial Accounting Standards No. 123: Accounting for Stock-Based Compensation ("SFAS 123") requires additional disclosure to reflect the results of the Company as if it had elected to follow SFAS 123. SFAS 123 requires a fair value based method of accounting for stock options using the Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options and require the input of and are highly sensitive to subjective assumptions including the expected stock price volatility. Stock options granted by the Company have characteristics significantly different from those traded options. In the opinion of management, the existing model does not provide a reliable single measure of the fair value of stock options granted by the Company.

In accordance with SFAS 123, the following is a summary of the changes in the Company's stock options for the following fiscal years:

	Nine Months Ended September 30, 2004		**Year Ended December 31, 2003**		**Year Ended December 31, 2002**	
	Number Of Shares	**Weighted Average Exercise Price**	**Number Of Shares**	**Weighted Average Exercise Price**	**Number Of Shares**	**Weighted Average Exercise Price**
Balance exercisable at beginning of period	840,000	$ 3.03	890,000	$ 3.04	518,000	$ 3.17
Granted	100,000	6.50	-	-	470,000	3.06
Exercised	(790,000)	3.02	(50,000)	3.00	-	-
Expired	-	-	-	-	(33,000)	4.00
Cancelled	-	-	-	-	(65,000)	3.00
Options Price Reduction	-	-	-	-	-	[1] 1.00
Balance exercisable at end of period	150,000	$ 5.35	840,000	$ 3.03	890,000	$ 3.04

[1] Option price amended from $4.00 to $3.00 on 395,000 options

	Nine Months Ended September 30, 2004		**Year Ended December 31, 2003**		**Year Ended December 31, 2002**	
	Number Of Shares	**Weighted Average Exercise Price**	**Number Of Shares**	**Weighted Average Exercise Price**	**Number Of Shares**	**Weighted Average Exercise Price**
Weighted-average fair value of options granted during the period	100,000	$ 6.50	NIL	$ 0.00	470,000	$ 3.06

The stock options issued in the 2004 fiscal period have not yet vested. For the 2002 fiscal year, the weighted-average fair values for stock options were estimated at the date of grant or amendment using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 2.8% volatility factor of the expected market price of the Company's common stock of 56%; option lives of two years; and no expected dividends.

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

[c]

Pro Forma Information on Stock-Based Compensation [Cont'd]

The following is a summary of the Company's net loss and basic and diluted loss per share as reported and pro forma as if the fair value based method of accounting defined in SFAS 123 had been applied for the following fiscal periods:

	Nine Months Ended September 30, 2004		Year Ended December 31, 2003		Year Ended December 31, 2002	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net loss for the period	$ (104,653)	$ (104,653)	$ (1,218,371)	$ (1,218,371)	$ (185,907)	$ (301,188)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.13)	$ (0.13)	$ (0.02)	$ (0.03)

[d]

Application of U.S. GAAP to Financial Statements

The impact of the application of U.S. GAAP to the Company's financial statements are summarized as follows:

BALANCE SHEETS

	Sept. 30, 2004	Dec. 31, 2003	Dec. 31, 2002
Assets			
Mineral claim interests under Canadian GAAP	$ 4,174,493	$ 3,487,296	$ 2,293,327
Add back write-off of mineral claim interests under Canadian GAAP	-	1	5,999
Mineral claim interests expenditures expensed under U.S. GAAP	(687,197)	(1,193,970)	(806,322)
Cumulative historical adjustments	(3,487,296)	(2,293,327)	(1,493,004)
Mineral claim interests under U.S. GAAP	-	-	-
Total Assets Under U.S. GAAP	$ 26,555,267	$ 24,983,100	$ 4,199,498
Shareholders' Equity			
Deficit under Canadian GAAP	$ (3,075,938)	$ (2,971,285)	$ (1,752,914)
Deduct net loss under Canadian GAAP	104,653	1,218,371	185,907
Add net loss under U.S. GAAP	(791,850)	(2,412,340)	(1,064,130)
Cumulative historical adjustments	(3,487,296)	(2,293,327)	(1,493,004)
Deficit under U.S. GAAP	(7,250,431)	(6,458,581)	(4,124,141)
Total Shareholders' Equity Under U.S. GAAP	$ 25,522,930	$ 23,939,780	$ 3,962,662

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

15

DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES [CONT'D]

[d]

Application of U.S. GAAP to Financial Statements [Cont'd]

STATEMENTS OF OPERATIONS

	Nine Months Ended Sept. 30, 2004	Year Ended Dec. 31, 2003	Year Ended Dec. 31, 2002
Loss for the period under Canadian GAAP	$ (104,653)	$ (1,218,371)	$ (185,907)
Add back write-off of mineral claim interests under Canadian GAAP	-	1	5,999
Mineral claim interests expenditures expensed under U.S. GAAP	(687,197)	(1,193,970)	(806,322)
Stock option compensation 16[b]	-	-	(72,500)
Loss for the period under U.S. GAAP	$ (791,850)	$ (2,412,340)	$ (1,064,130)

STATEMENTS OF CASH FLOWS

	Nine Months Ended Sept. 30, 2004	Year Ended Dec. 31, 2003	Year Ended Dec. 31, 2002
Operating Activities			
Loss for the period under U.S. GAAP	$ (791,850)	$ (2,412,340)	$ (1,064,130)
Non-cash issue of shares for mineral claim interests	-	60,000	120,000
Non-cash stock compensation costs	-	-	72,500
Other components of operating activities which are similar under Canadian and U.S. GAAP	(180,804)	965,801	244,775
Net cash used for operating activities under U. S. GAAP	$ (972,654)	$ (1,386,539)	$ (626,855)

[e]

Loss Per Share

Under U.S. GAAP, the presentation of both basic and diluted earnings per share ("EPS") is required for all entities with complex capital structures including a reconciliation of each numerator and denominator. Basic EPS excludes dilutive securities and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding in the year. Diluted EPS reflects the potential dilution that could occur if dilutive securities were converted into common shares and is computed similarly to fully diluted EPS pursuant to previous accounting pronouncements. These requirements under U.S. GAAP apply equally to loss per share presentations.

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

15

DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES [CONT'D]

[e]

Loss Per Share [Cont'd]

The following is a reconciliation of the numerators and denominators of the basic and diluted loss per share calculations:

	Nine Months Ended Sept. 30, 2004	Year Ended Dec. 31, 2003	Year Ended Dec. 31, 2002
Numerator, net loss for the year under U.S. GAAP	$ (791,850)	$ (2,412,340)	$ (1,064,130)
Denominator:			
Weighted-average number of shares under Canadian GAAP	13,356,110	9,746,722	8,704,716
Weighted-average number of shares under U.S. GAAP	13,356,110	9,746,722	8,704,716
Basic and diluted loss per share under U.S. GAAP	$ 0.06	$ 0.25	$ 0.12

Stock options and warrants outstanding were not included in the computation of diluted loss per share as their inclusion would be antidilutive.

[f]

Flow-Through Shares

Under U.S. GAAP, a liability is recognized on the sale of flow-through shares for the premium obtained by the Company, if any, of the sale price per share over the market value at the time of issuance. Under Canadian GAAP, no such premium is recognized. Upon renunciation of the flow-through share proceeds to investors, the liability under U.S. GAAP is reversed and the Company recognizes a deferred tax benefit for this amount. The Company follows the policy or renouncing fully to investors the proceeds of all flow-through financings received during the year, whether the underlying exploration expenditures have been incurred or not, as at its fiscal year end, which coincides with the personal taxation year of individuals in Canada. Accordingly, the Company under a pro-forma application of U.S. GAAP would have recognized no deferred tax benefits or amounts included in current operations, in connection with issuances of flow-through shares.

[g]

Recent Accounting Pronouncements

The FASB has issued No. 143, "Accounting for Asset Retirement Obligations". This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The Company does not expect that the implementation of SFAS No. 143 will have a material impact on its financial position or results of operations.

The FASB has issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". Under this standard, exit costs and restructuring liabilities generally will be recognized only when incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect that the implementation of these guidelines will have a material impact on its financial position or results of operations.

DRC RESOURCES CORPORATION
[An Exploration Stage Company]
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

15

DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES [CONT'D]

[g]

Recent Accounting Pronouncements [Cont'd]

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) has issued CICA 3063, "Impairment of Long-Lived Assets". This statement establishes standards for recognition, measurement and disclosure of the impairment of non-monetary long-lived assets, including property, plant and equipment, intangible assets with finite useful lives, deferred pre-operating costs and long-term prepaid assets. The Company does not expect that the implementation of this new standard will have a material impact on its financial position or results of operations.

The CICA Handbook section, "Asset Retirement Obligations", has replaced the current guidance on future removal and site restoration costs included in CICA 3061, "Property, Plant and Equipment". The standard, which is similar to SFAS No. 143, is effective for years beginning on or after January 1, 2004. This standard requires recognition of a liability at its fair value for the obligation associated with the retirement of a tangible long-lived asset. A corresponding asset retirement cost would be added to the carrying amount of the related asset and amortized to expense over the useful life of the asset. The Company does not expect that the implementation of these guidelines will have a material impact on its financial position or results of operation.

16

SUBSEQUENT EVENTS

In addition to items mentioned elsewhere in these notes, the following has occurred during the period subsequent to September 30, 2004:

- The original contract for underground development work on the Afton property was not completed by the contractor as it did not meet the financial requirements and voluntarily withdrew on September 28, 2004. A new contractor has been asked to perform the work and DRC Resources Corporation is reviewing the contract terms presently.
- On October 12, 2004, the Company granted the new President and chief executive officer the option to purchase 600,000 common shares at an exercise price of $4.60 per share in accordance with the Company's Stock Option Plan. The options are exercisable on or before October 12, 2009.
- On October 13, 2004, the Company granted Orion Securities Inc. a compensation stock option for services rendered with respect to recruiting the new President and chief executive officer for the Company. The Company granted an option to purchase 50,000 common shares at an exercise price of $4.60 per share in accordance with the Company's Stock Option Plan. The options are exercisable on or before October 13, 2006.
- The Company issued 25,000 common shares for cash proceeds of $87,500 upon the exercise of 25,000 stock options at $3.50 per share.